Health Care Cooperatives

Key Concepts and Metrics

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What is a Healthcare Cooperative?

- Risk sharing organization
- Designed to reduce costs over time
- Alternative funding mechanism for benefits
- Composed of similar entities
  - Mission
  - Demographics
  - Size
  - Geographic Location
Misconceptions about Cooperatives

• All cooperatives are the same
• They are a prison with no escape
• One size fits all plan design and rate
• Work best for the “little guys”
• “Winners” and “Losers”
Why Participate?

• Reduced risk through increased group credibility
• Leverage size to reduce long-term cost
  – Stop Loss
  – Administration
  – Claim costs
• Reduce administrative burden
• Make decisions with peers
• Gain a consistent experience
Elements of a Successful Cooperative

- Open underwriting process
  - Ignore the rate, unless you know how it was developed
- Similar member philosophy and group profile
- New member commitment, but not to the extent that it becomes a prison
- The right vendor partners
  - Consultant
  - Attorney
  - Accountant
- Clear reserve structure
  - Funds in the bank
Causes of Failure

• Underwriting failures
  – Lack of transparency
  – Overly aggressive approach
• Common rates or plan designs
• Lack of member autonomy
• Flaws in the cooperative structure
  – Membership requirements
  – Reserve structure
  – Renewal formula
What Should You Look For?

• Stability
• Autonomy
• Group profile
  – Demographics
  – Goals
• Transparency
  – Reserve structure
  – Underwriting process
• Renewal process
• Vendor partners
Questions?

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