

Understanding Co-ops

This week the health care talk has shifted toward an insurance co-op instead of the public option. Does this mean that the public option is off the table? Are insurance co-ops a better solution? The troubling answer is that this just makes it clear that the fight over ObamaCare is far from finished. In fact, the proposed federally chartered insurance cooperatives that are now gathering speed in the Senate are almost indistinguishable from the previously un-popular public option. Furthermore, the Majority Leader, Senator Reid, doesn't even make a distinction between the two proposals stating that there will be "some type of public option, call it 'co-op', call it what you want." Also, just to be clear, these will not be a co-op as we know them, like rural electrical co-ops which are owned and controlled by their workers and the people who use the services. Under the government co-op plan, the members wouldn't choose its officers — the President would.

What is a Co-Op?

- A federally chartered insurance co-op will function similarly to the post office, but instead of delivering mail they will attempt to provide health insurance.
 - Like the proposed public options, it will still exist amid an insurance exchange "competing" with other plans that choose to enter the government regulated area of the market.
 - Start-up will require a large infusion of federal dollars
 - CBO has not published an estimate, but since there is not much difference between a public option and the proposed co-op ideas the cost should be similar to the current cost analysis of \$239 billion for the proposed plans.
 - The initial governing board will be set up by the federal government, more than likely under the direction of Health and Human Services Secretary Kathleen Sebelius.
 - Some supporters want this to be a short term partnership with the federal government
 - Other co-op supporters believe the government should have a continued presence
- They take the bad ideas from the public option
 - Public supported competition in a private market
 - Heavily controlled market that relies on command and control policies
 - And then make them worse
 - Shift Responsibility from an elected official to an un-elected Board
 - Runaway costs with less oversight
 - A government run plan will become the landing point for the sick as others in the market maneuver to under-provide to the sick and over-provide to the healthy in an effort to change their insured pool. This is like the current experience in the Federal Employee Health Benefit Plan
 - As more sick join the government plan, in this case the co-op, care will become more expensive.
 - While this is true under the public-option and the co-op, under the co-op solution the government will have less control to fix the problem or be voted out, while still being held responsible for funding of the program.

The Truth About Co-Ops:

- While it is hard to create a policy solution that is more of a failure than the public option, the proposed co-op plans are a good start
- A co-op is just another name for the public-option
 - "We're going to have some type of public option, call it 'co-op', call it what you want," Senator Reid 7/9/09.