

Farmer Cooperatives Conference

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Jeff Nielsen, President & CEO, United Farmers Cooperative

InterContinental Hotel, St. Paul
Friday, November 3, 2017



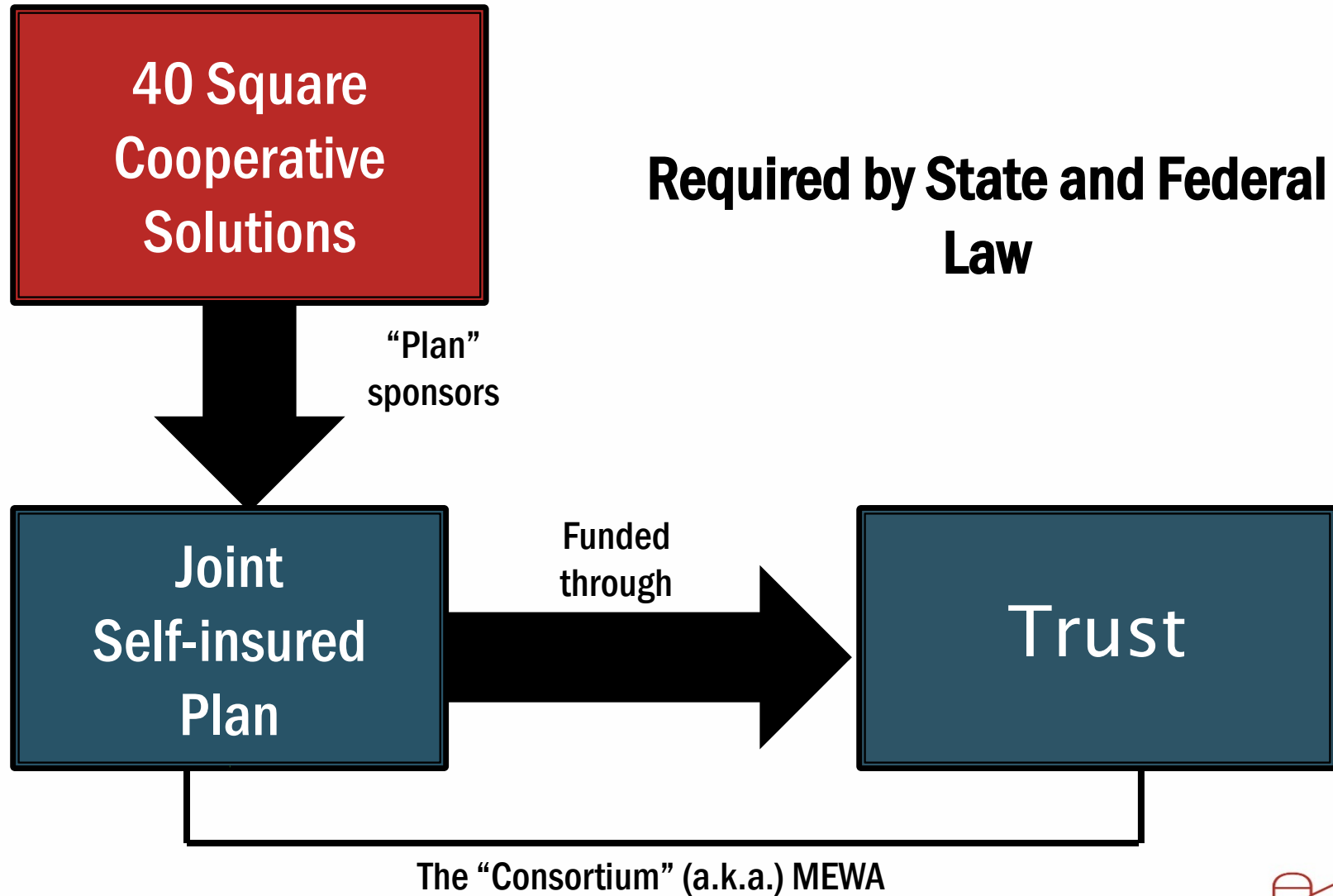
Background & Structure



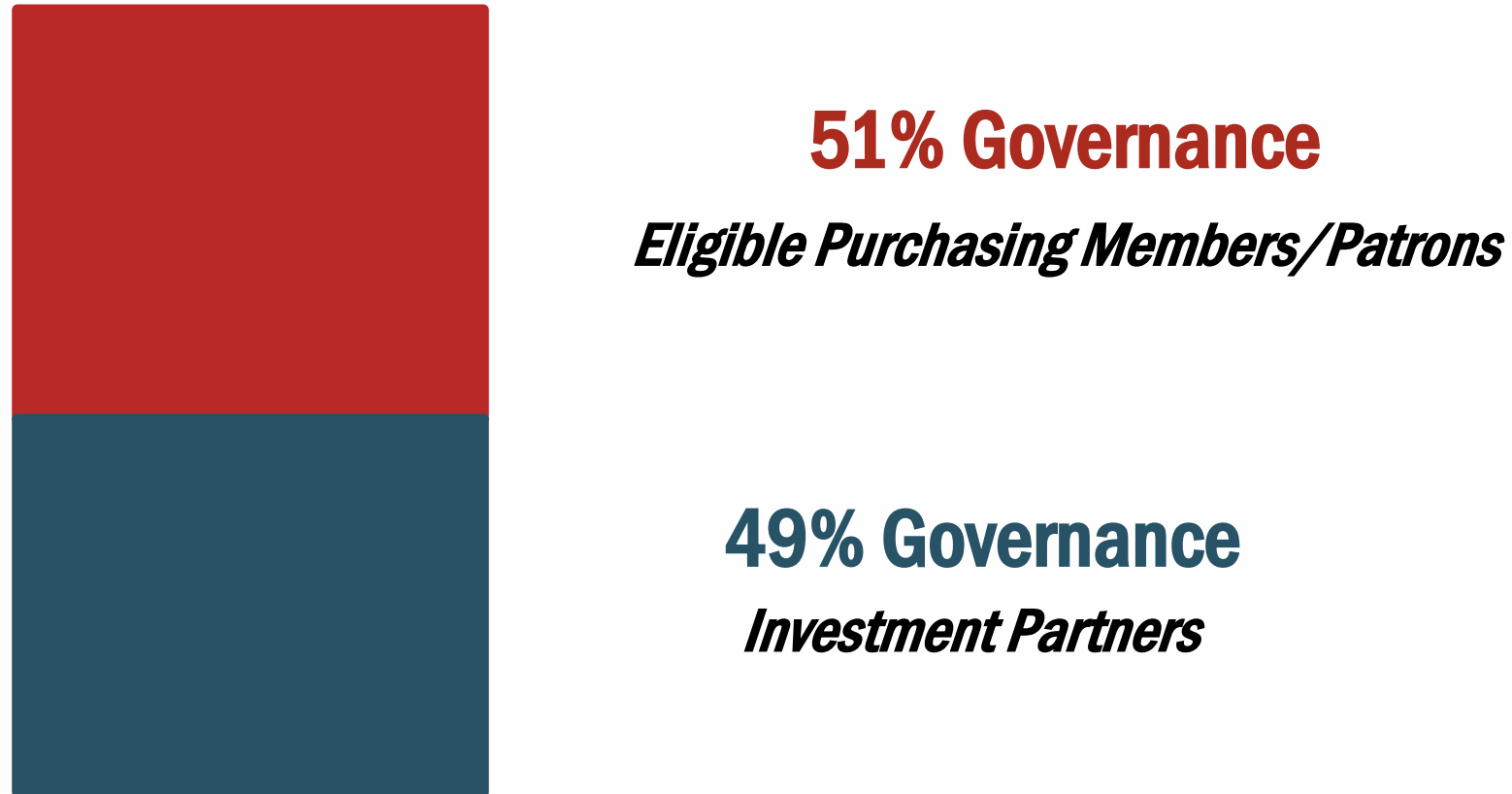
Background

- To bring quality, sustainable health care coverage to Minnesota's agricultural community
- Self-funded plan, designed to use a large group-like rating for farmers, their families, employees and their families
- 15+ years cooperative effort
 - ✓ Cooperative Network and United Farmers Cooperative, Winthrop, Minn.
 - ✓ Many legislative efforts, including a Congressional appropriation
 - ✓ Rules changed and evolved
- 40 Square formed as a 308B co-op in 2009
- With recent state legislative changes, 40 Square is now able to “sponsor” a joint self-insurance plan, regulated by the federal government, which will be funded through a trust

Structure



40 Square Co-op: Governance & Structure



**The co-op is governed by a board of directors,
elected by its members/patrons**

40 Square Co-op “Ownership”

308B Stock Ownership Explanation

Stock capitalizes your co-op

Voting Stock: \$100.00

- Plan participants only
- One member (employer), one vote
- One share per employer

Common Stock

- Class A – Voting: Plan participants only, \$1,000 per employer (one time)
- Class B – Voting: Investor stock, \$5,000 per share
- Class C – Non-voting: Investor stock, \$5,000 per share

Preferred Stock

- Non-voting
- \$1,000 per share
- Return on investment

Co-op Formative Board of Directors

Producer Members:

- Robby Gieseke, Nicollet – *Chairman*
- Kevin Lauwagie, Winthrop
- Steve Schlangen, Albany – *Vice Chairman*
- Dean Sonnabend, Vernon Center
- Cole Trebesch, Springfield

Investor Members:

- Cooperative Network: Curt Eischens, Minneota
- United Farmers Cooperative: Jeff Nielsen - *Secretary/Treasurer*
- Crystal Valley Cooperative: Roger Kienholz

