

WISCONSIN STATE
LEGISLATURE
COMMITTEE HEARING
RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

**Committee on
Agriculture and
Insurance
(SC-AI)**

File Naming Example:

Record of Comm. Proceedings ... RCP

- 05hr_AC-Ed_RCP_pt01a
- 05hr_AC-Ed_RCP_pt01b
- 05hr_AC-Ed_RCP_pt02

COMMITTEE NOTICES ...

➤ Committee Hearings ... CH (Public Hearing Announcements)

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Record of Comm. Proceedings ... RCP

➤ **

INFORMATION COLLECTED BY COMMITTEE
CLERK FOR AND AGAINST PROPOSAL

➤ Appointments ... Appt

➤ **

Name:

➤ Clearinghouse Rules ... CRule

➤ **

➤ Hearing Records ... HR (bills and resolutions)

➤ **05hr_ab0926_SC-AI_pt02**

➤ Miscellaneous ... Misc

➤ **

Historic
CEDARBURG
W I S C O N S I N



February 16, 2006

Kristine Hage
Executive Director
Cedarburg Chamber of Commerce

As executive director of the Cedarburg Chamber of Commerce for the past four years, I can think of no other single issue that has generated as much alarm among our membership as the rising cost of health care benefits.

Historic Cedarburg, a small town with a population of 11,000, has thrived economically for well over one hundred years. Due to a small but strong core of dedicated and progressive business leaders we have beaten the odds of survival where many other small towns across this country have met their demise. Yet this single looming issue of affordable health care coverage has the capability of bringing a community of small businesses to its knees.

In the course of the past few years our chamber has thoroughly researched each option available to us that might provide some relief to business owners who are slowly sinking under the weight of health benefit costs. Traditional health care options offered by large insurance providers, or coalitions that cater to larger businesses, do not offer the panacea that we seek for the small business sector. They are not designed with "small" in mind. As we see it, the only viable option is the flexibility and plan design that may be achieved through health care cooperatives.

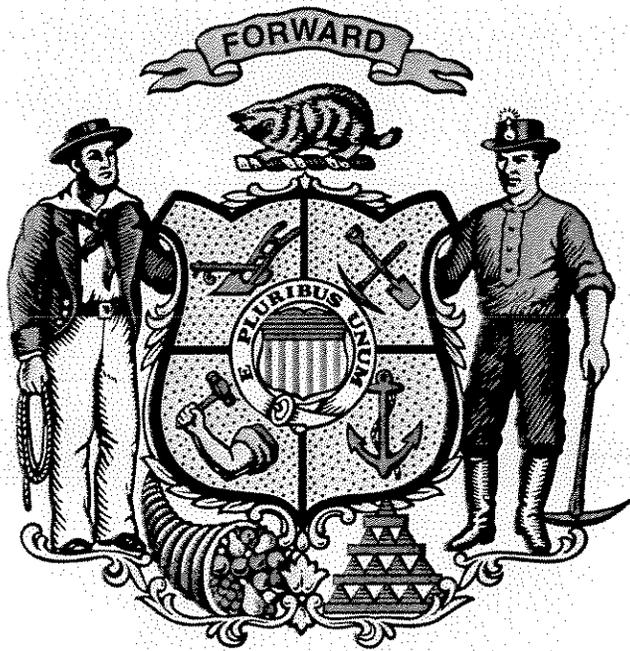
During the long and arduous wait for Co-op Care of Southeastern Wisconsin to become a viable entity, as its proponents struggle to maneuver through a bureaucratic quagmire, our organization has had to sit by idly while small business profits are eroded by a tide of rising premiums. One such business, a local independent grocer with a staff of 100 employees, was recently faced with a startling 34% premium increase at the end of 2005. He estimated that if he were to sell 18 million dollars worth of groceries, his 1% profit would equate to \$180,000, nearly half of which would be eaten up by an additional \$79,000 dedicated to the 34% premium increase. A local manufacturer operating three businesses that employ a total of 140 experienced a 16% increase in health care costs. In order to sustain health care benefits for his employees, he put measures into place such as substantially cutting benefits to employee spouses and increasing employee deductibles and co-payments. In addition, he has imposed a moratorium on hiring additional full-time employees.

The hidden ramifications of rising health care costs are lethal for local business in many ways. As a result, we are now beginning to witness the domino effect of businesses closing their doors. Indeed, Cedarburg has already lost one business that struggled beneath the burden of ever escalating health care costs, while an additional two businesses are in serious jeopardy of losing the battle due to unanticipated serious health issues experienced by the owners who gambled by forgoing sufficient health care coverage. In a business community that supports itself primarily as a destination for tourists, fewer shops translate into fewer visitors if the town's retail base begins to shrink. As our two inns, which generate room tax that supports visitor center operations and local capital improvements accommodate fewer visitors, it is not implausible to believe that downtown Historic Cedarburg may become caught up in an economic death spiral.

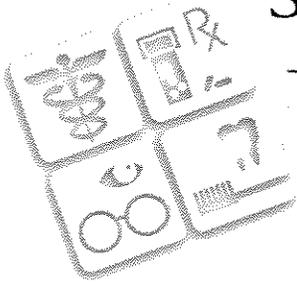
In the wake of an article published in the September 4, 2005 edition of the Milwaukee Journal Sentinel regarding the launch of Co-op Care of Southeastern Wisconsin, our chamber was besieged by scores of phone calls from individuals and business owners hungry for information about a revolutionary venue that might provide a ray of hope in their efforts to secure affordable health care coverage.. I wish that you were able to share in these conversations. The stories were varied; the common theme was anger, despair and tales of futile attempts to find an affordable alternative where up to this point, none existed. As the solitary full-time employee of an organization, with two school age children and four-digit monthly premiums, I am in a position to empathize.

