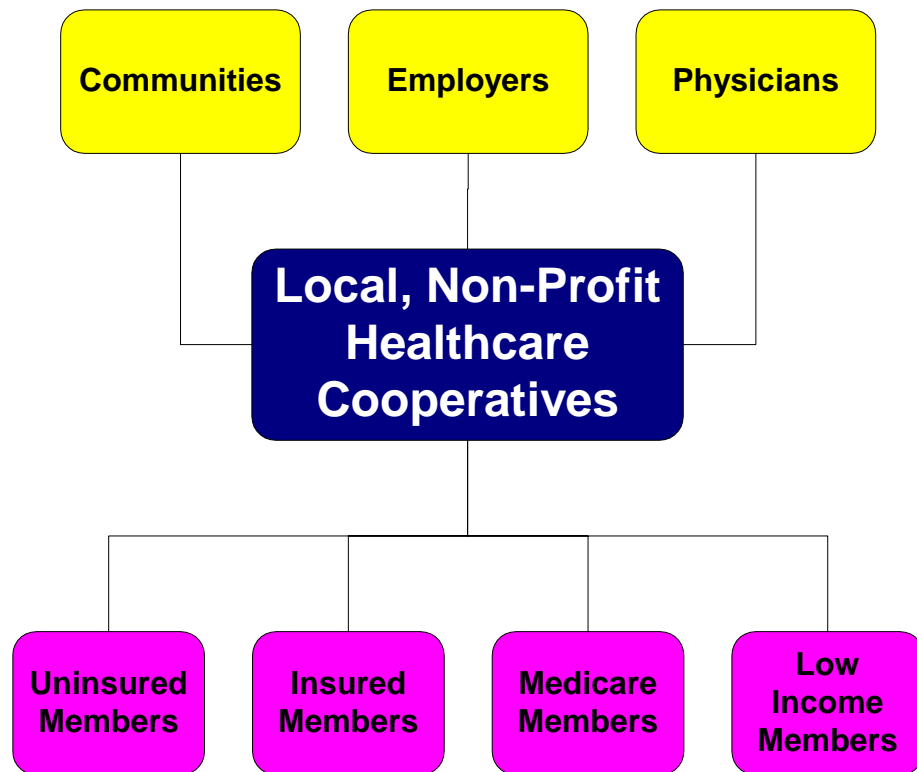


A Revolution in Healthcare



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WHAT IS A HEALTHCARE COOPERATIVE?

The keystone of our proposed revolution in healthcare is widespread establishment of non-profit, local healthcare cooperatives throughout the state, region, and country.

A healthcare cooperative is a non-profit corporation organized to improve the health of its members by providing health education and programs to help members obtain timely, effective, efficient, and economical health care. The cooperative is organized by and run by its members through an elected Board of Directors. On behalf of the members, the Board may negotiate contracts and agreements with pharmacies, insurance companies and vendors. The Board can establish a partnership relationship between members and local physicians and other healthcare providers in their fight against the common enemy, disease and ill health. The healthcare program offered by the cooperative is optional, depending on the desires and needs of its members, but we encourage emphasis on preventive medicine, increasing access to primary care, giving patients access to their medical records, and reducing healthcare costs. The timeline for implementing program elements is not fixed, but will be determined by the members. The cooperative can have a built-in mechanism for resolving disputes. Benefits accrue to: members; local physicians and other healthcare providers; employers; local, state, and national governments; and insurance companies.

A healthcare cooperative can be started by a community group, by an employer and/or the employees of a company, city, town, county, or school district; or by a physician or group of physicians. A healthcare cooperative can have members who are insured, uninsured, or on Medicare. Members might have limited income and be on, or eligible for, governmental assistance programs. A healthcare cooperative is a way to reduce costs, improve efficiency and make everybody healthier.

This document provides a framework for organizing and running a local, non-profit healthcare cooperative. General features of a healthcare cooperative are described first. Then comes information about potential members and why they should join, followed by suggestions as to who might take action to start a healthcare cooperative and why and how they would do it. Healthcare program options are next, ending up with advantages, potential to reduce costs and startup costs. This is **not a cookbook** because every healthcare cooperative will be different, depending on the characteristics of its members and on the economic, social, and political conditions of its location. What we provide are only guidelines.

WHAT ARE ITS FEATURES?

