REQUEST:

The new question is- what allowed the Texas Mutual Insurance Company to bypass many of the challenges that COOPs fell victim to? How was Texas Mutual able to avoid these same issues and thrive over the past 25 years? Does the workers' compensation marketplace markedly differ from the traditional health care marketplace in some way that contributed to Texas Mutual's success?

RESPONSE:

The Texas Mutual Insurance Company (TMI) is a private company that is the state's largest workers' compensation provider. It insures approximately 40% of the Texas workers' compensation market. Currently, more than 62,000 businesses are part of the company's system. While Texas Mutual has done well over the years, much of that success is due to the problems faced by workers' compensation programs prior to its creation and the legislative efforts to resolve those problems. The ability to "bypass" many of the challenges faced by the ACA co-ops is due to the fact that they entered a mature market, knowing what many of the risks were and the premiums that should be charged.

In 2005, the Texas Legislature passed House Bill 7, through which the TWCC was abolished and the system's administrative functions were taken over by the Texas Department of Insurance (TDI), Division of Workers' Compensation. H.B. 7 also enacted a number of measures to improve the efficiency and effectiveness of the workers' compensation program. Health care networks, similar to those found in group health insurance, first came to the Texas workers' compensation system under H.B. 7 (http://www.tdi.texas.gov/wc/dwc/legisupdate.html). A well-written and concise history of Texas workers' compensation laws can be found on the Texas Department of Insurance's website (http://www.tdi.texas.gov/wc/dwc/). A short history of the state's involvement with Texas Mutual can be found can be found on the company's website (https://www.texasmutual.com/aboutus/aboutus.shtm#history).

There are four important fundamental differences between worker's compensation insurance and group health mutual insurance plans. These differences are compared in the table, below. The first three of these can directly contribute to increased chances of financial success for a workers' compensation system plan versus a more traditional group health plan, whether it is a co-operative plan or not.

Workers' Compensation Insurance	Traditional Group Health Plan
All employees are automatically covered	Individual coverage
Insurance carrier maintains a list of job types and payroll dollars	Insurance carrier maintains a list of covered individuals
Reimbursement for treatment based on reasonable and necessary care directly related to the injury	Reimbursement for treatment typically based on inclusions or exclusions, and are often based on fee-for-service
No co-pay or deductible	Often includes a co-pay and/or deductible

Worker's compensation covers and charges businesses for all employees, creating a large pool of people and, thereby, spreading the risk and reducing costs related to injury care. In individual health care coverage, now without any enrollment restrictions due to such factors as pre-existing conditions, a carrier may encounter a situation in which it enrolls a large portion of sicker and more costly people, thereby reducing their chances for financial viability. Many of the new insurance companies that initially entered the ACA marketplace failed or have withdrawn because of this fact.

Workers' compensation carriers maintain lists of a business' job types and their payroll dollars. Knowing this, they can closely estimate what they should charge in premiums and what they are likely to pay out due to injury. For these reasons, the risk of financial problems and insolvency due to unexpected payouts is less than that of traditional health insurance carriers, who are more often likely to pay for completely unforeseen and unplanned illnesses and conditions.

Perhaps the most important factor in assuring financial success for a workers' compensation plan is that they reimburse for treatment that is based on standards they developed. They pay what are usually called "reasonable and necessary" costs related only to the reported injury. The control over the form of the treatment and costs is typically greater than that of general health insurance plans, other than possibly some HMOs. Their in-network physicians are screened and are aware of these standards. Typical group health insurance plans do not have this level of control.

It is also worth noting that, while the TMI operates as a large private company, it is not encumbered by the need to meet the fiscal expectations of publically-held insurance companies, nor the lucrative salaries of their executives. In recent months, many large players in the ACA Marketplace, such as UnitedHealthcare and Aetna, are no longer providing plans for the Marketplace in many states, in part due to the fact that they cannot meet expected profit margins.

ADDITIONAL RESOURCES:

CO-OP health plans: patients' interests first. Website, accessed 8/19/2016. https://www.healthinsurance.org/obamacare/co-op-health-plans-put-patients-interests-first/

Corlette S, Miskell S, Lerche J, and Giovanelli J. Why are many co-ops failing? Commonwealth Fund, December 2015. http://www.commonwealthfund.org/~/media/files/publications/fund-report/2015/dec/1847_corlette_why_are_many_coops_failing.pdf

Ollove M. Can health insurance co-ops survive? Pew Charitable Trust website, accessed 8/23/2016 http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2015/09/21/can-health-insurance-co-ops-survive

The Fiscal Times: More bad news for the remaining Obamacare co-ops. Website, accessed, 8/19/2016. http://www.thefiscaltimes.com/2016/03/18/More-Bad-News-Remaining-Obamacare-Co-ops