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Nonprofit co-operative to offer health insurance in Iowa

It will target those buying coverage via an electronic exchange starting in 2014.

By *TONY LEYS*

Two heavy hitters in Iowa's insurance industry are teaming up to compete with the state's dominant health insurer, Wellmark Blue Cross and Blue Shield.

Several past efforts have failed to dent Wellmark's hold on the market, but this one has financial backing from the federal government. It also has the expertise of David Lyons, a former state insurance commissioner, and Cliff Gold, who retired as a top executive at Wellmark.

The new venture will be a nonprofit insurance co-op, owned by its members and led by a board they elect. It will target individual consumers and small businesses buying policies via a new health insurance exchange, an electronic marketplace designed to allow people to compare and purchase insurance starting in 2014. The exchange is expected to draw tens of thousands of Iowans, including people who qualify for new public subsidies to help them buy private insurance.

Gold said he figured he was done with the insurance business when he retired four years ago as a Wellmark vice president. He was skeptical when Lyons called a year and a half ago and asked him to help look into setting up an insurance co-op with financial help from the new federal health reform law.

"At first, I thought it was too little, too late, and we can't make it," Gold said this week. But he said that the more he studied the idea, the more he thought it would work.

Wellmark controls about three-quarters of the Iowa market for individual and small-business health insurance policies. Lyons noted that the market is one of the least competitive in the nation. That could mean consumers and health care providers would welcome a new choice, he said.

Also, he said, many Iowans are familiar with the idea of a co-op because they've had experience with electrical and grain co-ops in their hometowns.

"If this can't work in Iowa, it's probably not going to work anywhere," he said.

Wellmark leaders declined to comment on the project, saying they hadn't seen details of it.

Besides serving as Iowa's insurance commissioner in the 1990s, Lyons has been Iowa's economic development director and a top executive at Farm Bureau, where he helped develop members' health insurance policies through Wellmark.

The new co-op's leaders also include Stephen Ringlee, a venture capitalist from Ames.

The men said they have made no money off the idea yet, and they don't plan to make much. They

describe their involvement as mainly a service to help Iowans and businesses find good health insurance.

Federal government lending \$113 million

The Iowa co-op, which also would offer policies in Nebraska, was one of seven such proposals that received federal approval this week.

The project is to receive up to \$113 million in loans over 15 years, which would give it enough money to cover claims and maintain financial solvency while it is getting started, organizers said.

Bob Skow, an industry expert who set up a different kind of insurance co-op in 1994, said the federal backing offered to the new one might make a difference. Skow's project, which fizzled, involved pooling Iowa consumers and trying to buy policies on their behalf from commercial insurers. Some carriers, including Wellmark, declined to participate, which helped sink the effort, Skow said.

The current approach essentially amounts to setting up a new insurance carrier, so it won't be as reliant on other insurers, he said. "We're really talking apples and oranges."

Skow, who is chief executive officer of the Independent Insurance Agents of Iowa Association, added that the new project's organizers give it instant credibility. "It's not as if you have a couple of people who are novices," he said.

Skow said insurance agents would love to see more competition among health insurance carriers in Iowa. However, he said, free-market fans could question the fairness of having a new government-backed carrier compete with private companies.

Lyons said the co-op, tentatively named Midwest Members Health Inc., will seek membership from people who want to be actively involved in their own health care and in finding ways to hold down costs.

For example, he said, the organization plans to encourage use of medical homes, in which members would have their care coordinated by a single doctor who monitors them closely. The co-op also would reward physicians for helping patients stay well instead of just treating illnesses.

Membership goal: 50,000 by 2017

The new co-op has relatively modest goals for membership. Gold said it expects to have about 50,000 members by 2017. That compares with the 1.8 million Iowans Wellmark covers, including many who buy insurance via large employers. The co-op's leaders hope the organization's presence encourages Wellmark and other carriers to improve their offerings.

The co-op plans to hire only about 50 employees, and it has no plan to build a fancy headquarters. It will contract out many administrative functions to HealthPartners, a Minnesota company.

Instead of trying to recruit doctors and hospitals to provide services, the co-op plans to piggyback on a network already formed by Midlands Choice, an Omaha company that has contracts with all Iowa and Nebraska hospitals and about 90 percent of physicians, Lyons said. The network doesn't yet have as much negotiating muscle as Wellmark has with providers, he said, but it negotiates significant discounts for medical services.

The organizers know other potential contenders have failed to break Wellmark's dominance of Iowa's health insurance market. Besides Skow's co-op project, the history includes Principal Financial Group's

exit from the overall health insurance business and UnitedHealthcare's unfulfilled pledge in 2002 to equal Wellmark's market share in Iowa.

Wellmark, co-op alike in some ways

Wellmark leaders said this week that they're unsure if they will offer policies over the health insurance exchange. They would prefer a state-run system to one run by the federal government, but they said it would be financially imprudent to commit to participating before details of the system are set.

Lyons said he hopes Wellmark will participate in the exchange, because competition would serve Iowans. But he said the co-op should do well on the system either way.

The co-op has some similarities to Wellmark. The co-op will be owned by its members. Wellmark is a mutual company, which means it also is owned by its members. The co-op will be nonprofit. Wellmark leaders say they seek minimal profits from their operations. Both organizations say their goal is to try to help customers improve their health and hold down their costs.

An executive of UnitedHealthcare, a national insurer that sells policies in Iowa, said he welcomed the co-op project.

"We at UnitedHealthcare are strongly committed to the shared goal of making high-quality health care accessible and affordable for everyone, and the co-op concept looks to create another avenue to improve access to care," Dan Kueter, the company's chief executive officer for Iowa and central Illinois, said in a prepared statement.

The co-op is closely tied to the health reform law, which could be overturned by the Supreme Court or by Republican politicians if they regain the presidency and control of Congress. But Lyons expressed confidence that the project would find a way to move forward even under those conditions.