Administration

A local Board of Directors, elected annually by the members, operates within a framework of the Articles of Incorporation and By-Laws of the healthcare cooperative. The Board manages the affairs of the cooperative including matters related to contracts, employees, members, physicians and other healthcare providers, pharmacies, insurance companies, employers (of members), fees, disputes, taxes and licenses. The Board develops a healthcare program with an appropriate level of services to be provided by the cooperative.

Medical/Technical Partnerships

A healthcare cooperative creates an environment in which physicians and other healthcare providers can work cooperatively and in mutually supportive ways with their patients as members of a cooperative.

The medical people are needed for such programs as annual screenings and wellness group discussions. They are the resource people to lead the discussions.

In addition, a healthcare cooperative must have a reliable, readily available source of medical and/or technical advice for two reasons. One is to provide guidance in developing and implementing some of the healthcare programs to be offered. The other is to provide input regarding operation of healthcare offices during the process of negotiating agreements with physicians and other healthcare providers. Physicians and other healthcare providers can be asked to serve as advisors to the cooperative.

Financing

The cooperative must raise enough money to cover its administrative costs and the costs of any healthcare programs to be provided. There is no cost to join a healthcare cooperative but payment of an annual fee is required by each member or family to pay the costs incurred by the cooperative.

As a non-profit (501(c)(3)) organization, the cooperative will be eligible to receive tax exempt contributions and grants as well as government payments. This is of particular importance when conducting programs for low-income members and those enrolled in Medicare.

Paying the Costs of Healthcare

A healthcare cooperative offers a unique opportunity for making innovative arrangements for members to pay their healthcare costs with an emphasis on reducing those costs. It is flexible and, if desired by its members, can accommodate a wide variety of payment procedures. As its membership in the cooperative grows, so does its bargaining power in making new arrangements as described here.

Health Savings Accounts and High Deductible Health Insurance

Health Savings Accounts (HSA) can be available through the cooperative or a financial institution. Individuals put money into an HSA to be used as needed for paying medical expenses. Within the limits specified by law, \$2500 for an individual and \$5000 for a family, funds in an HSA are not taxed, and if unused, roll over into succeeding years. If the HSA funds are not used for healthcare expenses, the owner may use them like a 401K after the age of 65.

High Deductible Health Insurance (HDHI). An HDHI policy is required for those members opening an HSA and can be negotiated by the cooperative. Most insurance companies will issue a health policy with a \$2500 deductible for an individual, \$5000 for a family. There are examples of insurance companies offering discounts for the policies to people who have made important life-style changes. This may become more common in the future.

Cash-for-Care Office Visits

Members and their primary care physicians bypass all the paperwork and members pay a fixed fee for three levels of office visit. No billing, no hassle. Cash-for-Care works best when combined with high deductible health insurance.

Short visits would be for treatment of acute but minor illness or injury, or follow-up care for acute illness or chronic diseases. Fee for this service, paid from individual HSA funds or out of pocket, might range from \$40 to \$50 as determined by the cooperative and local healthcare providers.

Medium visits would be for ongoing but not complex medical problems, and may involve some testing or imaging studies. Fee range is \$60-90.

Lengthy visits may involve a complex problem or multiple problems. More history-taking and examination time would be required. Patients may need laboratory or imaging studies. They would be on a Cash-for-Care basis, with a fee of \$80-110.

Patient-Physician Contracts for Primary Care

Some primary care physicians are making agreements with patients by which for a fixed annual fee, they provide unlimited primary care. Others are opting for an access fee and fixed cost per visit. (These options are sometimes referred to as "concierge" medicine or "retainer-based" medicine.) Using these options, some physicians are limiting their practice to non-Medicare recipients.

Specialist Visits

Office visits to specialists will be as referred by the members' primary care physicians. Initial visits will be on a Cash-for-Care basis with treatment costs paid by insurance or HSA funds.

Self Insurance.

If a healthcare cooperative is large enough (has enough members) and includes members (a risk pool) with a broad range of ages and medical conditions, it may opt to become self insured. A reserve fund adequate to cover the healthcare costs of the members would be established. Funds would be invested in readily accessible savings accounts, certificates of deposit or mutual funds.

Traditional Methods of Payment

Some members may have health insurance policies provided by employment or retirement programs and be perfectly satisfied with them. A healthcare cooperative can accept them as members although they will not realize some of the cost reduction benefits of a cooperative. Some insurance companies are offering reduced costs for their traditional healthcare policies if patients adopt healthier lifestyles and/or participate in wellness programs.

