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Can co-ops bring cooperation on health care reform?

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The day after the Obama administration hinted it might drop the option of publicly supported health insurance, politicians and taxpayers scrambled to understand what the alternative to public insurance might look like.

One possibility is health insurance cooperatives. "Co-ops" would provide competition for private insurers, making many Democrats happy, but would not be run by the government, pleasing most Republicans.

Details, though, are sketchy.

"I don't know if that's a new dress on the same old girl or not," said Tom Bowser of Blue Cross and Blue Shield of Kansas City.

But Bowser and others said the co-op proposal shows some movement toward compromise. They said that might revive momentum for comprehensive health care reform after an August of heated town hall meetings stalled that push.

Here's a look at the latest wrinkle in the debate.

What's a health insurance co-op?

A private, nonprofit organization — most likely one in every state — would compete with for-profit companies to offer coverage to individuals and perhaps businesses.

How would a co-op work?

Individuals seeking insurance would go to an "exchange" that would list available health care plans, both from private companies and the co-op. The customer could compare prices and coverage and choose a carrier.

The co-op, as a nonprofit enterprise, would in theory provide the same coverage as the private companies at a slightly lower price. That would force private insurers to lower their prices to compete.

How is that different from the public option?

The co-ops would be owned by its members, not the government, and eventually be run by a member-appointed board.

The government, however, would set up the co-ops, and taxpayers would provide the initial seed money, thought to be \$3 billion to \$6 billion.

Co-ops also would have to follow government-established rules for coverage, cash reserves, availability and perhaps premiums. As a result, many conservatives argue that co-ops are just another name for government-run health care.

"They're trying to deceive their way to health care reform," said Michael Cannon of the Cato Institute, a think tank. "I'm not saying they're lying ... (but) they are not promoting choice and competition" in health insurance by suggesting co-ops as an option.

I like the insurance I get at my workplace. Would I have to change to a co-op?

It's possible but unlikely, said Anne Kim, economic analyst at Third Way, a think tank.

"All the attention has been paid to the first word, which is 'public,' " she said. "More attention should be paid to the second word, which is 'option' — people have a choice."

But Republicans contend companies might be tempted to abandon health care coverage, even if health care reform penalizes firms that fail to provide coverage. Why? Because paying the penalty would be cheaper than paying the premiums — and businesses could still tell workers to sign up for the co-op plan.

An affordable insurance option could also make it easier for workers to change jobs without fear of losing coverage.

What if I can't afford a co-op plan?

States would still run Medicaid, a taxpayer-supported program that provides health care coverage for the poor. Some proposals suggest subsidies or vouchers for the poor to purchase insurance through the exchange, although many Democrats oppose that idea.

Co-ops might include Medicaid patients or offer supplements at a low or subsidized cost. Supporters hope a co-op insurance option would move many people off Medicaid, cutting the cost to taxpayers.

Are any co-ops currently operating?

A few. The best known is Group Health Cooperative in Washington state, which began in 1947. It provides coverage and health care services for more than 580,000 people, according to its Web site.

Several other states have smaller co-ops, including some for farmers seeking insurance coverage. In general, premiums and costs are close to those of private insurers. Some co-ops have failed.

Are co-ops the most important part of health care reform?

No. Even President Barack Obama says setting up a competitor for private insurance is "just one sliver" of the reform package.

Among the other parts are requirements that businesses provide insurance, and that people carry it; cuts in Medicare; requirements that insurance cover customers with pre-existing conditions; cost containment for providers; and subsidies for the poor to obtain insurance.

Why has the co-op idea surfaced now?

Because virtually every Republican — and even some conservative Democrats — are worried about a pure government plan competing with private enterprise. Claims of "socialized medicine" during August's town hall meetings have reinforced that concern.

"If you begin tallying up the votes, I believe that virtually all Republicans are against the public option and some Democrats are. So how do you get to 60 (votes)?" Sen. Kent Conrad, a North Dakota Democrat, said in a June interview with The Washington Post.

Sixty votes are needed in the Senate to stop an almost certain filibuster against any comprehensive plan.

What are liberal Democrats saying?

They aren't happy, in part because Obama has said for months the public option is critical to comprehensive reform.

"I don't think it can pass without the public option," Howard Dean, former head of the Democratic National Committee, said Monday on CBS. "There are too many people who understand, including the president himself, the public option is absolutely linked to reform."

As a political matter, though, liberals in Congress seem unlikely to abandon health care reform just because they want a public option instead of co-ops. And using co-ops may make it easier to bring some Republicans on board.

Why are liberals so concerned?

Because co-ops might not have the same economic firepower as a true government-run public option.

Some Democrats argue that a government-run health insurance provider could use the muscle of millions of customers to force doctors, hospitals and other providers to reduce their costs — much as what has been done with Medicare.

State-based co-ops might have a harder time forcing cost cuts on providers.

Does the co-op plan increase chances for passing comprehensive health reform?

Maybe. Co-ops may make a reform package easier for conservative Democrats and moderate Republicans to swallow, but major stumbling blocks remain.

"Blue Dog" Democrats remain worried about the cost of covering millions of uninsured individuals. They've insisted the final package cannot add to the federal deficit.

To accomplish that, though, somebody's taxes will probably have to go up — a tough vote even in good economic

times. A compromise on that issue has yet to be found.

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