



EMPLOYEE BENEFIT COOPERATIVES: A POWERFUL TOOL TO EXPAND BENEFITS COVERAGE

Background

A critical piece of the health care coverage puzzle is the need to expand coverage among small businesses and their employees. Small businesses lack economies of both scale and expertise vis-à-vis larger employers in providing health, retirement, and other employee benefits to their workers. For this reason, millions of small business employees do not receive health care and benefits coverage, and small business employers that do provide benefits often struggle to maintain these programs. In order for health care reform (and benefits reform more broadly) to succeed, a field-level means of providing for small business aggregation will be crucial to effecting and maximizing enrollment and participation.

One proposal to achieve this goal—originated by House Education and Labor Health, Employment, Labor, and Pensions Subcommittee Chairman Robert Andrews (D-NJ)—provides for the creation of “Employee Benefit Cooperatives.” Employee benefit cooperatives would be required to operate on a cooperative basis under Internal Revenue Code subchapter T section 1381 and to have at least 21 shareholders, all of which are in the same line of business. Employee benefit cooperatives meeting these requirements would be treated as a “single employer” for employee benefit purposes, and would be subject to all applicable Federal and State laws and regulations.

Why Support Employee Benefit Cooperatives?

- **Employee benefit cooperatives will be a powerful tool to expand health care coverage**, particularly among small businesses and their employees, by providing an aggregation device that allows small businesses to achieve economies of scale and expertise.
- **Cooperatives are an ideal small business aggregation vehicle** because they efficiently and fairly apportion costs, risks, and responsibilities among their members. Cooperatives are democratically-controlled by their shareholder-members.
- **Employee benefit cooperatives will maintain important legal protections for health care consumers** by preserving rather than circumventing Federal and State laws and regulations governing employee benefits.

Wilson H. Beebe Jr., Chairman
wbbeebe@thanexus.coop
(C) 908.415.0745
(I) 732.974.9444

Rosemary Mahoney, Director
rmahoney@coopmetrics.coop
(C) 434.962.0897
(I) 434.263.5492
www.aebc.coop

John O’Neill, Legislative Counsel
jjoneill@venable.com
(C) 202.367.6156
(I) 202.344.4548