Health insurance debate turns to issue of co-ops

By John Fritze, USA TODAY

SEATTLE — After 30 years of punishing caseloads and never-ending stacks of paperwork, Harry Shriver was getting ready to hang up his doctor's coat and retire when he tried something new.

Shriver's practice, part of a health care cooperative in Washington state, launched a program that allowed him to cut his appointments from 24 to 12 a day, leaving him more time for each patient. He also now handles routine requests such as prescription refills through e-mail and relies more on electronic medical records to track test results and coordinate care.

"For the first time in my career I have the time to think ahead," said Shriver, chief doctor at a clinic run by Group Health Cooperative, one of the nation's last remaining health care co-ops. "I'm doing things that really are making a difference — and it's fun."

After months of stalled debate in Congress over a proposed government-run health insurance plan, or so-called public plan, some lawmakers are eyeing cooperatives such as Group Health as a model that could drive down costs and improve the quality of care through innovative programs and technology.

Co-ops, which would be run by their patients instead of the government, have been under discussion in Congress for months but gained renewed attention this week when Health and Human Services Secretary Kathleen Sebelius signaled the administration might support the idea.

White House spokesman Robert Gibbs later said President Obama still prefers a government-run program, but he is "willing to listen" to other ideas — as long as they foster competition with private insurers and drive down the spiraling cost of health care.

Overall, health care in the United States is expected to cost $2.6 trillion this year, or 17% of the nation's economy.

Republicans such as Senate Minority Leader Mitch McConnell of Kentucky are concerned that a taxpayer-subsidized government insurance plan would have an unfair advantage and would eventually take in millions of Americans with private coverage.

Because they would be run by members, co-ops could offer a political compromise. Some Republicans, including Sen. Richard Shelby, R-Ala., have suggested the insurance cooperatives are worth considering.

"I don't know if it will do everything people want," Shelby said on *Fox News Sunday*, "but we ought to look at it."

Co-op works like private insurance

Group Health was created in 1947 by farmers and loggers who were already pooling resources to pay for basic primary care on a small scale, said Aubrey Davis, an original founder of the co-op. Today, the non-profit has 566,000 members, making it the third-largest health insurer in Washington, state insurance records show.

For patients, co-ops work just like private insurance: There are premiums and co-pays and, like an HMO, most enrollees see doctors within a network. Premiums for individual insurance have increased by an average of 12.3% a year since 2000, less than the largest private insurers in Washington, according to the state's Office of the Insurance Commissioner. By comparison, individual rates for a popular BlueCross plan in Washington rose an average of 18%, state records show.

More than two years ago, the co-op sharpened its focus on primary care and invested $40 million in an electronic medical records system that allows patients to check their charts online and helps doctors coordinate care. In its first year, the program reduced emergency room costs by 29%, Group Health says.

Gertrude McKellar, 91, has been a member of the co-op since 1980 and said she appreciates how Shriver takes time to review her medications at each visit. Nurses follow up regularly and call before appointments to discuss symptoms so doctors are prepared when she arrives. "I don't feel like I'm just a number," she said.

Behind the scenes, Group Health is structured differently than much of the nation's medical system. Doctors work directly for the company and are paid a salary. Because they don't receive a fee for each visit or test they schedule, Group Health's physicians have no financial incentive to cram their schedules with dozens of patients a day and order unnecessary tests.

Instead, the group's 26 medical centers find ways to reduce costs by improving quality. Doctors receive automatic e-mail alerts when patients wind up in the emergency room so they are prepared when that patient returns for follow-up care. Because doctors have fewer appointments, they have more time for phone consultations, which further reduce the number of people scheduling office visits.

Group Health CEO Scott Armstrong acknowledges the company's innovation has less to do with its co-op structure than with the close relationship it has with its employee-doctors. Still, Armstrong said co-ops could improve care on a broad scale if for no other reason than they force executives to consider patients when making decisions about everything from what procedures should be covered to how late clinics will stay open.

"There's a kind of accountability to the patient that makes an enormous difference," he said.

Mamatha Palanati, a primary care doctor at a Group Health clinic in Bellevue, Wash., said the focus on patient accountability has changed how she practices medicine. Rather than spending five to seven minutes with patients addressing only acute symptoms, she says she can now talk about long-term, chronic issues as well.

That kind of preventive care, she said, makes it less likely patients will return with more costly problems down the road.

"I'm doing different work," Palanati said. "I feel like I'm giving a kind of total care to my patients."

Enrolled patients would elect boards

Expanded nationwide, co-ops could cover as many as 12 million people in state, regional or national plans, said Sen. Kent Conrad, D-N.D., the lead advocate for the idea and a

member of a bipartisan group of senators drafting a compromise health care bill.

To get the co-ops started, taxpayers would kick in as much as $6 billion, Conrad said.

Initially, co-ops would be run by boards appointed by the U.S. Department of Health and Human Services. After that, the patients enrolled in the plan would elect boards that would then appoint the management. That structure, Conrad said, would foster innovative, patient-focused care.

"When you've got the membership owning it, it gives people a sense of involvement," he said.

But as the idea gains momentum as a potential political compromise it has also attracted criticism. On the left, Andrew Stern, head of the 2 million-member Service Employees' International Union, said there is "no way" a co-op could ever provide adequate competition to a private insurance company. The conservative Cato Institute counters that co-ops will "still give the federal government control over one-sixth of the U.S. economy."

Independent experts predict co-ops could take years if not decades to reach the critical mass of enrollment needed to ensure there are enough people paying into the system to cover the cost of medical claims. Conrad said individual cooperatives would need at least 500,000 members to stay afloat.

"We've tried this before, and it didn't work," said Timothy Jost, a law professor at Washington and Lee University in Lexington, Va., who said hundreds of health care co-ops born out of the Great Depression folded when the federal government pulled its funding. "I just don't see it as a viable strategy."

Although health co-ops largely disappeared, the model is still around in other industries. There are more than 900 rural electrical co-ops in the country, according to the National Rural Electric Cooperative Association. REI, a popular sporting goods company with more than 80 stores, operates as a cooperative.

A nationwide health care co-op, rather than state or regional plans, has "promise," Jost said, but that approach might also prompt opposition from Republicans and some Democrats who fear a national co-op would too closely resemble public insurance.

"Group Health is a city on a hill," he said. "The problem is replicating it throughout the country."

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