



Health Care Cooperatives: Definitions and State Examples

Government Relations Division • 2021 Massachusetts Avenue, NW • Washington, DC 20036

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Although the idea of providing health insurance through a cooperative, or co-op for short, has received much attention during the current federal health care reform debate, this concept is nothing new. Cooperatives are a type of [mutual insurance company](#), which are owned by their policyholders, contract with providers and act as insurers. Cooperatives have provided health insurance to Americans since the Great Depression. Until 1947, the Farm Security Administration administered programs covering 600,000 people in the U.S. mostly located in the Midwest.ⁱ

SHARED PRINCIPLES OF COOPERATIVES ⁱⁱ

Cooperatives by definition—whether providing health insurance or other services — should include the following characteristics.

1. Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all persons able to use the provided services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Cooperatives are democratic organizations controlled by members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. Members have equal voting rights, meaning one member, one vote.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of the cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by members.

4. Autonomy and Independence

Cooperatives are autonomous organizations controlled by members. If entering into agreements with other organizations, including governments, or raise capital from external

sources, co-ops do so on terms that ensure democratic control by members and maintain the cooperative autonomy.

5. Education, Training and Information

Cooperatives provide education and training for members, elected representatives, managers, and employees in order to contribute effectively to the development of the cooperative. Co-ops also work to inform the general public about the nature and benefits of cooperation.

6. Cooperation among Cooperatives

Cooperatives serve members most effectively and strengthen their structure by cooperating with each other through local, regional, national and international organizations.

7. Concern for Community

Cooperatives work for the sustainable development of the community through policies approved by their members.

TYPES OF HEALTH COOPERATIVES ⁱⁱⁱ

Throughout their broad history in the U.S., health cooperatives generally fall into the following three categories.

- **Consumer cooperatives** are owned by the people who buy the goods or use the services of the cooperative. They employ physicians and own health care facilities. Of the three types of co-ops, consumer cooperatives most closely reflect the principles listed above. Few health plans in the U.S. operate as genuine consumer cooperatives—the U.S. currently has five, a decrease from the 15 that existed in the 1970s.^{iv}

Most states require HMOs to incorporate under nonprofit or mutual insurance laws.^v [Wisconsin](#) and [Minnesota](#) are two of the few states that allow HMOs to incorporate as cooperatives but to also have nonprofit status. Minnesota is the only state that requires HMOs be non-profit.^{vi} Under state statute [308A.503](#), Minnesota recognizes health care network cooperatives' members as policyholders who are individual enrollee, employers or other group types.

Health Insurance Examples:

Group Health Cooperative

- Based in Seattle, Washington but serves more than 580,000 residents of both Washington state and Idaho
- Coverage available to individuals, as well as small and large employers
- Founded in 1947

HealthPartners

- Serves 1.25 million medical and dental health plan members nationwide
- Nation's largest consumer-owned HMO
- Based in Minneapolis, Minnesota
- Founded in 1957

- **Purchasing / shared services cooperatives** are owned and governed by independent business owners, small municipalities and, in some cases, state governments that band together to enhance their purchasing power with the goal to lower costs, improve

competitiveness, and increase their ability to provide quality services. They often are referred to as “exchanges,” “connectors,” “alliances,” or “purchasing pools.”

Minnesota statute [308A.503](#) allows for the state, or any agency, instrumentality, or political division of the state, to be a member of health care cooperatives. At least 25 other states also enacted legislation explicitly permitting the establishment of health insurance purchasing cooperatives, most of which was enacted in the 1990s.^{vii} However, a significant portion of these cooperatives failed due to poor participation from employers and health plans.

Health Insurance Examples:

Council on Smaller Enterprises

- Private cooperative based in Cleveland, Ohio and serves area businesses
- Provides 25 health plan options to small business members (with less than 150 employees) and allows employers to offer five to employees
- Over 17,000 members (providing several programs in addition to health insurance benefits)
- Established in 1972

PacAdvantage

- Established in 1993 by the California Legislature as Health Insurance Plan of California
- Privatized in 1999 by Legislature, changing name to PacAdvantage
- Before closing in 2006, offered health insurance plans to small businesses of two to 50 employees in California

- **Worker cooperatives** are owned and governed by the employees of the business. They operate in all sectors of the economy and provide workers with both employment and ownership opportunities. This type of cooperative is relatively new to the health care field and mostly pertains to providing care for patients with in-home health care needs. According to the [U.S. Federation of Worker Cooperatives](#), several states have laws specific to establishing worker cooperatives but in those states that do not have such laws, these “democratic workplaces” can incorporate in other forms: C corporations and limited liability companies are examples.

Health Care Examples:

I Am Unique Special Care and Case Management, Inc.

- Nation’s first nursing cooperative, providing in-home aid, personal care and rehabilitation services
- Based in Raleigh, North Carolina

Cooperative Care

- Employee-owned cooperative of caregivers providing personal and home care services in central Wisconsin
- Based in Wautoma, Wisconsin

Other States

[Missouri](#), [North Dakota](#), [Oregon](#), [Vermont](#) and [Washington](#) have general statutory language concerning the establishment of cooperatives; however, these laws are not specific to the health care or health insurance industries.

During the [2011 legislative session](#), at least six states—Arizona, Colorado, Illinois, Missouri, and Virginia—considered legislation to study or promote the use health cooperatives. None of the measures, as of March 23, have passed.

FEDERAL HEALTH REFORM

The *Patient Protection and Affordable Care Act* (ACA) created the Consumer Operated and Oriented Plan (CO-OP) Program to foster the creation of qualified nonprofit health insurance issuers to offer competitive health plans in the individual and small group markets. The CO-OP Advisory Board—a 15-member panel representing physicians, insurers, insurance regulators, and small business—held [three meetings](#) in early 2011, hearing testimony and accepting public comment.

On March 14, 2011, the Board held a final meeting and issued [recommendations](#) concerning the CO-OP program. The Advisory Board endorsed four major principles: (1) consumer operation, control, and focus must be the salient feature of the CO-OP; (2) solvency and the financial stability of coverage must be vigilantly maintained and promoted; (3) CO-OPs should encourage greater care coordination, quality and efficiency to the extent feasible in local provider and plan markets, and (4) the program and first loans should be rolled out as expeditiously as possible (by the end of 2011) in order to provide CO-OPs the maximum opportunity to compete in Health Benefit Exchanges. The Board also recommended granting preference to those with strong local network and model of integrated care over those with statewide network and little emphasis on care coordination.

NOTES

ⁱ Anne Underwood interview with Timothy Stoltzfus Jost. [New York Times](#), Aug 17, 2009.

ⁱⁱ Cooperative Network. "[What Is a Cooperative?](#)"

ⁱⁱⁱ National Cooperative Business Association. "[Cooperatives Are...](#)"

^{iv} Ibid.

^v Deller, Steven, et al. University of Wisconsin Center for Cooperatives. [Research on the Economic Impact of Cooperatives](#), March 2009.

^{vi} Minnesota Department of Health, [Community Benefit Provided by Nonprofit Health Plans](#), Jan 2009.

^{vii} Kaminski, Janet. Connecticut Office of Legislative Research. [Health Insurance Purchasing Cooperatives](#). Feb 2, 2006.