It is the duty of a chamber of commerce to act as an advocate for local business. On behalf of our 350 member businesses, I am here today to implore you to allow health care cooperatives to become reality, as was the intent of the legislature two years ago. I ask you to allow small employers to avail themselves of the same opportunities as their larger counterparts, by banding together. You have the ability to empower us with a tool that will allow us to continue to work in our chosen field of business. It is a tool that will promote the entrepreneurial spirit, rather than forcing us to work in an environment simply for access to health care benefits. As we see it, Co-op Care of Southeastern Wisconsin is the only light at the end of this tunnel.

The Cedarburg Chamber of Commerce wishes to extend our gratitude to Representative Curt Gielow and his constituents for their support in this important matter.



INNOVATIVE BENEFIT SOLUTIONS, INC.



Comments of Randall B. Marking
President, Innovative Benefit Solutions, Inc.

**In support of Assembly Bill 926
February 16, 2006**

I am the President of Innovative Benefit Solutions, Inc. IBSI is located in Milwaukee, Wisconsin and specializes in developing innovative employer benefit solutions. This is my 27th year of being in this business and it is the first time, in a long time, that I am excited about individual and small group health insurance.

My support of Assembly Bill 926 is based on my strong desire to see Wisconsin citizens, including small employers, find affordable health insurance. Co-op Care should be given the chance to succeed.

Co-op Care – a consumer driven cooperative

Strictly speaking, Co-op Care is a non-profit organization. It is owned entirely by individual members who choose to pay a small fee to be part of the cooperative. It is controlled by a board elected by those members, and practices open membership so that anyone who meets its criteria can join. There are four main incentives for engaging cooperatively: the quality of the product, the price of the product, the stability of the product and participation in an accountable venture. By far the most persuasive of these are stability and accountability.

This simple idea that consumers, if they so wish, can go into business for themselves, mutually providing for their own needs, can be traced from the flour mill societies in Great Britain from the late 1700s.

Much like the shipwrights (1760) of Britain, the Co-op Care motive is centered on a simple case of market failure. Small businesses are stuck in a dysfunctional market and the big insurance companies have a vested interest in maintaining the status quo. Skyrocketing costs of health insurance is simply crushing small businesses.

Apparently the time has again come, as Wisconsin's Legislature and Governor have previously done in supporting Co-op Care, to recognize that individuals and small businesses in Wisconsin are desperate for change.

As we all work toward providing health insurance to the uninsured and under-insured, it is important to recognize who these individuals are. The employed, but uninsured represent 85% of the typical uninsured population and 60% of the uninsured population work for, or are a family member of, someone who works for a small business.

With small businesses creating up to 75% of the new jobs in America, we all have an obligation to ensure that more of these individuals can receive insurance through their employers. A recent Kaiser Employer Health Benefits Survey reports that less than 60% of all small businesses are offering health benefits and that's down from 67% just four years ago. Is there any question that we're headed in exactly the wrong direction?

This is a crisis, and it is even worse in businesses with fewer than 50 employees. Of those, only 47% currently provide health benefits, and the Department of Labor reports that only 24% of the small businesses that employ "low wage" workers offer any form of health care coverage.

Even those of us fortunate enough to have quality health benefits provided through our employer are not immune from this crisis. More and more of the cost of providing this coverage is being passed on to the member. Employee "premium share" and "out-of-pocket" costs are continuing to rise at double digit rates. These increases in health insurance costs often mean that employees no longer get the benefit of salary increases.

As a result, many employees, especially the young and healthy, opt out of the general health insurance pool because they do not believe they need it. Other employees are just unable to absorb the increased costs and are forced to discontinue the coverage. The combined effect is to

increase the number of uninsured people and those who need substantial medical services experience even greater premium rate increases.

The need to continue to support the Co-op Care Statute

Co-op Care is a starting point in solving the health care crisis facing Wisconsin residents. Co-op Care allows small businesses to bind together into a large pool to negotiate directly for discount health insurance rates, provider reimbursement discounts, and pharmacy ingredient discounts and to embrace robust medical management similar to those available to big corporations. This is not a radical idea. But it will help address the steep costs individuals and small businesses must pay to secure coverage. Without Co-op Care these members cannot spread their risk throughout a large pool or hold insurers/providers accountable, and they are relegated to paying higher rates for insurance.

Co-op Care should be given a chance to work

Let me affirm our belief that this legislation will provide individuals and small businesses with better health insurance options and maintain the level of protections and security consumers have come to expect. We would not support this legislation if this were not so.

Please consider our Co-op Care structure as I cite several key features incorporated into our Co-op Care structure:

- To participate in Co-op Care a farmer or small business must come through a sponsoring organization. These sponsoring organizations must have been in existence for at least three years for purposes other than providing health insurance. Examples of such are the Wisconsin Federation of Cooperatives, Wisconsin Independent Businesses and the Cedarburg Chamber of Commerce, to name a few.
- The insurance company that will provide the fully-insured coverage to Co-op Care members will be licensed and regulated by the Office of the Commissioner of Insurance for the State of Wisconsin giving participants in this coverage the protections that the employees of larger employers currently enjoy.
- Any argument which claims that premiums will increase for people not in Co-op Care and that others will lose coverage is deeply flawed. Opponents might say that the only way Co-op Care can offer insurance less expensively is by using the practice of “cherry picking,” that is, accepting only healthy low risk individuals. This is a notion we categorically reject and believe this legislation, as well as the Health Insurance Portability and Accountability Act contain adequate and appropriate protection against this practice.

Let me add that “cherry picking” would be an anathema to the successful operation of Co-op Care as it would interfere with the need to get as many people in the program as possible. As a result, it would make this program non-responsive to the needs of Co-op Care’s members who are intended beneficiaries. Currently large employers and large

union plans are able to provide generous insurance coverage at lower rates than small businesses are charged without resorting to the practice of “cherry picking”.

- No credibility exists for the claim that current Co-op Care legislation would shut out state regulation from its traditional role of oversight and regulation. Since Co-op Care is a fully-insured program, this is simply not the case. The insurance company that provides the coverage for Co-op Care would continue to be subject to state oversight and regulation.