Other Agencies, Organizations, and Businesses

The cooperative must establish and maintain good working relationships with the federal government, the state government, local governments, and insurance companies.

WHY SHOULD YOU JOIN?

Members

Individuals and families are eligible for membership in a healthcare cooperative because they are residents of a community or small town; are current or previous employees of a company or a group of companies, school district, town, or county; or are patients of a primary care physician or group of physicians.

Members also may be grouped according to whether or not they already have insurance and whether or not they qualify for governmental assistance programs. Each group presents specific problems that must be and can be resolved.

All members are expected to become more health literate and to take more responsibility for their own health. The programs of the cooperative will help them achieve these goals.

Size

There is no minimum size for a healthcare cooperative and one can be started with a cadre of about 5 dedicated individuals. Neither is there a maximum size for a cooperative and it could have more than a thousand members. The ability of a healthcare cooperative to negotiate with physicians and other healthcare providers, with insurance companies, and with government agencies is directly related to its membership numbers.

The benefits of a healthcare cooperative are spread among its members and others who participate in its programs and activities. Some groups of individuals will benefit more than others.

Reasons to Join

Depending on the program elements adopted by the healthcare cooperative, its members will:

- assume a more active role in their own healthcare
- become more health literate and be able to make wiser decisions about treatment and testing options
- live healthier lives
- work cooperatively with healthcare professionals
- reduce costs of healthcare
- purchase discounted prescription drugs
- have unlimited access to their own medical records
- be active in the healthcare revolution

Uninsured Members.

This group will be easiest to integrate into the cooperative, and has the most to gain from it. In addition to the benefits listed above they will be able to purchase high-deductible insurance policies regardless of employment status.

Insured Members.

Some will want to keep their current health insurance; that is not a barrier to membership in a cooperative. The members in that group will, by their choice, not participate in all of the benefits

provided by cooperative membership. Some will want to move to full cooperative membership and cancel their current policy, replacing it with a high-deductible policy.

Members Enrolled in Medicare.

Members in this category will benefit less from the financial advantages provided by the cooperative, but the wellness program, particularly management of chronic diseases, will be important for many of them.

Low-Income Members.

Because of a tendency to have neglected their health for financial reasons, low-income members will benefit greatly from annual health screening and wellness group discussions on avoidance or management of chronic disease. Most will already be using the assistance provided by federal/state programs but cooperative membership gives them more personal involvement.

WHO STARTS ONE? WHY? HOW?

Promoting and Linking Healthcare Cooperatives

We recognize the need for an outside influence to get the cooperative movement started because few individuals will organize a healthcare cooperative without being given a push. (To date there have not been any patient-controlled healthcare cooperatives firmly established in the U.S.)

Furthermore, if a cooperative has fewer than 100 members, it is almost as powerless in seeking to change the local healthcare system in which it is embedded as are its individual members. A mechanism is needed to unite a number of cooperatives in a given region or state to multiply their ability to bring about changes and to increase the size and diversity of their insurance risk pool.

We have established the Arizona Association of Healthcare Cooperatives (AAHC) to fill those needs. AAHC is chartered as a non-profit, 501(c)(3) eligible, corporation. It is administered by a volunteer board of directors, with ultimate control passing to the associated healthcare cooperatives, each of whom is entitled to have a representative on the board. It will be funded by grants/contributions and contracts.

The primary purposes of AAHC are to promote and facilitate the formation and operation of healthcare cooperatives and to provide a mechanism for linking two or more cooperatives for their mutual benefit. Becoming a member of AAHC is free, and a healthcare cooperative can do so by registering with AAHC. A healthcare cooperative may withdraw from AAHC at any time.

Specifically, AAHC will provide information or assistance relating to:

- the process of becoming a healthcare cooperative, organization methods, and meeting legal requirements
- exchange of information and ideas with other cooperatives facing similar problems and/or situations
- fledgling healthcare cooperatives
- local sources of reliable, readily available medical and or technical assistance
- health education materials and programs
- city/county governments—licenses, permits, zoning, and any local healthcare programs

- state governments—state Medicaid program, Department of Health, Corporation Commission, unemployment and sales tax numbers, state healthcare programs
- federal government—IRS (tax ID-EIN, non-profit status), Medicare, Medicaid, other healthcare programs
- negotiation of high deductible health insurance policies
- establishment of Health Savings Accounts (HSA),
- grants and contracts that may be available to a healthcare cooperative and how to apply for them
- electronic medical records

Contact AAHC and get more details at www.aahcoops.com

We think cooperatives can be started by communities, by employers, and by physicians; imaginative people can probably find other ways. Two obstacles to be overcome in any situation are the reluctance of people to change the status quo and the inexperience of potential members in starting and managing a corporate business. The reasons why startups might occur in either of the three ways and specific initial steps related to them are listed below followed by common steps everyone needs to take to get a healthcare cooperative going.

