Advisory Board for Formation of Cooperative Plans

Roger K. Howe

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The US Government Accountability Office has announced the appointment of an advisory board regarding the creation of Consumer Operated and Oriented Plans (COOPs) which are authorized under the healthcare reform act. Fancy name and nice abbreviation aside, these COOPs are basically mutual health insurance companies, and will have to function essentially as health insurance companies in which the owners and the insureds are the same people.

Mutual insurance companies are not such a new idea – when I was first insured with State Farm for auto insurance in the 1960s, it was a mutual insurance company. I have no idea whether it still is. USAA, of which I am a member and an owner, is a mutual insurance company – one of the largest insurance companies doing business exclusively with US citizens, and is also now an investment management company, a brokerage house and a bank. So, there is nothing about being a mutual insurance company that dooms one to failure.

On the other hand, there have been lots of mutual insurance companies that have not done well. I remember such an effort in Arizona while I was there – the wild-eyed statements of the founders almost guaranteed failure. As I recall, it was a subset of the teachers who were forming a health plan that "would not be insurance at all" and would save a large proportion of the cost of health insurance by not performing a number of functions normally performed by insurance companies, such as underwriting and marketing. It was entirely unclear if they understood the consequences of not underwriting new members; as a teachers'group, they might get away without much publicity. But the real question which none of their literature (or the newspaper articles) answered was whether they understood the differential between provider prices paid by their insurance company under contract with providers and what "normal charges" from those providers were, and how they intended to deal with that for a group of a few thousand across an entire state.

There are certain operating realities for these COOPs to confront to be viable alternative sources of health insurance coverage - it seems to me that this advisory board will have the responsibility to be sure that the people forming the COOPs recognize the realities of what they are undertaking. No matter how you go about handling the process of pooling resources to cover healthcare expenses and then disbursing funds to pay for those healthcare services received, you have to collect enough money to pay for the expenses incurred. I would presume that this will require creating documents to reflect what is covered and what is not covered; it will require some mechanism to establish the actual costs to the plan of the services to be covered; the services of an actuary and/or an underwriter to estimate which services will be consumed by the covered population will be important – all of this leading to the establishment of a premium price. Then they will need a claims payment process and a customer service center to answer member questions – even more important if your members are your owners. That sure sounds a lot like an insurance company to me.

So, the question is: how wise was the GAO in appointing a panel of 15 "experts" to guide the formation of these new insurance companies (called COOPs) – did they choose people who understand insurance well enough to provide reasonable guidance? Well, here is what we got:

1. A Physician: Practicing Internist; clinical professor; expert in coordination of care and treatment of chronic diseases.
2. A Hospital COO
3. A Physician: Practicing Family Physician, Professor; Founder: Healthcare for the Homeless (Houston, TX); Governor: County Healthcare Alliance.
4. A Physician: Practicing Family Physician; Hospice Medical Director; Chair of statewide Legislative Health Care Coverage Commission
5. A Professor (PhD) of health policy.
6. A Health Policy expert – MPP, works for health policy institute, once worked for the HIAA (Health Insurance Association of America).
7. Deputy Secretary of a state department of health and human services
8. A Small Business Advocate
9. A nationally recognized advocate for cancer research and treatment for a specific type of cancer.
10. An Actuary
11. A Physician: Actively practicing and president-elect of a state medical society.
12. A director of a rural health cooperative
13. A senior officer of a coop network (but what kind of coop is not stated, though the implication is that is an agricultural coop, not a health coop).
14. President of a health policy consulting firm
15. Past director of a health alliance and former health benefit administrator for a large state employee group.

Well, one has a glimmer of hope. Among a lot of otherwise interested parties, there is one actuary, one person involved with a health cooperative, a retired health benefit administrator, three health policy people (who, it may be hoped, know something about health insurance), and one former employee of HIAA. What would certainly be stated and is not, is actual experience working in health insurance; so, it can be presumed that none of the 15 appointees has any actual hands-on experience with health insurance administration.

One can hope, but I find this a disappointing selection, based on the information I have available. I do not know any of the 15 individuals personally. They may solicit the information and input they need to form a reasonable working plan. I hope they do.