

The Salt Lake Tribune

Utah may start health insurance co-op

Provision of federal law vows to deliver cheaper, better care.

By kirsten stewart

The Salt Lake Tribune

Published: March 20, 2012 09:57PM

Updated: March 21, 2012 09:00AM

Where some saw doom in federal health reform, Shaun Greene saw a business opportunity.

Two years ago in March, after President Barack Obama signed the Affordable Care Act into law, the insurance executive sat down and read it, all 974 pages. Captivated by a little-known provision for health insurance cooperatives, he convinced a powerhouse group of industry leaders to start one in Utah.

For now, Aarches Community Health Care is a business plan, which its founders will unveil Wednesday at a community forum in Taylorsville. But if endorsed by federal officials, the nonprofit health insurer would go live in 2013, luring consumers with the promise of better, cheaper health care.

Like electric, farm and dairy co-ops in rural parts of America, health co-ops, or "Consumer Operated and Oriented Health Plans," provide an under-produced good or service — in this case, affordable health coverage.

The idea was championed by a bipartisan group in Congress as an alternative to a public option, or government-run health plan.

Their central aim is to force the industry to be answerable to consumers, to operate more efficiently and fairly. Unlike for-profit insurers, which must earn money for shareholders, co-ops are supposed to use their surplus to lower premiums or bolster benefits.

To get them going, the Affordable Care Act set aside \$3.8 billion in start-up loans. Aarches didn't make the first cut and is reapplying in April.

"We lost six months, but now we have a better business plan," said Greene, who will spend the next year traveling the state to promote it.

The group faces fierce competition considering Utah's insurance market is already dominated by two nonprofits, SelectHealth and Regence BlueCross BlueShield.

But it will open for business in 2014, just as 300,000 uninsured Utahns will be shopping for the best insurance deals on state exchanges.

Aarches will target Latinos, which comprise only 13 percent of the state's population but 30 percent of its uninsured.

The co-op is already negotiating for discount rates with provider networks and is looking to build managed care organizations around certain community health clinics.

And it's backed by industry chieftans: Brad Kuhnhausen, a retired broker and former lobbyist for the Utah Health Underwriters Association; Kim Bateman, former medical director at the health advisory group HealthInsight; and Linn Baker, founder and former executive director of the state's Public Employee Health Plan (PEHP).

Kuhnhausen brought them together and continues to consult on the project.

"I didn't know the Utah market very well, but Brad knows everyone you need to know," said Greene, who used to work in operations for a company that manages office work for health insurers.

Kunhausen's first advice: Hire Linn Baker as CEO.

Baker ran the nonprofit insurer, PEHP for 31 years. And he's had practice with payment reform.

Today insurers pay doctors for services as provided, a system that rewards volume over value and contributes to soaring health spending, said Baker.

Aarches plans to reimburse providers for episodes of care. With a pregnancy, for example, it might pay doctors a global fee covering prenatal visits and delivery.

The co-op will also mine state data to find "centers of excellence," specialists with the best prices and patient outcomes, and steer consumers to those providers. And to encourage patients to use their benefits wisely, it might waive co-payments for preventive care, while charging fees for elective surgeries.

Baker tried this at PEHP in the early '90s and was surprised to see some hospitals charging 30 percent more than others for certain procedures.

"No one knows what things cost upfront, not even physicians," he said. "If other markets operated like that, their costs would be out of control, too. Imagine a Chevrolet costing three times as much in New York than in Salt Lake."

Under pressure from lawmakers, PEHP abandoned the effort.

"Back in those days we didn't have the Internet. We were publishing large provider directories, which cost money, and we didn't have access to large amounts of data," said Baker.

Today, the technology exists and consumers are clamoring for relief from double-digit premium hikes.

"The time is ripe," said Baker. "It's either adopt a single payer system and tell everyone what they're going to get paid, which I don't agree with, or fix the dysfunctional market."

kstewart@sltrib.com

Twitter @kirstendstewart

—

Open house

The founders of Aarches will hold a community forum on Wednesday from 3:30 to 4:30 p.m. at the Taylorsville Public Library (4870 S. 2700 West). The event is free and open to the public, but you can RSVP by emailing volunteer@healthpolicyproject.org.

© 2012 The Salt Lake Tribune