Communities

A community might establish a healthcare cooperative for its residents to:

- make healthcare more accessible
- reduce healthcare costs
- improve the general health of the community and its residents

Initial Steps for Communities

- identify a group of community activists
- find a place to meet
- study the process of starting a healthcare cooperative
- survey the community to determine people's needs and desires
- proceed to the common steps listed below.

Employers

Employers might establish healthcare cooperatives for their employees to:

- reduce costs of providing health insurance benefits to employees
- improve health of employees
- reduce work time lost by employees for medical reasons (themselves or family members)

Initial Steps for Employers

- determine whether you want to go it alone or join with other local small businesses
- provide information to employees about the benefits of a healthcare cooperative
- explain your intentions and tell them what you will contribute
- identify a core group of 5 or more employees to be a planning committee
- provide time and space for them to meet
- consider having an on-site clinic
- proceed to the common steps listed below.

Physicians

A physician or group of physicians might establish a healthcare cooperative to:

- be part of the healthcare revolution
- work with healthier patients
- collaborate more closely with patients in resolving health problems
- reduce office time spent on filling forms and related paperwork
- reduce interference by non-medical people in developing a treatment program for their patients
- give their patients greater access to their own medical records
- reduce costs of malpractice insurance

Initial Steps for Physicians

- decide whether you want to go it alone or invite other physicians to join you
- give all of your patients information about a healthcare cooperative, ask them to read it and vote on an included form showing their interest level (high, moderate, none) and whether they have any business experience and return the form to you.
- select 5 (or more) who voted high interest, some with business experience, to be a core organizing group, meet with them, establish the necessary arms length relationship with you (to avoid any fear of the cooperative being unduly dominated by you)
- consider having a primary care office open after hours or on weekends, possibly staffed with a physician's assistant or a nurse practitioner and an on-call physician
- decide terms under which you want to implement EMR with patient access
- proceed to the common steps listed below

Common Steps for Starting a Healthcare Cooperative

When a core group or council or committee is in place (after the initial steps of any of the 3 examples above), here's a list of things that need to be done.

- obtain and study information on incorporation from state corporation commission and information on establishing a new business in the state from appropriate state and local agencies) in their location
- choose a name for the cooperative, agree on a temporary contact person and mailing address, and apply to the Internal Revenue Service for an Employer Identification Number (EIN)
- look for and get some startup support—contributions, grants (a few hundred dollars will be needed)
- fill out and send the papers for incorporation and business/tax licenses, naming themselves as initial directors and officers, follow through on all instructions received after submitting the forms
- write bylaws describing how the cooperative will operate
- open a bank account for the cooperative (Most banks will waive fees for non-profit organizations.)
- plan a healthcare program for the cooperative and a schedule for its implementation (Hint: start slowly.)
- arrange for a meeting room or office from which to conduct the business of the cooperative
- prepare a budget including administrative costs and an initial annual fee for members
- prepare a membership agreement form

- organize a membership campaign, sign up members, consider providing an id card
- apply for 501(c)(3) status
- start the healthcare program

WHAT ARE HEALTHCARE PROGRAM OPTIONS?

The program of a healthcare cooperative can begin with a limited scope and be expanded gradually to become more complete and fully functional. It should concentrate on preventive healthcare and chronic disease management.

Annual Health Screening

Basic annual health screening adjusted for age and pre-existing or at-risk conditions, is essential for all members. Blood pressure; body temperature; pulse; respiratory rate will be checked, followed by a brief examination of heart and lungs. Senior members would be screened for physical fitness including strength, flexibility, balance, and endurance. Cost of the annual screening can be included in the members' annual fee.

Periodic additional screening might be required for members at high risk of disease because of age, gender, or lifestyle, with costs of the additional screening paid by the individual members. They could have tests appropriate for the age groups involved, including mammograms, PAP smears, lung CT, abdominal ultrasound (especially for historic smokers), colonoscopy, bone density, and blood tests for cholesterol, blood glucose, prostate cancer, lipid disorders and diabetes.

