



Illinois Department of Insurance

Legislative Affairs Office

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Support HB 3236 (May)

Healthcare Co-Op

- Small employers in Illinois frequently experience premium volatility and the absence of meaningful choice among health insurers.
- HB 3236 encourages the creation of two different types of health cooperatives:
 - Nonprofit cooperative insurers formed in a manner consistent with the Affordable Care Act, which has set aside \$6 billion in startup grants and loans specifically for the creation of nonprofit health insurer cooperatives; and
 - Health care purchasing cooperatives.
- This bill will:
 - Enable small employers to join together to provide more affordable and stable health insurance programs.
 - Encourage competition in Illinois' private health insurance marketplace through the creation of one or more nonprofit health insurers eligible for startup grants and loans from the federal government through the Affordable Care Act; and
 - Facilitate the creation of health care purchasing cooperatives, which have been successful alternatives for small employers (especially in the agricultural industry) in states such as Wisconsin, Minnesota, and Washington.

Background

Health Insurance Issuer Cooperatives

The Affordable Care Act (ACA), which was signed into law by President Obama on March 23, 2010, appropriates \$6 billion in grants and loans to encourage the creation of Consumer Operated and Oriented Plans, or "Co-Ops," which must be state chartered nonprofit, membership organizations that operate as health insurance issuers. The ACA requires that these Coops:

- Have a governance structure that provides for majority control by members;
- Incorporate ethics and conflict standards in its governance documents that protect against insurance industry involvement and interference;
- Operate with a strong consumer focus consistent with regulations issued by HHS;
- Offer coverage for individuals and small business groups; and
- Be subject to regulation by the Department of Insurance in the same manner as other health insurance issuers.

Health Care Purchasing Cooperatives

Small employers in states such as Wisconsin, Minnesota, and Washington have successfully organized cooperative associations to purchase health insurance. A cooperative allows small employers, such as farmers and agribusinesses, to purchase health care as a large group, thereby increasing buying power and stabilizing or lowering premium rates.