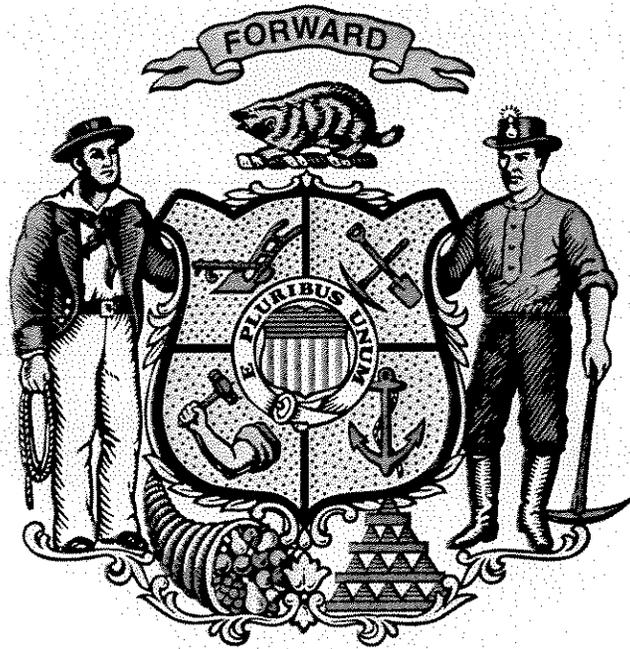
Co-op Care offers many benefits to its members

- *Lower costs for insurance.* The economies of scale that Co-op Care members can get by banding together will allow it to negotiate lower coverage costs. This will be achieved by full pass through of medical and pharmacy discounts, lower marketing costs, lower administration fees and increased target loss ratios.
- *Greater patient leverage.* Co-op Care will be the ombudsman for its members should they encounter problems with their coverage. A large “pool” representing thousands of members will have considerably more sway over the insurer than a single employer.
- *Greater Participation.* Because insurance premium is more affordable, more firms/individuals will have access to coverage.

Summary

We cannot wait to provide needed relief for individuals and small businesses unable to get affordable health insurance. I ask this committee to act now, and pass this legislation to bring small businesses and farmers more choice and use the power of competition to bring them a better option; bring them Co-op Care. We are committed to pursuing this most effective way to assist individuals and small businesses in their desire to secure health insurance for themselves and their employees. I believe Co-op Care has the real potential to positively impact the lives of Wisconsin residents. We strongly urge you to support the legislation before you today.

I am grateful for the insight, wisdom and tenacity displayed to us by Representative Gielow and Senator Harsdorf.





CURT GIELOW

State Representative

Testimony before the Senate Committee on Agriculture and Insurance

Assembly Bill 926 – Co-Op Care

Public Hearing – February 16th, 2005

Mr. Chairman and Members,

AB 926 is a bill drafted to clarify an apparent ambiguity of the legislative intent of 2003 Act 101, signed into law by Governor in December 2003. This legislation has become affectionately known as Co-Op Care.

Co-Op Care was conceived to provide an opportunity for individuals, home-based small businesses, farmers and small companies to aggregate into a large cooperative for the purpose of purchasing health insurance under the rules and regulations of OCI for large group coverage. The Governor is very supportive of this innovation in health insurance coverage.

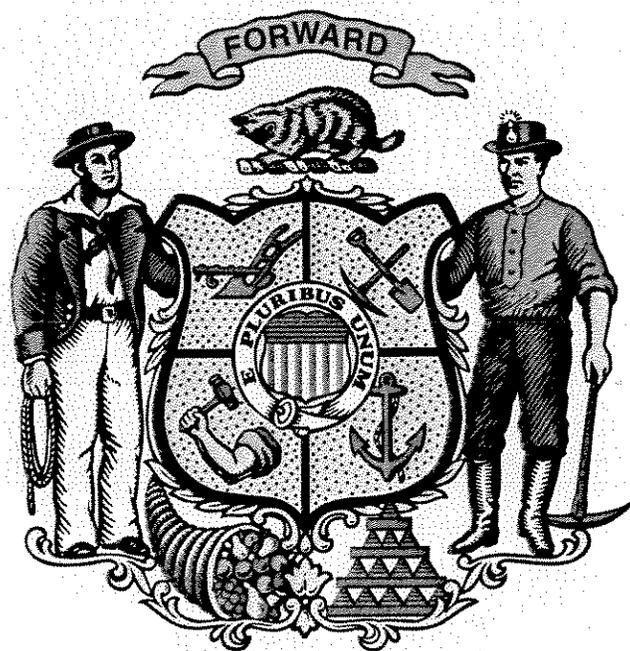
This bill clarifies two points in the previous legislation:

1. Those small companies (2-49 employees) that join a health insurance co-op are to be considered a part of the aggregate large group and not governed by small-group reform regulations.
2. That the individuals, not the employer, are considered the members of the co-op.

This innovative idea in providing an option to individuals, farmers and small businesses to obtain insurance coverage deserves the opportunity to succeed or fail on its merits. I'm confident that cooperatives organized for this purpose will have an impact on the health and wellness of its members...and potentially lower their health insurance costs.

Please support AB 926 with your vote for passage.

+517



Healthy Lifestyles Cooperative

An Effective Brown County Small Business Approach to Employee Health Care

MEMORANDUM

DATE: February 27, 2006

TO: **Senate Committee on Agriculture and Insurance**
Senator Kapanke, Chairperson, Senators Kedzie, Brown, Olsen, Erpenbach,
Hansen, and Miller

FROM: Gary Clevers, Chairman/Contracted Consultant

RE: AB926 Senate Hearing February 16, 2006

I want to thank you for allowing me the privilege to appear before your hearing recent.

Yes; I am passionate in what I believe in and am convicted too.

I understand tomorrow the Senate will be in session and AB926 will be coming on the floor for final Senate approval.