Partial rebates of screening costs may be given for good results and verifiable healthier lifestyles.

Wellness Group Discussions

Group discussion sessions on arthritis, diabetes, smoking cessation, weight control, physical fitness, counseling, nutrition, and other health-related topics of interest or concern will be regularly scheduled. Follow-up will be provided as appropriate. Partial rebate of fees may be given for participation. The wellness groups are more efficient and less costly than the customary office visit for each person. Conducted in a comfortably sized space, led by someone with expertise in a topic (physician, mid-level practitioner, RN, therapist), and following a seminar format, group sessions are a good fit with everything but the most personal medical issues. They are not intended to replace, but to supplement, individual office visits. They are particularly important for low-income members.

Immunizations

Immunizations appropriate for age and season will be provided at cost for all members. This will supplement local or regional immunization programs offered by government agencies.

Primary Care Clinic

Access to primary care for most people is limited by open hours and distance or by both. Establishing a local clinic with extended hours, including evenings and weekends when possible, increases access for everybody. At start-up, an effective method is to contract with an existing provider who has the proper credentials and certification. Then all that is needed is a space with appropriate amenities to do the job. A group of volunteers can supply administrative support staff.

Some groups organizing a cooperative will want to have a clinic open for regular hours, possibly with a paid staff. Others may opt for only a gap-filling after hours facility. Decisions regarding open hours will be dictated by circumstances, including available funding, available providers, and available appropriate office space, always tempered by the adage, "Never promise more than you can deliver easily."

Patients would be treated for minor ailments and cuts and bruises. The clinic could be staffed by a physician or a nurse practitioner, with telemedicine link to a network of on-call providers.

Electronic Medical Records

The cooperative maintains a medical records database (optional to patient), linked to Internet, bi-directionally linked to patients' and providers' databases; patients have access to all personal records; providers have access to any patient's records based on that patient's authorizations.

The cooperative would establish its own database either on a server in the cooperative office or on a remote server. All medical records of cooperative members and their participation in healthcare programs sponsored by the cooperative would be entered in the database along with the members' contact information. The members (patients) could choose to have their records in the cooperative database available only to themselves on an Internet website. Members could also choose to have selected portions of their medical records shared with participating healthcare providers. Links would be provided from the cooperative's website to the databases of participating healthcare providers so that members could access their personal records easily and quickly. Participating healthcare providers would control what portions of their records would be made available in this way. Participating healthcare providers also would be able to share records they select with other healthcare providers so that all the team of providers for a given patient would have the same information.

Community Outreach

The cooperative works to improve the health status of a community in many ways and receives in return the assistance of its members in serving on the Board of Directors or committees.

A community cooperative draws on all of the citizens for its members and governing board. It is in a perfect position to recognize and participate in activities which demonstrate the cooperative's intent to improve the health status of all. Local schools are a target for health-related programs which improve health literacy, screen for congenital problems, and provide students with ownership in healthcare activities. As a recruiting tool, the cooperative's group wellness sessions can periodically be expanded to include non-members.

Pharmaceuticals

The cooperative can negotiate discounts on purchases of prescription medications and other health-related items with local pharmacies for members of the cooperative. With the assistance of medical advisors the cooperative can develop a formulary consisting of the least expensive drugs used and known to be effective for common conditions. (This information is readily obtainable.) Most of these drugs have a generic equivalent available. Many pharmacies, even those associated with large chain stores, are willing to discount prices to groups of patients.

Vision, Hearing, Dental, and Podiatry Programs

Simple vision and hearing screening can be done in the course of the cooperative's wellness programs. Easiest is with a regular "Hear/See Wellness" session held quarterly or as the board feels necessary. Foot and skin care for diabetics, both very important, can take place in wellness group meetings. Annual ophthalmologic consultation is a must for all diabetics, and will be handled like other specialist visits.

Resolving Disputes

A healthcare cooperative provides the links between its members and their healthcare providers that make dispute resolution easier. Most disputes have a basis in a medical procedure or practice, but there may be others facing a cooperative, too. They can be handled in a manner similar to what is described below.

Medical malpractice has several degrees of magnitude, and each requires a different resolution.

