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Testimony in Support of Senate Bill 98

Senate Committee on Insurance, Housing, Rural Issues and Forestry

April 17, 2025

Chairman Quinn and members of the committee, thank you for holding a public hearing on Senate Bill (SB) 98.

I introduced this legislation alongside Senator Hutton to fix a very specific gap in Wisconsin law—one that prevents our state's cooperative health insurers from converting into nonprofit service insurance corporations, even when that change is fully supported by their own members.

Currently, Wisconsin law allows other nonprofit entities to convert or merge to meet modern needs. Unfortunately, health care cooperatives under Chapter 185.981 weren't included in those provisions. That leaves them without a clear, legal pathway to evolve in response to a rapidly changing health care environment.

This bill corrects that omission. It allows a health care cooperative—of which there are only three in the entire state—to convert into a Chapter 613 nonprofit insurer, which offers a more flexible legal framework. Importantly, this is entirely optional. Nothing in the bill forces any cooperative to convert. It simply gives them the same flexibility other organizations already have.

We've carefully drafted this to include strong protections. Any plan of conversion would require approval by the Office of the Commissioner of Insurance, and by a vote of the cooperative's own membership. And even after the conversion, the new nonprofit insurer would retain all of the cooperative's assets and obligations—ensuring stability for policyholders and continuity in care.

As market consolidation accelerates and federal health care rules continue to shift, we want to make sure Wisconsin's consumer-driven, nonprofit health insurance options aren't left behind. This bill helps them adapt and stay viable—while staying true to their mission.

I respectfully ask for your support of Senate Bill 98.

Thank you.



ROB HUTTON

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Testimony in Support of Senate Bill 98

Senate Committee on Insurance, Housing, Rural Issues and Forestry

April 17, 2025

Chairman Quinn and Committee Members, thank you for holding a hearing on Senate Bill 98. This bill provides needed flexibility for nonprofit health insurers so they are better able to evolve in a rapidly changing marketplace.

I introduced this bill with Representative Callahan to address a gap in Wisconsin law that prevents cooperative health insurers from converting into nonprofit service insurance corporations—even when their members fully support the change.

While other nonprofit entities can already restructure to meet evolving needs, health cooperatives under Chapter 185.981 lack that option. SB 98 corrects this by allowing these cooperatives—only three exist in the state—to voluntarily convert to Chapter 613 nonprofit insurers, providing them a more adaptable legal structure.

This flexibility is essential to helping them compete in an increasingly complex health care marketplace and important to health care consumers who benefit from a robust and competitive insurance market in Wisconsin.

SB 98 was carefully drafted with safeguards. Any conversion would require approval from the Office of the Commissioner of Insurance and a vote by cooperative members. Converted organizations would retain all existing assets and obligations—ensuring stability and continuity of care.

As the health care landscape continues to rapidly evolve, we must ensure our nonprofit, consumer-driven insurance options can adapt and remain viable. SB 98 strengthens our marketplace, supports innovation, and keeps quality coverage within reach for more people.

I respectfully ask for your support of this sensible update. Thank you.



Testimony in Support of Senate Bill 98
Cathy Mahaffey, CEO, Common Ground Healthcare Cooperative
Senate Committee on Insurance, Housing, Rural Issues and
Forestry April 17, 2025

Thank you, Chairman Quinn and members of the committee, for the opportunity to testify in support of Senate Bill 98. My name is Cathy Mahaffey, and I have served as the CEO of Common Ground Healthcare Cooperative since 2014, when our cooperative was just getting started. Since then, Common Ground Healthcare has had the honor of serving thousands of individuals and families with their health insurance needs in our 24-county service area.

Common Ground Healthcare Cooperative (CGHC) is a non-profit health plan that differentiated itself by putting the needs of consumers at the heart of every decision we make. And I believe it is that mission, plus the volatility of the market we serve, that led to rapid growth in membership in our first several years of operation. Allow me to explain the volatility part in more detail, as it will help you understand the need for this legislation.

2025 marks our twelfth year of providing health insurance coverage to Wisconsin individuals and families. Sadly, we have only been profitable in four of those twelve years. We survived the first very difficult years of the ACA when nearly all insurers lost money, some going out of business, and others exiting the product line in some or all of the states in which they operated.