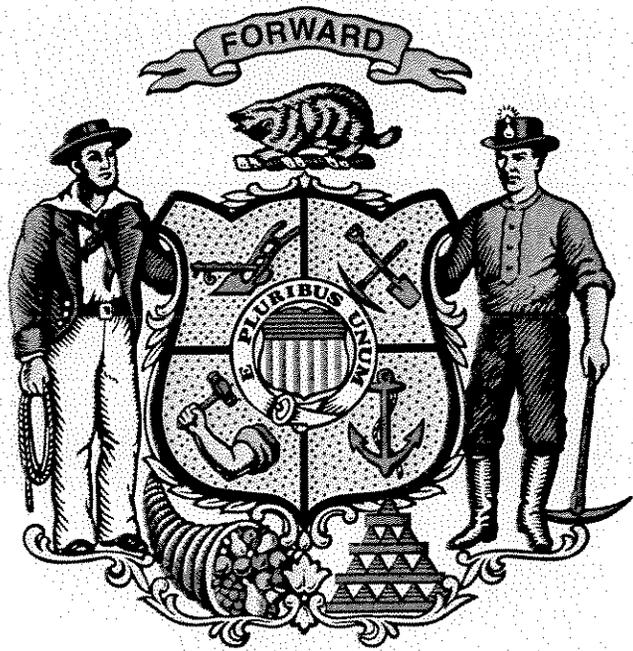
As I concluded my testimony, I challenged you to a unanimous 7-0 vote in support of the legislation in question without amendments. Thank you for promptly convening with your fellow Senators by phone conference securing a unanimous vote yet that day which speaks clearly, Senator Kapanke, to you and your leadership.

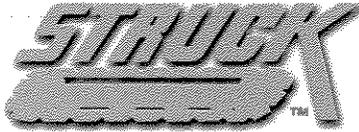
The leadership required tomorrow as the full Senate is in session; once again, I must call upon you for the necessary statesmanship and bipartisanship that is vital to the State of Wisconsin in all matters not just issues relative to my industry and the subject of insurance.

I believe without a doubt, health insurance right now is clearly one of this state's and country's most serious concerns. As expressed, while COOP Legislation will not be a silver bullet, it clearly will represent the necessary injection into the marketplace at a critical time.

As expressed, I regret that my industry, at times, seems to have slipped into a sense of numbness; being anesthetized by the constant rate increases and the broken record explanations year-in and year-out; it's obviously getting old.

**THANK YOU FOR YOUR RECENT LEADERSHIP IN YOUR
COMMITTEE HEARING. I CHALLENGE YOU TO TRANSFER
THE SAME PASSION AND CONVICTION TO REQUIRED
CHANGE YOU ACKNOWLEDGED FROM ME TO THE SENATE
FLOOR AND DISCUSSION TOMORROW. THE GREATEST
THING THAT COULD OCCUR IS A UNANIMOUS VOTE;
WOULDN'T THAT BE THE BEST EXAMPLE YET OF ALL OF US
WORKING TOGETHER TO DO THE
RIGHT THING AT THE RIGHT TIME!
NO AMENDMENTS!!**





**Compact
Crawlers**

PO Box 307
Cedarburg, WI 53012

February 16, 2006

I represent the third generation of the C.F. Struck Corp. We are a family owned and operated manufacturer and distributor of our uniquely design compact bulldozers. Operating from our Cedarburg, Wisconsin factory with a staff of 10 to 20 employees we have been designing, selling, and building our equipment for over four decades. During all those years we have faced every challenge that a business of our size and nature could possibly face. Through economic booms and recessions we have watched similar manufacturers and industries in Wisconsin wither and disappear. Thankfully we have survived. But the survival of our small business, and many others, depends upon finding the right tools to fix the problems of the day. When faced with a competitive marketplace our tool has been our own ingenuity to develop a product that stands above the rest. When the cost of steel doubled in six months our tool was investing in new technology to drive down operating costs and increase efficiency. Faced with competition from cheap Chinese imports our tool has been a recommitment to providing customer service on a personal level.

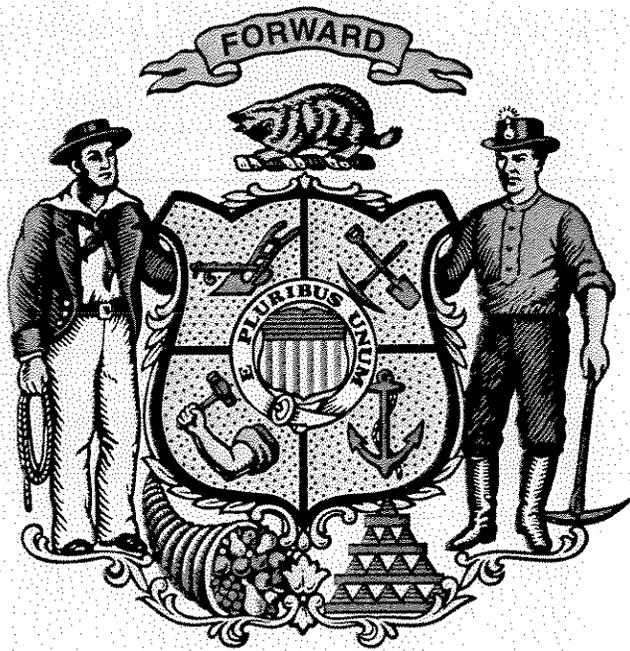
Throughout all of the business and economic conditions we have faced the most critical tool at our disposal has been our employees. As a small company our core of experienced employees is the foundation upon which we build. With most of my employees having been with the company for over a decade, and some over two decades, we have become a factory family. However my factory family is under attack. After repeated years of 20 – 30% increases in health care costs we have found no other alternative but to decrease our healthcare benefits, and pass more of the burden on to our employees. Even though many employees recall a time when health insurance was a benefit only to be dreamed about, all have become dependent upon it in the face of rising healthcare costs. To potential new employees health benefits are just one of many seemingly “mandatory” benefits we must have to compete with the cradle to grave benefits of much larger companies. Even more threatening is the prospect of losing existing members of my factory family to these larger corporation’s benefits. So I find my number one business tool being eroded by a healthcare system over which I have absolutely no control.

