

- SUBJECT:** Revising small and large employer health group cooperatives
- COMMITTEE:** Insurance —favorable, without amendment
- VOTE:** 9 ayes — Smithee, Eiland, Hancock, Nash, Sheets, L. Taylor, Torres, Vo, Walle  
0 nays
- SENATE VOTE:** On final passage, March 24 — 31-0, on Local and Uncontested Calendar
- WITNESSES:** No public hearing
- BACKGROUND:** Health group cooperatives are a type of private purchasing cooperative that may include only small employers, only large employers, or both. All employers participating in a single health group cooperative are considered a single employer for the purposes of rate setting and benefit elections. An employer electing to participate in a health group cooperative must commit to purchasing coverage through the health group cooperative for two years.
- DIGEST:** SB 859 would allow, under specified circumstances, eligible single-employee businesses to participate in a health group cooperative. The bill also would allow health group cooperatives to elect to treat participating employers within the cooperative as separate employers for the purpose of rating health benefit plans.
- Single-employee businesses in health group cooperatives.** Eligible single-employee businesses would be owned and operated by a sole proprietor that employed an average of fewer than two employees on business days during the preceding calendar year. The TDI commissioner would adopt rules governing the eligibility of a single-employee business to participate in a health group cooperative, including rules prohibiting coverage of a single-employee business that was formed solely to obtain health coverage.

Single-employee businesses could participate in a health group

cooperative if the cooperative elected to permit participation by these employers and the cooperative also included small employers, large employers, or both small and large employers. A health group cooperative would have to obtain a written agreement from a health plan issuer to issue coverage to the cooperative if its membership included single-employee businesses.

A health group cooperative could rescind its election to permit eligible single-employee businesses to join the cooperative if the election to allow coverage of these businesses had been in effect at least two years and the cooperative provided the required notice to both TDI and single-employee business members. A health group cooperative that made such a rescission could not file an election to allow single-employee businesses to receive health coverage through the cooperative for five years after the rescission.

**Health group cooperative elections for rating.** A health group cooperative could file an election to treat participating employers within the cooperative as separate employers for purposes of rating health benefit plans. The health group cooperative would provide written notice of this election to all participating employers and employers considering joining the cooperative. The notice to participating employers would be made at least 90 days before the date the election would become effective and would contain a quote for the premium rate that would apply to the employer when the plan was renewed. The election to treat participating employers as separate employers for the purpose of rating would apply to plans issued or renewed on or after the date of the election.

**Plan choice.** The bill also would specify that the cooperative could not restrict an employee's choice among benefit plans offered by the cooperative based on their health or risk status.

**Effective date.** The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2011.

**SUPPORTERS  
SAY:**

SB 859 would increase the availability of employer-related health coverage by allowing health group cooperatives to expand employer participation to include sole proprietors and by granting cooperatives more flexibility in setting premiums. These changes were requested by various cooperatives across the state. This bill is virtually identical to SB 972 by Averitt, which died on the House calendar at the end of last session.

This bill would be supportive for small, hard-working businesses who do not have access to health coverage. Many sole proprietors are now without insurance because premiums in the private, individual market are too high or insurers refuse to cover a sole proprietor. Insurers traditionally have viewed uninsured individuals as high risk for health problems, but that view has been changing with the increasing experience of individual plans on the market.

SB 859 would minimize risk and support a cooperative's viability by allowing a health group cooperative discretion in whether to accept a sole proprietor and by allowing them to rescind this decision at a later date. With the option afforded by SB 859 to treat participating employers separately for rating purposes, a cooperative could choose if the health risks of participating sole proprietors were spread over the cooperative at large or borne only through the premiums paid by the sole proprietor.

The rating flexibility in this bill also would encourage more communities to establish health group cooperatives, which would further increase the availability of insurance coverage. Now all members are treated as a single employer, which increases premium costs for cooperative members with employees with lower health risks to balance the higher coverage costs for members with greater health risks. This can cause some low-risk employers to drop participation, thereby potentially eliminating health coverage for their employees. Small employer participation, however, would be protected in this bill because small employers who were members of a cooperative would have a say in whether the cooperative should elect employer-based rating.

**OPPONENTS  
SAY:**

By allowing health group cooperatives to treat employers separately rather than as a single employer, SB 859 could deny some employers one of the cost-saving characteristics that prompted them to join. In addition to reduced administrative costs, health group cooperatives make insurance affordable for small employers because the treatment of all participating employers as a single employer spreads risk, which reduces their premiums. If a cooperative elected to treat employers separately for rating purposes, many participating small employers could drop health coverage for their employees because they no longer could afford the premiums.