Many minor issues can be resolved by an apology or explanation of the error. Properly managed by a patient advocate in a non-threatening setting, exposure and discussion of minor errors can result in better care. (It doesn't take long to identify physicians or mid-level practitioners who make frequent errors and need some corrective action or training.) If open discussion doesn't resolve an issue, the next level can take over.

For more serious insults or for problems not resolved by low level arbitration, an arbitration panel representing both patients and physicians will evaluate a claim. It will determine whether an injury occurred, the extent of the injury, and appropriate compensation for the injury. The panel will also recommend appropriate discipline for the provider, such as reduction in use of a procedure or a medication, or more training. A victim of poor medical care would not have to go to court to determine fault and would be compensated promptly.

The next level involves egregious occurrences resulting in major disability, prolonged recovery, or death. This type of problem may not be resolvable within the cooperative, and will go either to a trial court, or to a government established arbitration board. A person cannot be deprived of the right to seek legal resolution of a problem before a jury, but can be made aware that rejection of a reasonable settlement is accompanied by a caveat. If a person loses in court, he or she becomes responsible for all the costs of going there. That is at least a mild deterrent.

WHAT'S THE BOTTOM LINE?

Advantages of a Healthcare Cooperative

A local healthcare cooperative:

- **Provides** benefits for members, healthcare providers, governments, and others,
- **Improves** health and health literacy of its members,
- **Makes** all members more responsible for their health and healthcare,
- **Focuses** on prevention and management of disease,
- **Accommodates** members of all income levels,
- **Welcomes** members with and without existing healthcare insurance,

- **Develops** partnership relationships with healthcare providers and insurance companies,
- **Continues** successful programs of governmental assistance for selected groups,
- **Encourages** growth of local leadership skills and a reasonably active membership,
- **Links** with other cooperatives to increase its influence on the healthcare system and broaden and diversify its insurance risk base,
- **Accepts** helpful changes in local, state, and federal legislation and regulations.

A local healthcare cooperative:

- **Doesn't require** tort reform
- **Doesn't require** changes in Medicare or Medicaid
- **Doesn't require** changes in the tax code
- **Doesn't require** large capital investment.

Potential to Reduce Healthcare Costs

Feature	Percent Reduction*	Discussion
non-profit, member controlled corporation	10 - 30	The managed care profit motive is taken out of healthcare decisions.
administration of cooperative healthcare program and members	20	Most of the administrative costs will be borne by volunteers (members of Board of Directors, members of committees). Some healthcare cooperatives may opt to rebate or partially rebate fees for volunteers in administration.
number of office visits	25	Costs per visit with "cash for care" approach are about the same but the number of visits is reduced for two reasons: 1) patients will be healthier, and 2) people spending their own money are more selective in how they spend it and they make better decisions.
chronic disease management	25	Wellness group discussions save primary care physicians a lot of time; they can talk to many patients or potential patients at once; patients learn to manage their disease more effectively.
high-deductible health insurance + HAS	15-30	High-deductible insurance costs less, even with a contribution to an HSA by an individual or an employer.
annual health screening	10	A basic annual physical exam for members, done on a low-cost, assembly line basis, catches some health problems before they become major, and the resulting healthier patients cost less to treat.
prescriptions	10 - 50	Use of formulary and negotiated discounts from pharmacies reduces costs of prescriptions.

Feature	Percent Reduction*	Discussion
arbitration of medical errors	20 - 30	Many malpractice lawsuits will be avoided and the cost of malpractice insurance for participating physicians and other healthcare providers will be reduced; "defensive medicine" will be less common.
program to increase health literacy	10	People who know more about health take better care of their health and make better health-related decisions.
electronic medical records	10	Errors and time spent on correcting them will be reduced.
after hours, walk-in, local clinic using team approach	30	No appointments or appointment clerks are required; time off from work is reduced; patients will be treated at the lowest practical level (EMT, nurse, nurse practitioner, MD or DO).

* compared with current, typical healthcare system costs for the feature

Note: Not all healthcare cooperatives will have all of these features; some features will be structured differently than defined above.

Startup Costs

The total costs of operating a healthcare cooperative will vary widely depending on the extent of the actual healthcare programs offered. Some startup costs are estimated in the table below.

Activity	Estimated Cost (per 100 members)
Startup	about \$500 (in Arizona)
Wellness Program	about \$200 per session
Annual Health Screening	without laboratory tests--\$1000, with laboratory tests--\$5000