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NF96-263 How to Form Insurance Purchasing Pools in Nebraska

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How to Form Insurance Purchasing Pools in Nebraska

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Legislation passed in 1994 (LB 1222) allows groups of Nebraskans to join together for the sole purpose of purchasing insurance. These groups are referred to as insurance purchasing pools.

Insurance purchasing pools allow individuals to purchase affordable health insurance. Those who benefit include anyone who is uninsured or who wants more affordable health care coverage. If the small employer wishes to purchase insurance for himself or herself and respective dependents, membership in insurance purchasing pools being described here is appropriate. If the small employer wishes to provide coverage to 3 to 50 employees, other parts of LB 1222 legislation should be consulted.

How to Begin

To form an insurance purchasing pool, a minimum of 25 people need to assemble and develop group goals and rules of operation. One of the first steps is to select a leader or steering committee for the organization. Determine how often the group will meet. Other guidelines relating to the purchase of insurance should also be determined. After goals and basic operating rules are determined, an attorney will be needed to draw up confirming documentation. If overlapping groups exist within an area, a merger should be considered.

The larger the group, the more purchasing power it obtains. This power can be exercised in the selection of coverage and the quality demanded within those coverages. Purchasing pools can help to reduce insurance costs in three ways. First, they can spread the risk among a larger number of people. Second, they reduce the administrative costs of insurers. Third, as the size of the pool expands, the more ability they have to negotiate lower rates. Purchasing pools can also expand the choice of insurance plans. Self-employed individuals and small employers often only have the option of choosing one plan.

Types of Coverage

For success in using an insurance purchasing pool, the group will need to determine what coverages are needed for persons in the group. The group will need to determine who is going to be covered, their demographic characteristics, and their health care needs. Confidentiality of shared information is critical.

Decisions should focus on present and future member needs from a demographic as well as a medical perspective. The group may wish to design a "dream plan" to help think toward the future. However, your expectations for health care coverages need to be realistic. The broader the scope of coverage, the more the plan will cost.

Determine what types of coverage the group wishes to provide its members. Can the group afford a comprehensive plan? Or, is a narrower focus on specific coverages appropriate? By definition, comprehensive coverages include basic, hospital, surgical, medical expense, and major medical insurance. However, many comprehensive plans also cover mental health, vision, and dental claims. Are there restrictions by types of claims or dollar value of claims? What dollar value within the plan is desired for deductibles, co-insurance, or copayment features?

At or before the point of designing the desired coverages, the group may wish to contact an insurance agent or broker to obtain a price quote. The group will want to shop for its coverage to find the best arrangement that fits the needs and desires of the group. The group will also need to determine how premiums are going to paid and by whom (administrator of the plan or another designated person).

What Providers to Include

Determine what types of provider groups or provider organizations the plan will include. Does the group wish to obtain coverage via an Health Maintenance Organization (HMO), Preferred Provider Organization (PPO), a standard insurance plan, or an indemnity plan? What kinds of provider arrangements exist in your community? As health care systems change, the group will need to know if it is negotiating for a preferred provider, physician hospital organization, independent practice association, or some other form of health care provider organization arrangement.

Information regarding the accessibility of providers and use of local providers should be requested. Some independent pharmacists in other states have found that when insurance contract arrangements are made they are frequently left out of the list of available providers. Some insurance contract arrangements request that regular prescriptions be ordered through the mail. Would this be a cost effective consideration for the group? Is it how the group wishes to purchase health care products?

Is the Plan "Portable"?

Portability refers to whether or not coverage continues when an individual moves to another area or to anther state. Generally, coverage will continue if the insurer offers coverage in the other state. However, state regulations within the state of concern may need to be addressed.

When to Evaluate the Plan?

Evaluate the plan on a regular basis to determine if the plan fits the persons being covered. At a minimum, the plan should be evaluated annually.

Expertise in the development of purchasing pools is available from various sources. Information regarding the development of Insurance Purchasing Pools can be obtained from John Rink (402-471-

2850), Nebraska Department of Insurance, and Angela Parato (402-471-3578), Nebraska Department of Health. Contact your local Extension educator or Mary Ellen Rider, Cooperative Extension Division, University of Nebraska-Lincoln (402-472-0580) for facilitating group session or for educational sessions on basic health care coverages. Dr. Rider can also be contacted for general questions regarding insurance purchasing pools and suggestions for provider structures to include in health coverage plans.

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