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# The insurance co-op is already in your neighborhood

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It's like a good neighbor -- and State Farm Insurance is probably American's most successful and best-known member-owned cooperative.

Whether the government could replicate its success by creating health care co-ops is far from certain -- and highly unlikely.

"When the Senate says we are going to have a co-op, what they are really saying is we are going to have a government-run program that will remain so until the government decides to turn it over to members," said Michael Cannon, a health care policy expert at the Cato Institute. "There is a lot of reason to doubt."

Barry Manilow reportedly wrote the schmaltzy jingle the insurance giant uses to this day. The company was founded in 1922 by a retired farmer and insurance salesman who started his own company with a couple of friends. Some modern advocates of creating a co-op system for health care have cited the State Farm example as a workable model. The company says it serves more than 75 million policies in North America, according to its Web site. At the end of each year, the company turns profits over to policy holders -- more than \$1 billion in 2007.

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But the practical realities of creating a cooperative of any size are staggering and do not easily translate to the current health care debate.

A group health cooperative, as loosely envisioned by advocates in Congress and elsewhere, would comprise stakeholder members enrolling voluntarily who would pick policies, managers and more.

Shifting a group into a newly created health cooperative would take time, money, organization, assistance and significant government oversight. It's not even clear how long it would take for co-ops to get up and running, or if members would experience a gap in coverage in the meantime.

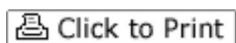
Lawmakers have said health co-ops could be eligible for a portion of about \$6 billion that could be set aside as startup funds -- another significant departure from the private insurance company model.

Cannon said there would be significant disincentives for the government to cut ties with health co-ops and turn them over entirely to members.

"It would mean the politicians could keep handing out the goodies to constituents like doctors and other providers, and could wield more influence," Cannon said.

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