Thankfully, cooperative healthcare offers a tool to fix this problem by acting as an advocate for myself and its members to obtain a better deal than the large insurance carriers are willing to offer now. Through this concept my business and many like it will no longer be held hostage by insurance providers just for being small. With cooperative healthcare I can offer my employees the benefits they deserve, not just what I can afford. With cooperative healthcare I can compete with companies many times my size when vying to hire new talent, and give them the benefits of working in a small factory family. However none of this will be possible without giving the cooperative the ability to best represent its members as provided for in this pending legislation. Therefore I strongly support and urge the passage of Assembly Bill 926 to give small businesses in Wisconsin a critical tool in the fight against rising healthcare.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Bonniwell", followed by a long horizontal line extending to the right.

Chris Bonniwell,
General Manager, C.F. Struck Corporation



TESTIMONY IN FAVOR OF CO-OP CARE

Actuarial Comments by John D. Dawson, FSA, MAAA

February 16, 2006

My name is John Dawson. I am a Vice President and Actuary with Willis, the third largest insurance broker in the world. I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I am qualified to testify before you today based on my education, training and experience with health insurance programs. I specialize in advising clients on health insurance and other employee benefit programs. My clients are generally the purchasers of these programs.

I am also the Executive Director of the Wisconsin Employee Benefits Association (WEBA). WEBA is an association of generally small nonprofit organizations here in Wisconsin. WEBA helps its members obtain and manage health insurance and other employee benefit programs.

I began working with WEBA prior to small group reform. At that time, we provided rate stability through insurance programs that were underwritten by insurance carriers as a single large group. At that time, WEBA negotiated one insurance policy with each carrier, and the WEBA members received insurance certificates. And here is the best part. WEBA members were insulated from huge rate hikes because the effects of large claims were spread across our entire membership.

Small group reform changed all of that. The small group health regulations have done many good things, and addressed many problems small employers were facing in the health insurance marketplace.

However, those same regulations – specifically, rate regulation – destroyed WEBA's ability to deliver rate stability. I think I need to explain this, because its not always clear how rate regulation gets in the way of group purchasing.

1. Before small group rate regulation, our experience was pooled, and every WEBA employer got the same rate increase.
2. But small group rate regulation sets a minimum and maximum rate. This produces some illogical results in a group purchasing environment:
 - a. Some groups got a larger increase because their rate needed to be brought up to the minimum. These groups were essentially *penalized* for their good fortunes.
 - b. Other groups got smaller increases because of the rate maximum. These groups were essentially rewarded for their bad experience.

3. In implementing small group rate regulation, most insurance companies utilized five year age bands. This causes two problems:
 - a. While we would all agree that health care costs increase as people get older, the age band structure is somewhat artificial. Imposing these age bands on WEBA resulted in a wide variety of rate adjustments, including some increases and a few rate decreases.
 - b. At renewal time, the five year age bands make matters much worse. The renewal increase became a function of three things:
 - i. A trend adjustment that has been nearly 20% or more,
 - ii. An experience adjustment which could be up to 15%. And
 - iii. A demographic adjustment as employees cross the age bands.

Those two factors set up the potential for some really large increases.

Today, the insurance companies set rates for every WEBA member based on their own experience and census. Our average rate increase grew from single digits to more than 20%. I've even seen some rate hikes as high as 70%!

When we look at these employers individually, the 70% rate adjustments were perhaps warranted based on experience and demographics. But they were detrimental to these small employers, and they were certainly not necessary. WEBA's members had agreed to share the risk. Before small group regulations, we never saw a 70% rate increase. Never.

In order to operate effectively and deliver honest rate stability, the group purchasing cooperative needs the ability to set rates right to begin with, and manage those rates moving forward. The artificial minimums and maximums in small group regulations will prevent this from happening. If you impose small group rate regulation on health insurance purchasing cooperatives, you will have essentially shut them down before they even get off the ground.

I have shared this experience with you because it is relevant to the health insurance cooperative legislation you are considering. Essentially, the statutes you have passed, coupled with the pending legislation, are designed to give back to small employers the ability to realize rate stability and sensibility by being part of a larger group – just like WEBA members enjoyed prior to small group regulations.

I am here today speaking on behalf of Co-op Care of Southeastern Wisconsin. I believe that Co-op Care may be the only insurance cooperative that has been formed under new laws that were passed by the legislature and signed into law by Governor Doyle over the past few years. Still, it has not been able to enter into a

contract with an insurance carrier or yet sign up any members because of uncertainty regarding the original legislation. The pending bill, AB 926, is designed to resolve that uncertainty and is needed for these health benefit purchasing cooperatives to get off the ground.

Simply stated, we need the pending legislation so Co-op Care can effectively operate as a group purchasing cooperative.

Actuarial Objections

I would like to focus my comments on actuarial objections to group purchasing programs in health insurance.

Actuaries have been speaking out against group purchasing programs in health insurance for a number of years. At the national level, these programs are often referred to as *Association Health Plans*. Every time Congress has entertained legislation to allow Association Health Plans, the American Academy of Actuaries has issued a statement listing many reasons why Association Health Plans are bad.

Let's take a look at these objections in the context of Wisconsin's group health insurance purchasing cooperative statutes and legislation. In my professional opinion, the statutes you have enacted and the pending legislation address and resolve these objections.

The following concerns were cited in a letter from the Academy of Actuaries Association Health Plan Work Group to the Honorable John A Boehner (US Congress) dated April 28, 2003:

1. Unlevel Playing Field
2. Risk of Insolvency
3. Unclear Regulatory Authority
4. Unclear Assessment Authority
5. Actuarial Certification
6. Other Concerns

Lets consider these concerns one at a time.

1. Unlevel Playing Field. The American Academy of Actuaries Work Group on Association Health Plans expressed concern that enabling laws at the Federal level would result in programs that would be regulated by the Federal government. These programs would have an unfair advantage because they would compete against insurers regulated by the various states.

This is a very real concern. A Federally regulated Association Health Plan could have a significant advantage if it is allowed to compete in the Wisconsin marketplace against insurance plans that are regulated by the State of

Wisconsin. You may be able to prevent this by establishing your own group purchasing marketplace in Wisconsin that is under your control. This is another opportunity for Wisconsin to be a leader in this country's insurance regulation.

