

Obamacare Co-ops show promise and peril

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The Affordable Care Act includes a program designed to promote greater competitiveness in the health insurance marketplace by creating health insurance cooperatives. There are now more than 20 such entities serving 26 states comprising about 45 percent of the U.S. population. But with the recent high-profile failure of a co-op in Iowa and Nebraska, the fate of co-ops has come to seem perilous to [some](#).

In a new Viewpoint essay in the [Journal of the American Medical Association](#), Brown University former dean of medicine and biological sciences Eli Adashi argues that the co-ops hold promise as well as peril.

"It's probably not warranted to paint all of them with the same brush," Adashi said.

Indeed their viability may vary based on their circumstances and management, but in the commentary Adashi and co-author and [medical student](#) Allan Joseph present evidence from a McKinsey & Co. report that they have had a tangible impact on the [health insurance](#) marketplace.

"First, the co-ops introduced more products than any other new entrant," Adashi and Joseph wrote. "Second, the Co-ops offered 37% of the lowest-priced plans in their home states. Third, premium rates were 9% lower in states featuring a co-op as compared with [states](#) without one."

Adashi said many consumers are likely attracted to the idea of a non-profit, consumer-operated health insurer. Co-ops are also no stranger to

health care, or other industries such as agriculture.

But like all insurers, co-ops have likely struggled to know exactly what premiums to charge and without the large financial scale of established private insurance companies, they have less financial room for error, despite the availability of more than \$2 billion in federal loans.

"At this time, the future of the existing CO-OP program remains promising if uncertain," they wrote. "In the final analysis, the CO-OPs will have to prove their effectiveness and value in the marketplace."

Provided by Brown University

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