

Consumer Owned and Oriented Plan (CO-OP) Option: An Alternative Model for Insurance Design

Overview: Consumer health cooperatives (co-ops), operating at the state level or regionally, would provide a non-profit, non-government, consumer-driven coverage option in every state to deliver maximum value for consumers. The democratic nature of co-ops could encourage increased quality and appropriate utilization and could help foster care integration and other delivery system reforms.

Purpose

To provide a consumer-oriented option to private insurance that will ensure an affordable, accountable, transparent alternative to private insurance.

Mission

The mission of CO-OP plans will be to provide best value for their consumer members.

Defining a Qualifying Co-Op

- Co-ops would be required to be non-profit.
- Co-ops could exist at the state, regional, or national levels.
- All exchange rules and state laws that apply to other plans also would apply to co-ops.
- A uniform definition of co-ops would be adopted, clarifying standards for licensure, solvency, capitalization, and consumer protections. These standards should be the same that states use for all other plans, and the National Association of Insurance Commissioners (NAIC) would be tasked with developing the co-op definition by a date certain (e.g., January 1, 2010).
- Strong governance standards would be required to ensure a strong consumer focus and democratic structure.
- Co-ops could partner with accountable care organizations (ACOs) and other integrated health systems.

Ensuring that CO-OP Plan Options are Available in Every State

- By a date certain, each state would be required to have at least one qualifying co-op.
- In states where no co-op has been formed, co-ops could be permitted to operate under a new federal charter.

Co-Op Start-Up

- Seed money could be provided for initial capitalization. Any seed money would be limited; there would not be ongoing government backing.
- Sources could include federal loans and grants. As a condition of grant approval, matching funds could be required from states, local communities, or prospective co-op members.

Risk and Capitalization Standards

- Co-ops would be required to meet the same surplus (reserves) and appropriate reinsurance standards that all other plans must satisfy.

- A national CO-OP risk management board to provide strong actuarial support would be required. The board, funded by the co-ops themselves, would provide actuarial and risk management advice and could ensure that co-ops are in compliance with state solvency and capitalization standards.

Regional Co-Ops

- States may enter into regional compacts or MOUs to support regional co-ops.
- Regional co-ops would be subject to all applicable state laws.
- The NAIC co-op definition could ease the ability of co-ops to operate in multiple states, with the consent of participating states.