Residents living in more than half of the nation’s counties have only one insurer to choose from on their state’s Affordable Care Act health insurance exchange. This lack of options is most prevalent in rural areas: 41 percent of enrollees in non-metro counties vs. the overall rate of 21 percent, according to the Kaiser Family Foundation.

Could the creation of agricultural cooperative health plans help fill insurance gaps, offer more choices for consumers and lower costs?

Minnesota lawmakers hope so, and their passage of SF 1 in 2017 marked the start of that state’s policy experiment with this type of health insurance option. “Farmers can join together in self-insured plans like those used by large employers,” explains Rep. Tim Miller, who helped guide the legislation through the House. By the start of this year, two agriculture cooperatives, 40 Square and Land O’ Lakes, had jumped into the market and enrolled more than 1,700 people.

The 2017 Minnesota law defines “agricultural cooperative health plans” and exempts them from existing statutory language on employer insurance and multiple-employer welfare arrangements. These new plans are instead regulated by the U.S. Department of Labor; therefore, all enrollees are required to be corporations with at least one employee. The state statute requires the corporation to be an agriculture-related business — any type of agriculture corporation, such as a farm registered as an LLC, is eligible.

“Minnesota is the land of 10,000 cooperatives; they play a big role in rural Minnesota; so it is natural to have them involved again in insuring farmers,” Miller says. (Medical cooperatives, established through the Farm Security Administration, once covered hundreds of thousands of U.S. farmers into the 1940s.)

Still, several regulatory hurdles had stood in the way of Minnesota’s law, as had concerns about the potentially adverse impact on the state’s individual insurance marketplace. These cooperatives can “cherry pick” healthy consumers, opponents argue, leaving sicker individuals on the exchange with higher costs.

But in 2016, as enrollment in the ACA approached, seven Minnesota counties had no insurance option. This gave momentum to the cooperative idea. The Minnesota cooperatives now in place meet all of the ACA’s insurance requirements, and are self-insured and owned by members.

Iowa, meanwhile, has embarked on a new strategy of its own to address concerns about high insurance costs and limited or no consumer options. SF 2349, signed into law earlier this year, allows for association health plans, particularly via a partnership between the Iowa Farm Bureau Federation and Wellmark Blue Cross Blue Shield.

The idea is for a “nonprofit agricultural organization” (the Farm Bureau) to sponsor an affordable health care option, and for another entity (Wellmark) to administer it. Under the Iowa law, these newly authorized “association health plans” are not considered official insurance plans, and thus not subject to typical state or ACA rules. As a result, they can offer relatively low premiums for young and healthy consumers, but people with pre-existing health problems could be charged more or denied coverage.

Iowa’s law is an example of how some states are trying to do “end runs around the Affordable Care Act,” The Washington Post noted in an article earlier this year, with opponents of SF 2349 saying it was a path to...
“substandard coverage that will divide the healthy from the sick.”

But Sen. Dan Zumbach, the bill’s floor manager, believes the recent changes will give individuals more affordable options when choosing health insurance: “[It’s] about getting people on a plan where they have some coverage to take care of health care.”

To be eligible for the coverage offered under SF 2349, Iowans will need to be Iowa Farm Bureau Federation members; sign-ups were expected to begin in fall 2019.

Even before the ACA, people in rural counties were less likely to be covered by their employers, and more likely to be on individual insurance policies and paying a higher price for insurance. Rural health care markets are difficult for insurers because of a mix of factors — a smaller and older customer base, plus a dearth of health care providers that makes it difficult to negotiate payment rates.

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