



COMMUNICATING for AMERICA

www.communicatingforamerica.org

CA Board Members,

We have been involved in promoting and providing group health insurance for patrons and members of co-ops since 1959. The concept came from the thought process, "why cannot patrons and/or members of rural coops not have the same opportunity to negotiate for group health insurance discounts like employees of large companies like John Deere, GM, etc."

In 1959 the first co-op in Minnesota was a dairy co-op with 140 plus farm/dairy patrons. The plan was designed by the insurance agent along with input from the co-op board of directors and management. The designed plan was then presented to different insurance companies for best price, renewal conditions, and open enrollment for a period of time on preexisting conditions.

Over a period of 30 years this led to group health insurance being provided to all dairy co-op patrons, members of farm co-ops like Cenex, members of REAs, and members of rural telephone co-ops. People paying for their own health insurance knew that their local co-op, in most cases, had a better plan than what they could buy from an individual health insurance company.

Also during this time period rural associations like Communicating for Agriculture, (CA), Farm Bureau, and Farmers Union negotiated group health insurance plans for their members. Many of those members, who were not members of co-ops, now had the benefits of group health insurance as well. This became very important for rural Americans who had to pay for their own health insurance because many of those small co-ops either closed because of changing times or merged with large for-profit corporations. By becoming a member of a reputable rural association they could now continue their health insurance as they now had 100% portability.

The association has the membership clout to negotiate with insurance carriers as to price and benefits, and if there is a change of insurance carriers the members have the security of knowing they will not lose their benefits while they maintain their membership in the association. If they held an individual issued health insurance policy and were forced to make a change, they could be subject to preexisting conditions.

Today CA remains one of the few major rural associations who continue to offer its members group health insurance. Why the demise of group health insurance for rural America? In many cases states have changed their regulations to favor individual issued policies by larger insurance companies that allows for a lower loss ratio in order to raise premiums.

A good example of this was group Medicare supplement insurance, which CA was a big supporter of. State insurance laws allowed an 80% loss ratio before a rate adjustment was approved, until lobbying efforts by large health insurance carriers during the early 1990s were successful in changing the 80% loss ratio to 65%. This change eventually eliminated group Medicare supplement, because why would an insurance company operate with an eighty cent pay out on a dollar when the state laws allow you to only pay out sixty-five cents on a dollar.

Group health insurance through co-ops and qualified associations with a long history of benefiting their members can be a great asset in helping solve the problem of the uninsured. Large groups of individuals who pay their own health insurance premiums need a vehicle that allows open enrollment, maybe once a year, regardless of health. Large employer plans have that option; years ago co-ops and qualified associations had that option.

The laws need to be amended back to allow qualified associations and co-ops to have agents of record to negotiate benefits for its patrons and members, with plans that have favorable loss ratios. Insurance carriers need reasonable profits, agents need to be compensated, but it should not be exclusive out of the health insurance premiums. We can learn from crop insurance and the airline ticketing agencies.

Crop Insurance: Many of us remember growing up on the farm and having the federal crop insurance agent come around, usually someone who had much time to visit and only concerned about getting the application signed, instead of selling higher benefits. In 1972 the federal government realized that farmers needed a better program to protect them in the event of a disaster. The marketing of crop insurance went to associations and co-ops with what was called a Master Marketing Agreement. (CA was the number two in the USA to have a Master Marketing Agreement with Federal Crop Insurance). The Master Marketing Agreement required the contract holder to take a percentage of the risk, 75% to 90%, and if the risk exceeded that then federal crop insurance would reinsure above that risk factor. CA helped form a crop insurance company, with the agreement that they would take 75% to 90% of the risk, and anything below was profit to the company. Agents of the company became the marketers, and they were paid a small percentage of the premium plus an annual administrative fee paid by the insured.

Today all major crop insurance agents are compensated the same way. In recent years travel agents are compensated in much the same way. This was the way we used to compensate our group health insurance agents.

Health care providers must become an important party to the solution to unaffordable health care in rural America. Health care inflation began when Medicare was enacted in 1965, and in recent years has skyrocketed out of control.

Why? It seems as if all incentives to control costs have disappeared in most areas. Some of the cost control problems are due to cost shifting from the uninsured to those with insurance, but most are caused by over prescribed health care that is available, and by large amounts of high priced equipment that needs to generate income. If we have it, we have to use it.

Recently our son was under stress and had chest pains, and was admitted to the emergency room followed by an overnight stay at the local hospital. It ended up costing \$13,000.00. One of our CA member's premature child incurred insurance claims in excess of \$3,000,000.00 before the child expired.

Our system is not broken; we do not need to reinvent the wheel. We do need to have federal government intervention to reduce the number of uninsured in America. I believe this can be done with a similar plan to the Tennessee plan, CoverTN. The plan would be funded in part by the government, and if the insured want higher coverage than what is provided they have the option of purchasing an umbrella plan, like a casualty insurance policy.

I believe CoverTN has a maximum coverage of \$10,000.00, which will most likely provide adequate coverage for a large percentage of the population who file a health claim.

Assisting the insured, be it in crop insurance, casualty insurance, or health insurance, a representative is a must, and the lowest cost to the government is a licensed agent who does not need a government pay check to provide this valuable service.