You've addressed this concern by enacting state legislation that allows the formation of group health insurance purchasing cooperatives that are accountable to the State of Wisconsin.

The statutes require cooperatives to utilize insurance provided through insurance companies licensed in the State of Wisconsin. Therefore, all players in the health insurance market will continue to be regulated by the State of Wisconsin.

Now it is true that the pending legislation will insulate health insurance cooperatives from the small group regulations. But as I described earlier, this is critical to the success of health insurance purchasing cooperatives. This was certainly the intent of the original law that permitted co-op members to band together to create a larger group so as to have more bargaining power with an insurance carrier than a small employer.

2. Risk of Insolvency. Insolvency is a very serious concern. The State of Wisconsin does not want to create an environment that supports the development of insurance programs that are subject to insolvency risk. Neither do we.

I believe the health insurance cooperatives that will be allowed under the pending legislation insulated from significant insolvency risk. Here is why:

- a. Fully Insured Programs. The programs that will be offered must utilize insurance written by insurance companies licensed in the State of Wisconsin. It is Co-op Care's intent that the insurance company – not the co-operative – will hold all reserves and satisfy all surplus requirements under Wisconsin Law.
- b. Health Reimbursement / Savings Accounts. To the extent the health insurance programs utilize health reimbursement accounts or health savings accounts, these assets will continue to be owned by cooperative members or their employees, not by the Co-op. Co-op Care does not intend to hold or manage money deposited into these accounts. For example, a small employer that is a member of Co-op Care would create its own health reimbursement account or health savings account. The Co-op may assist in facilitating the establishment of these programs, but it will not hold these dollars.
- c. Initial Deposit. The current statute requires cooperative members to pay their first and 36th month premium upon entry into the program.

Members who stay to the 36th month will have this money available to pay their 36th month premium. Members who leave the program before reaching the 36th month will forfeit their initial deposit.

Co-op Care is considering several alternatives to ensure that the funds collected at inception are available 36 months later to pay the 36th month premium. The total amount at risk is *at most* one month's premium.

3. Unclear Regulatory Authority. The concern is that if the regulatory authority is unclear, consumers will have no place to turn to get their issues resolved.

This, too has been addressed by the current statute and pending legislation. The insurance companies that participate in the health insurance cooperative programs are accountable to Wisconsin's Office of the Commissioner of Insurance. The cooperative is accountable to the state legislature, which requires the cooperative to report annually to the Legislature. Regulatory authority appears to be very clear. Finally, the cooperatives are answerable to their members. A cooperative that manages itself poorly or does not adequately address the needs of its members will either evolve into a better performing cooperative or will go out of business. Nevertheless, since the coverage of members is fully insured, there is no risk that a medical claim will be incurred but will not be paid.

4. Unclear Assessment Authority. This concern relates to association health plans operating across state lines. Since Wisconsin's health insurance cooperatives are only permitted to operate in defined regions within Wisconsin, the State of Wisconsin maintains full assessment authority. There is no ambiguity here.
5. Actuarial Certification. Co-op Care agrees that all reserves held in connection with health insurance cooperative programs should be subject to actuarial certification. And, since the programs will be based on fully insured products, the insurance company's actuary will be responsible for certifying those reserves.
6. Other Concerns. The American Academy of Actuaries Work Group stated that "anticipated expense reductions are unlikely to materialize." In other words, the authors of the Academy's letter doubted that the programs will deliver savings to consumers.

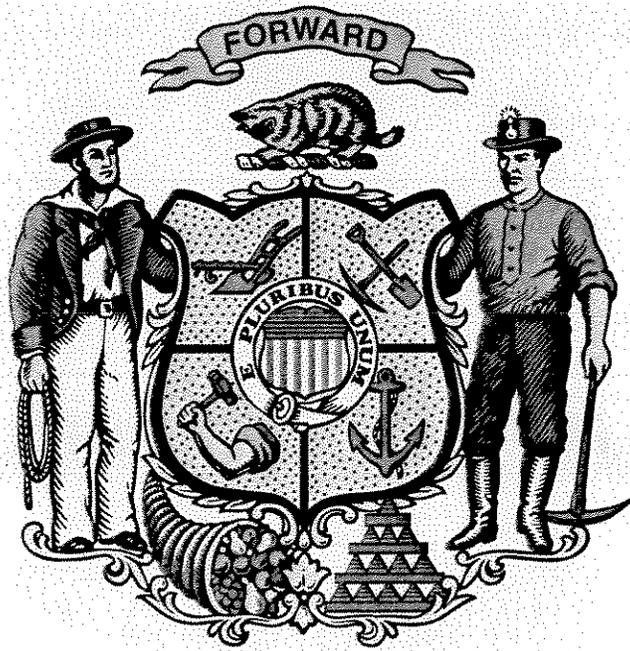
In my opinion, this hardly seems to be a valid reason to prevent health insurance cooperatives from trying. In fact, the small group marketplace is already unable to deliver stable, affordable health insurance premiums to Wisconsin's small employers. Frankly, the status quo is not working.

I believe an effectively run health insurance cooperative will deliver savings. For example:

- a. By encouraging longer term commitments of 36 months or more, administrative costs will be reduced. This, by itself will produce savings.
- b. In addition, members are more likely to benefit directly from savings achieved through wellness initiatives and provider negotiations. Today, it is the insurance companies that benefit from these savings.
- c. Thirdly, the health insurance cooperative can achieve rate stability by spreading the cost of high claims across its entire membership.
- d. Finally, whereas insurance companies are accountable to their owner constituents, cooperative operations will be overseen by a Board of Directors that is solely accountable to its members.

Besides, if the health insurance cooperative is unable to deliver savings, its members will be no worse off than they are today.

I believe this legislation is really about providing relief to the little guy. Since we have nothing to lose, and real potential to deliver much needed relief to Wisconsin's small employers, I believe it would be irresponsible to prevent health insurance cooperatives from operating successfully in Wisconsin.



