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on LAW & POLICY

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**ISSUE BRIEF:**  
**Health Care Cooperatives Not Substitute for Public Option**  
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The health care reform debate in Washington often results in a lot of noise, a bit of hyperbole, and an overwhelming amount of information to digest—good or bad, accurate or not. A recent proposal by Sen. Kent Conrad (D-ND) is just such a case, an idea that seems good on its face, but in fact would not deliver the outcomes that some say.

Sen. Conrad proposed that health care cooperatives might be a good substitute for a public health insurance option. The *Denver Post* carried a story recently suggesting rural electric co-ops could serve as a model. However, this co-op model would not be an effective substitute for a public health insurance option for several reasons.

First, rural electric co-ops are local and serve in particular areas. A health plan modeled this way would not allow for portability of coverage from one part of the country to another, or from an area served by a co-op to an area served by another coop, or not served by a co-op at all. This is not really different from the current system, where if you move you have to change insurance plans. The lack of ability to keep your plan when you move is something that needs to be fixed to ensure greater access, continuity of coverage and care, and your freedom to choose doctors and health plans.

Second, services through a locally based health care co-op would likely cost a lot, more than you pay today if you are insured. As expensive as health care is, insurance companies are able to reduce costs by negotiating discounted rates. They can do this because they serve a lot of people and therefore have enough business to offer to doctors, hospitals and other providers to make it worth their while to reduce costs. It's a volume discount. Anyone who has ever been uninsured and wound up in the hospital knows that the bill they get is far larger than the bill an insurance company would have paid. A regional coop simply would not have the buying power of a large insurance company and the idea is getting traction precisely because it is not threatening. A Public Option, on the other hand, would have real bargaining power and be able to compete with insurance companies.

Third, insurance is about pooling risk. I might not be sick today, but I am paying the same amount as you are, because I know that I, or my spouse, child or parent, will be sick tomorrow, next month or next year. We share the risk. The smaller the group the more participants' costs go up when members have a health crisis because fewer people are sharing the risk. It's also less likely that a small group will be able to invest in cost savings and quality improvement measures, update IT capacity, or withstand the impact of catastrophic events such as a pandemic or hurricane. A large group represented by a Public Option that shares costs across millions of people can do all of those things.

Fourth, rural electric coops were designed to deliver electricity in locations where it was otherwise not economically beneficial to serve and with heavy federal subsidies. The electricity was and is delivered to particular spots, whether people remain there or not. The electricity is not portable. Our health care system is different. The need is for access to health care, which usually flows with the coverage or insurance package involved, or with the employer. When people move, or change jobs, they need the access to move with them. Being enrolled in a Colorado co-op does not necessarily get you health coverage when you move to Wyoming, or vice versa.

Finally, a new system of public health co-ops will not be ready to go immediately. It would take years, a huge new investment of dollars and human resources, and an untried management structure to try to make such a system work. On the other hand, a public option, structured like Medicare, which already serves most Americans over 65, could be ready to go quickly with lesser transitional costs. We cannot afford having Americans go into bankruptcy every 30 seconds as they do now because of continual rising health care costs.

A strong public health care option, widely available throughout the country, is the only way to ensure guaranteed access, greater portability, and freedom of choice for consumers. Such a public option could also spark innovative new ways to deliver health care that will improve quality and reduce costs. While a co-op presents some intriguing possibilities, it alone cannot cure what ails the current system. Only by spurring true competition with private plans and a public option will Americans get more value for our health care dollar. And only a uniquely American solution that includes a public health insurance option will guarantee that everyone can have quality, affordable health care.

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