



Public Health Insurance Option vs Health Co-operatives

Overview

Health care reform requires new insurance options but health co-ops cannot take the place of a public health insurance option.

Background

What is the public health insurance option?

The public health insurance option (otherwise known as the “public plan”) is an insurance plan that is sponsored and run by the federal government. A public plan would be designed to compete in the marketplace as an alternative to the private insurance companies.

What is a health co-op?

A health co-op is an insurance company that is owned by its members, and in which the board is elected by its members.

What are the similarities between a public health insurance option and health co-op?

Both function as “insurance companies” to compete with existing private insurers. The theory behind both is that there is no “profit motive” to either business model, so there is little or no incentive to cut costs and make profits to the detriment of patients.. Both would compete in the market against existing insurance companies and charge consumers premiums to participate, and would provide services through contracted or employed private physicians.

What are the differences between a Public Health insurance option and Health Co-ops?

The public plan will be one coverage option for individuals and small businesses that do not have the collective bargaining power to negotiate lower premium rates in the regular private insurance market. Depending on legislation, co-ops may or may not be required to offer affordable coverage as they are not government run and they may not have the market presence to enter contracts with physicians and hospitals.

Won't health co-ops accomplish the same thing without government involvement?

No. A public health insurance option would rely on the administrative infrastructures and efficiencies that the government already has in place. In contrast, establishing health co-ops would essentially mean starting new insurance companies from scratch. The federal government would have to provide billions of dollars of seed money and tax incentives to get co-ops started, and would hope that they would eventually be able to function on their own. Historically, co-ops have taken decades to become firmly established when they have survived at all.

Aren't there already effective health co-ops throughout the country?

Yes, but there are very few of them and most of them took decades to become successful. The two examples of major successful health co-ops are GroupHealth in Washington State and HealthPartners in Minnesota. Both of those companies function just as other large insurance companies and although their premiums are 5-10% lower than similar commercial coverage, they do not guarantee coverage to all citizens in their area. Another type of Health Co-op offers minimal coverage and discounts for a very low premium. Examples of these are PhilaHealthia and Ithaca Health Alliance. These plans may be affordable to most people, but they generally do not offer comprehensive coverage. Some insurers, like Blue Shield, started as co-ops, but have since changed structure.

Won't a public health insurance option result in Medicare rates for all physicians?

No. None of the current health reform plans that include a public health insurance option call for payment based on Medicare rates. The Secretary of HHS will have discretion over setting reimbursement levels.

Will all doctors be forced to participate as providers in the public plan?

No. None of the current health reform plans call for mandatory participation by all physicians.

Won't a public health insurance option result in rationing of care and loss of access to the best care in the world?

No. Medicare is an example of a Public health insurance option run by the Federal Government. Although there are some problems, most Medicare recipients are very happy with the care that they receive, and Medicare provides reimbursement for many cutting edge therapies that even private insurance companies won't pay for.

Won't health co-ops ensure more choice of doctors and treatments?

Not necessarily. The existing health co-ops run as HMOs, which means that patients are limited to the employed or "in-network" physicians and hospitals, and limited to medications and treatments that have been approved for coverage.

Bottom Line:

- The Public health insurance option introduces a novel concept by advancing government health coverage to the entire population.
- Health co-ops already exist in the market and have not yet been successful on a large scale at solving our health care crisis.
- A Public health insurance option can ensure coverage right now to individual and small businesses that have difficulty buying insurance in the current market.