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Co-op Care is considering several alternatives to ensure that the funds collected at inception are available 36 months later to pay the 36th month premium. The total amount at risk is *at most* one month's premium.

3. Unclear Regulatory Authority. The concern is that if the regulatory authority is unclear, consumers will have no place to turn to get their issues resolved.

This, too has been addressed by the current statute and pending legislation. The insurance companies that participate in the health insurance cooperative programs are accountable to Wisconsin's Office of the Commissioner of Insurance. The cooperative is accountable to the state legislature, which requires the cooperative to report annually to the Legislature. Regulatory authority appears to be very clear. Finally, the cooperatives are answerable to their members. A cooperative that manages itself poorly or does not adequately address the needs of its members will either evolve into a better performing cooperative or will go out of business. Nevertheless, since the coverage of members is fully insured, there is no risk that a medical claim will be incurred but will not be paid.

4. Unclear Assessment Authority. This concern relates to association health plans operating across state lines. Since Wisconsin's health insurance cooperatives are only permitted to operate in defined regions within Wisconsin, the State of Wisconsin maintains full assessment authority. There is no ambiguity here.
5. Actuarial Certification. Co-op Care agrees that all reserves held in connection with health insurance cooperative programs should be subject to actuarial certification. And, since the programs will be based on fully insured products, the insurance company's actuary will be responsible for certifying those reserves.
6. Other Concerns. The American Academy of Actuaries Work Group stated that "anticipated expense reductions are unlikely to materialize." In other words, the authors of the Academy's letter doubted that the programs will deliver savings to consumers.

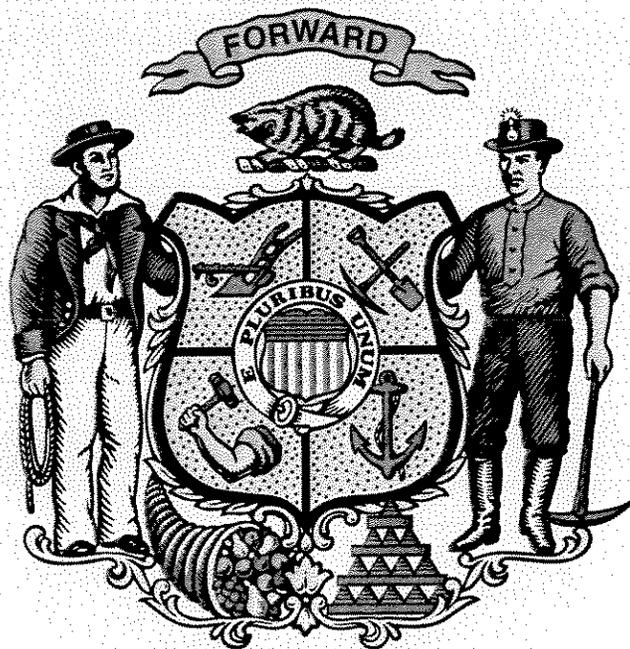
In my opinion, this hardly seems to be a valid reason to prevent health insurance cooperatives from trying. In fact, the small group marketplace is already unable to deliver stable, affordable health insurance premiums to Wisconsin's small employers. Frankly, the status quo is not working.

I believe an effectively run health insurance cooperative will deliver savings. For example:

- a. By encouraging longer term commitments of 36 months or more, administrative costs will be reduced. This, by itself will produce savings.
- b. In addition, members are more likely to benefit directly from savings achieved through wellness initiatives and provider negotiations. Today, it is the insurance companies that benefit from these savings.
- c. Thirdly, the health insurance cooperative can achieve rate stability by spreading the cost of high claims across its entire membership.
- d. Finally, whereas insurance companies are accountable to their owner constituents, cooperative operations will be overseen by a Board of Directors that is solely accountable to its members.

Besides, if the health insurance cooperative is unable to deliver savings, its members will be no worse off than they are today.

I believe this legislation is really about providing relief to the little guy. Since we have nothing to lose, and real potential to deliver much needed relief to Wisconsin's small employers, I believe it would be irresponsible to prevent health insurance cooperatives from operating successfully in Wisconsin.





POSITION PAPER

From Wayne Corey, Executive Director

February 16, 2006

CO-OP CARE OVERDUE – AB 926 ESSENTIAL LEGISLATION

PREPARED FOR : The Senate Committee on Agriculture & Insurance

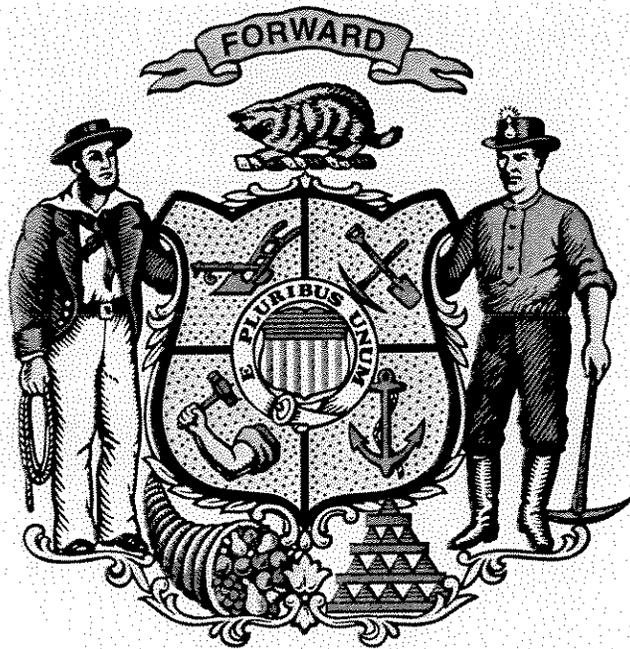
It is time for Co-op Care. Implementation of this critical health insurance reform program has been stalled far too long. Co-op Care will stabilize rates and make quality health insurance programs available to small businesses and our family farms. Co-op Care deserves the opportunity to be successful by allowing small groups and individuals enjoy large group benefits and purchasing power. It is time for the legislature to approve Assembly Bill 926, get state government out of the way and allow Co-op Care to function.

