



# Montana Health CO-OP

Dr. Tom Roberts; current positions. 4/12

- Practiced general Internal Medicine in Missoula, Montana, since 1981. Added qualifications in Geriatrics, 1987
- Chairman of the Board of the Montana Health CO-OP, 2011 – present
- President of the Western Montana Clinic, an independent, multispecialty group practice of over 50 providers. 13 years.
- Missoula City-County Board of Public Health, board member 2010 to present
- Executive Committee of the Montana Medical Association, board member, 2011 to present.
- Ryan White program, at Partnership Health Center, Missoula, clinical care.
- Co-founder and Board member Tamarack Management Inc., a medical service organization, 1997 to present.
- Member Patient Centered Medical Home Advisory Council, and All Payer Claims Database Advisory Council.
- American Medical Group Association (AMGA) Public Policy Committee, member 9/2009 to present.

## **Montana Health CO-OP**

4/17/12

### **What is a Health CO-OP, and how does it differ from traditional health coverage plans? How is it created?**

A health care CO-OP is a nonprofit health insurance company operated by a group of individuals for their mutual benefit. It is a business, but CO-OPs are not created to make a profit. They are created to provide services to their members. CO-OPs are run by the people who use the service; in this case the service is health insurance. CO-OP members will form a majority of the board of directors.

The Affordable Care Act, which was passed in 2010, contained a section which created Consumer Operated and Oriented Plans (CO-OPs) to foster the creation of new consumer-governed nonprofit health plans. CO-OPs will provide health insurance to individuals and small employers as part of the "Exchange", which is a competitive health insurance marketplace. CO-OPs can offer products both on and off the Exchange.

Large groups can participate though these are usually self funded. The CO-OP could act as an administrator for self funded plans.

Unlike traditional insurance, any profits will be used to either lower premiums or to improve benefits.

To encourage the establishment of a CO-OP in each State, the Affordable Care Act will provide up to \$3.4 billion in loans, not grants, to capitalize eligible prospective CO-OPs. This supplies the financing needed for both short term start-up loans and longer term solvency loans as required by state insurance departments.

In the first round of evaluation, the Montana Health CO-OP was one of six organizations serving seven different states to be identified by the Department of Health and Human Services (DPHHS) as meeting the qualifications necessary to establish a successful health CO-OP. We applied in October of 2011 and learned of the successful application in early February, 2012. Based on this process MHC signed a contract with DPHHS to create a CO-OP in Montana.

MHC will receive periodic loans necessary to develop the CO-OP health insurance company in Montana. These loans initially will be for creating the structure of the company. Once successfully created, there are Montana State requirements for insurance companies to have reserves in order to provide insurance. DPHHS will also provide loans to meet these reserve requirements.

### **How will CO-OPs address the rising costs of health care?**

CO-OPs will enhance competition in the newly-created competitive health insurance marketplace (Exchange) and provide additional plan choices for consumers and small businesses.

Consumer choice will increase by providing competition in markets traditionally dominated by one or a few insurance companies.

CO-OPs will drive cost savings through improving and focusing on primary care access and management. We expect to have lower administrative costs. We will focus on looking for services that supply the best outcome. Care coordination and risk management will be important components. Preventive services will also be emphasized.

### **Why is the Montana Health CO-OP necessary?**

There are still too many people in Montana and across the country that do not have access to quality and affordable health care. 23% of adults in Montana are currently uninsured, and this number is growing every year. People without insurance are often faced with medical costs that they cannot pay. They frequently do not get the medical care they need until it's too late. When they do get care it is often in the most expensive place possible, the hospital setting. Those who have health insurance end up paying for much of this cost through higher premiums.

Many states, especially rural states like Montana, lack insurance options. When health insurance is offered to all Montanans in 2014, having effective competition among health plans will stimulate all insurance companies to provide lower cost and better quality of insurance and medical care. The CO-OP will be one of the approved plans on the exchange.

The goal of DPHHS is to have a CO-OP established in all states.

Other approaches to health coverage have been tried, with mixed results. Cooperatives have been successful and popular in other industries and service areas, especially in rural states such as Montana. We believe, along with many others across the country, that it is time to bring this model to the health insurance industry.

### **What advantages does Montana Health CO-OP have?**

There are many. For one, MHC is starting with a blank slate and can design plans based on what will be best for our customers. This gives us the opportunity to implement some proven and innovative practices that traditional insurers may not be using.

As opposed to a for-profit insurance company, any savings we encounter will be applied towards reducing cost or expanding benefits for our customers. Since our governance is member-controlled, the consumer will have much more say in how we operate the CO-OP. We believe this will result in insurance plans better tailored to meet the needs of Montanans.

### **Why would people leave their current insurance to participate in the CO-OP?**

There are thousands of Montanans in need of health insurance. In 2014 many of these people will receive financial assistance to buy health insurance through a competitive health insurance marketplace, also known as an exchange. They will want affordable insurance and will be

looking for good choices. For people who already have health insurance, they will be attracted by different approaches to health insurance that puts more control in the hands of the consumer.