By every other measure we have been successful. Our presence in the marketplace helped drive premiums down. We worked hard to develop strong partnerships with our providers, and we kept our administrative costs low so that we could offer some of the most competitive premiums for Wisconsin's individuals and families. In 2018 and 2019, we were the only insurer to serve the individual Marketplace in several Northeast Wisconsin counties. Through all of the volatility I am most proud that we kept our member-centered focus providing our members with a great health insurance experience.

At the same time all of this volatility was occurring, we were also seeing rapid changes in the healthcare environment in Wisconsin. When we started, none of our provider partners owned a health plan. Today, all of our major provider partners own a health plan. And while we want to emphasize that we have a great working relationship with all of them, our previous board of directors and I agreed that our mission was in jeopardy. If we could not find a way to achieve financial stability and diversification of our products, we would be at risk. And we concluded the best way to achieve both of those was to partner with a like-minded nonprofit.

On January 1 of this year, we formalized our affiliation with another non-profit health plan called CareSource. We felt confident that CareSource was the right partner because they would give us the ability to bring our members-first business philosophy to other products and achieve

diversification. CareSource also brings the financial stability and technology resources that we very much need, making them the perfect partner. However, CareSource is not a cooperative, nor do they intend to be. That means that even though OCI approved changes to our governance structure to achieve the affiliation, our business model is not consistent with that of CareSource because the statutes are silent on our ability to convert to a corporate model that fits within CareSource.

This legislation will not give cooperatives any unfair competitive advantage. In fact, we are pursuing this legislation to be on the same level playing field with other insurers who can already convert to other business forms to modernize their businesses, and we are grateful to Senator Hutton and Representative Callahan for recognizing the importance of making this simple change.



Testimony in Support of Senate Bill 98
Sarah North, CEO of Group Health Cooperative of Eau Claire
April 17, 2025

Thank you, Chairman Quinn and members of the Senate Committee on Insurance, Housing, Rural Issues, and Forestry, for the opportunity to testify in support of Senate Bill 98. I have the privilege of being the CEO and General Manager of Group Health Cooperative of Eau Claire. As I listened to Cathy's testimony, I found it easy to agree with many things she said, even though our cooperatives are very different.

GHC of Eau Claire has been in existence since 1976 and doesn't serve the individual market. Our primary focus throughout these almost 50 years has been the Medicaid and employer group markets, which are also prone to significant changes and volatility. Both cooperatives face similar challenges going forward, and our Board of Directors and I, like Cathy, believe that a partnership may be imperative for the future of our cooperative. The cooperative not only has to stand strong through volatility but also remain relevant – I'll briefly explain.

One reason the employer market is volatile is that when the ACA was implemented, limitations to medical underwriting were put in place. I'm not offering an opinion on whether that change was good or bad for employers, but there were significant impacts on the market itself. The Cooperative used to serve many more employer groups than today because restrictions on underwriting resulted in the healthiest groups looking outside the insurance market for alternatives like the option of self-insurance to fund their employee benefits. The result has been a much smaller group insurance market.

As for Medicaid, as all of you are aware, there may be significant changes coming to that program as well. There's probably no need to go into that any further. We are also seeing the same kinds of provider market changes that Cathy is seeing.

Unfortunately, small cooperative health insurers like us don't have the same opportunities that other insurers have to transform our business model to adapt to the changing market. While other insurers have broad conversion rights and merger opportunities, our Board and members do not under current law, according to OCI. Statutes enabling insurance cooperatives were included under the state's cooperative law, instead of following Wisconsin's insurance law, which has been updated and modernized through the years.

That is a long way to explain a very straightforward bill. Senate Bill 98 simply gives OCI the authority to approve the conversion of an insurance cooperative should an opportunity arise. The bill is carefully structured to apply only to health insurance cooperatives. And while OCI has the ultimate authority to approve a conversion, it is required that our Board of Directors and members would also have to approve it. And while it is a simple bill, it allows for the potential lifeline that other entities have, and for the Cooperative to provide services to members across Wisconsin, which is vital to our rural communities.