These are the facts:

- The original Co-op Care legislation was introduced June 23, 2003.
- The legislature approved SB 204 November 6, 2003.
- Governor Doyle signed Act 101 in Wausau December 11, 2003.
- Assembly Bill 5, expanding the Co-op Care program, was signed into law as Act 30 August 15, 2005.
- Development of the first health care purchasing cooperative stopped in October, 2005 as a result of bureaucratic interference with legislative intent by the Office of the Commissioner of Insurance.
- No health care purchasing cooperative is functioning 26 months after the program was created in state law.
- AB 926 makes the legislative intent for Co-op Care completely unmistakable. Passage of AB 926 assures that Co-op Care purchasing cooperatives can begin.

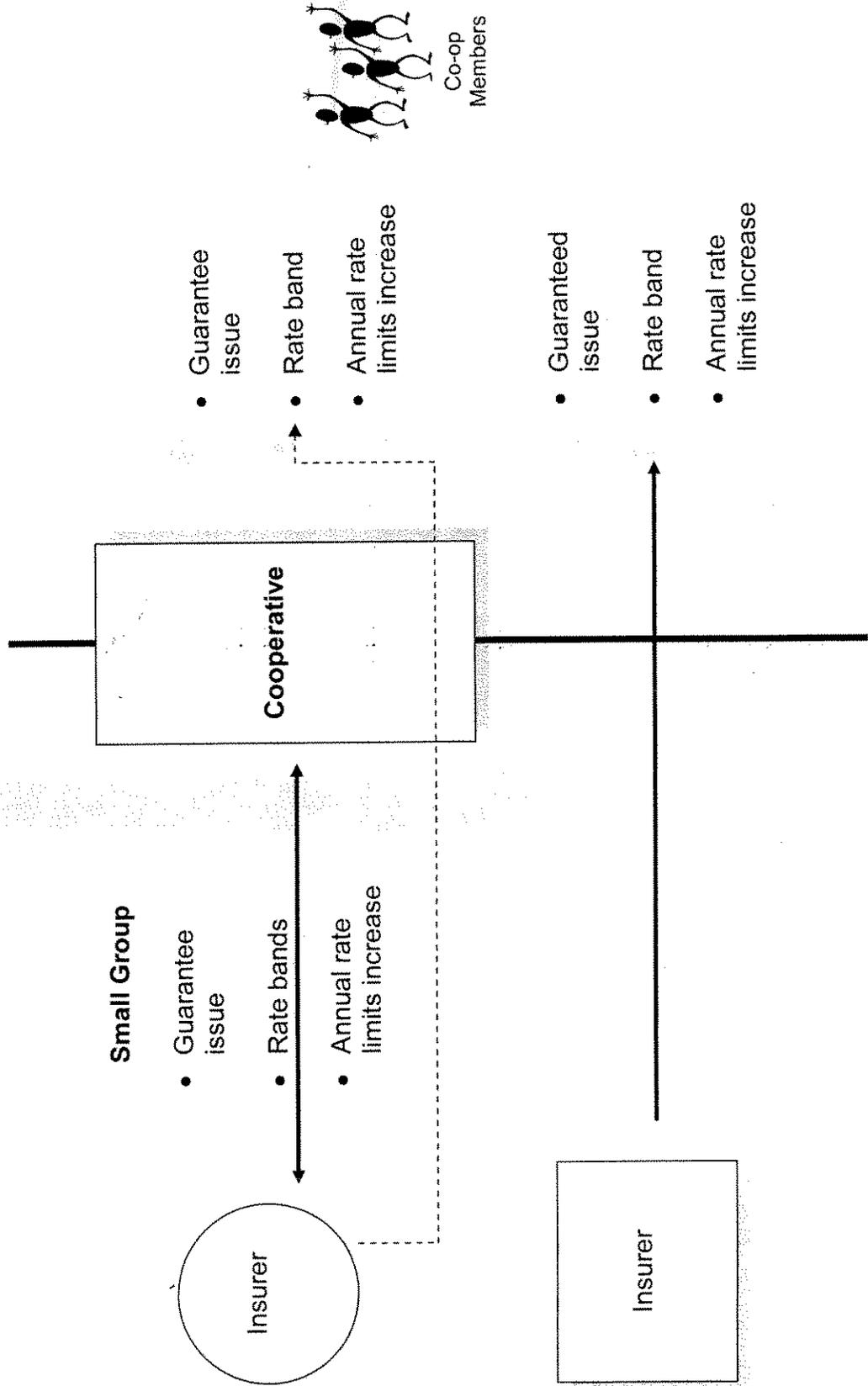
Wisconsin Independent Businesses, on behalf of 50,000+ people with ownership interest in small businesses and family farms, urges the quick adoption of this essential legislation.

WIB greatly appreciates the interest and support of the committee.



Comparison of Market Rules

Purchasing ← (Under Current Law) → Selling



Comparison of Market Rules

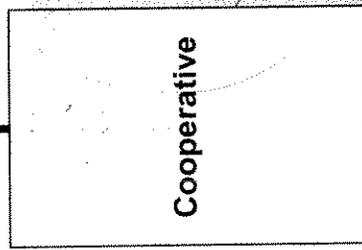
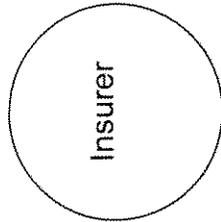
(Under AB926)

Purchasing

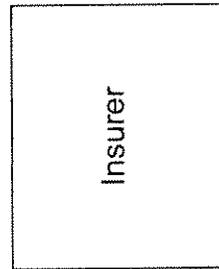
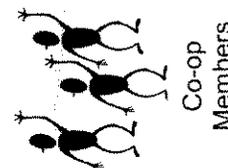
Selling

Large Group Rules

- No rate bands
- No annual rate increase limits



- Can reject high risk groups
- No annual limit on rate increases
- No rate band



- Guaranteed issue
- +/- 30 rate bands
- Annual rate increase limits