Ultimately, we aren't trying to put existing insurers out of business; we're just trying to offer a different alternative to boost competition and drive down costs for average Montanans. CO-OPs are not the entire solution to health care in our country, but they should certainly be part of the solution.

### **How much will premiums be?**

We were awarded the loan based on our ability to be competitive with existing insurers, and we fully expect to offer a high-quality product at a competitive price. On average, Montanans pay \$288 more per year than their neighbors in Idaho. We believe that Montana can do better.

We hope to provide low cost, high quality health insurance through a combination of low administrative costs, and an increased emphasis on wellness, prevention, and improved primary care access.

### **How can the Montana Health CO-OP be successful in a tough industry?**

The Montana Health CO-OP team includes physicians, former health insurance executives, benefit managers and experts, and the former insurance commissioner of Montana. Our leadership understands the health insurance industry, and can provide it with invaluable institutional knowledge as we get MHC up and running.

We have received numerous letters of support, along with loans and thousands of in-kind volunteer hours. Clearly, there is a great deal of interest in what we are doing, and a lot of people are passionate about helping us in our efforts. People are ready for change.

Many consumers simply do not like the way insurance companies are run, and want more control over their plans and coverage. A CO-OP gives its members – or customers – more control over their own plan. More control and independence is an idea most Montanans can get behind.

### **How much money is the CO-OP getting from the federal government?**

We have signed an agreement with the federal government to start a consumer directed health insurance plan in Montana. We estimate that it will take up to \$6.7 million to start this plan. This will be distributed to the Montana Health CO-OP on a quarterly basis over the next two years, depending on meeting certain goals. It will not be distributed in one lump sum.

Once the CO-OP is formed, the state requires adequate reserves to protect the members who are buying health insurance. We expect to be successful and could eventually need as much \$51 million in reserve loans to meet these requirements. This will be borrowed from the federal

government as needed in order to maintain adequate reserves requirements. Start up loans will be paid back over five years and the reserve loans will be paid back over 15 years.

**Once the federal funding ends, will you be able to sustain yourself through the private sector?**

We will not need ongoing federal support. This will be a self sustaining business. Federal funds are in the form of loans to start the company and to supply insurance reserves. Our business plan and our ongoing operations have been evaluated and will be monitored by the Department of Health and Human Services, the federal department which is providing the loans. We and DPHHS have looked carefully at the existing Montana market and have come to the conclusion that a new health insurance company based on the CO-OP concept will do well. We will be able to pay all of the startup money and the reserve money back to the government. We would not have received the loan if we could not garner private support.

Our dedicated supporters have committed over 2,000 hours of in-kind volunteer hours to get MHC off the ground. We have obtained 30 letters of support from potential provider groups, elected officials, and business and community leaders. Over \$100,000 has been provided by private support to start this project. This support, both monetarily and through volunteer work, has been invaluable in getting MHC off the ground.

**Can the public view the Montana Health CO-OP's application for the federal loan?**

Our 300-page application contains extensive proprietary information concerning our business plan and strategic goals. Releasing the entire application would unfairly benefit our potential competitors. We are happy to answer any specific questions you may have about the application and the process, as long as it does not put us at a competitive disadvantage with our competition.

**When will the CO-OP be licensed to sell insurance in Montana and where is MHC in the process?**

MHC cannot begin to offer fully insured health insurance products until certain state and/or federal market reform provisions of the Affordable Care Act are implemented in Montana. Under the Affordable Care Act, these market reforms must be in force by January 1, 2014. This will be the first date when MHC can provide fully insured coverage. MHC insurance products will be offered starting in October of 2013 in preparation for this January 1, 2014 starting date.

**How many jobs will the CO-OP create?**

We estimate the CO-OP will have 20-25 full time employees to be ramped up between now and January 2014.

**Who will provide the network of providers and hospitals for MHC?**

MHC will initially rent an existing network and will use a Request for Proposal process for the network selection.

**How was MHC's board chosen? How does it change?**

Board composition was developed to represent many different perspectives on health care. Members of this initial Board have a wide variety of exposure to health insurance and the health care system gained over the course of their careers.

People who are receiving insurance from the CO-OP will elect half of the Board no later than one year after the effective date of providing initial coverage. Within two years of providing the first coverage, all Board members are elected. At that point, at least half of the Board will be people who are receiving insurance through the CO-OP.

**National Alliance of State Health CO-OPs**

The National Alliance of State Health CO-OPs (NASHCO) is a trade association of state health CO-OPs which was originally started here in Montana. This alliance of CO-OPs will serve a number of functions for the new insurance plans including group purchasing of actuarial services and re-insurance. It will provide for ongoing collaboration in best practices and opportunities as well as serving the role of a national voice for these organizations.