Advisory Members:

- EBSO: Terri Moxley, Saint Paul
- General Counsel: Rich Sobalvarro, Saint Cloud

Membership Qualifications



Becoming a Member of 40 Square

According to the law, to become a member, *you must be an employer (a farmer)* who:

- Actively works in production agriculture in Minnesota
- Files either Form 1065 or Schedule F with your income tax return “or” provide direct services to production agriculture in Minnesota (farm corporations)
- Purchase Voting Stock in an amount of \$100.00
- Purchase Common Stock of \$1,000 over the first year
- Three-consecutive year commitment
- Has a minimum of one “Common Law” employee
 - *See 40 Square Consortium Common Law Employee Tool handout*

“Common Law Employee” Simplified

40 Square Consortium eligibility requires the employer (farmers) to prove he/she had an employee

- *Example:* spouse hired to do bookkeeping and paid a wage = an employee
- *Example:* hired harvest help and paid them a wage = an employee
- *Example:* hired labor to mow lawn, using your equipment = an employee

In each of these cases, a W-2 must be provided to the employee – very common practice for many farmers today

******This is not tax or legal advice.***

Please consult with your accountant or business attorney. ***

Plan Outline



Self-Funding (The Plan)

Self-funded health plans assume the financial risk.

Here is how it works:

- A Trust is established and is funded by premiums
- Stop-loss (reinsurance) is purchased to limit the risk and protect the health plan:
Munich Reinsurance America
 - Individual
 - Aggregate
 - Contract structure: 12/24
 - Actuarial review every month for reserves
- Federal grant funds

The Value of Self-Funding

- **Managed by a third party administrator (TPA)**
- **Greater level of flexibility**
- **Claim utilization and reporting**
- **Able to tailor the plans based on population's needs**
- **Governed by Federal Employee Retirement Income Security Act (ERISA)**

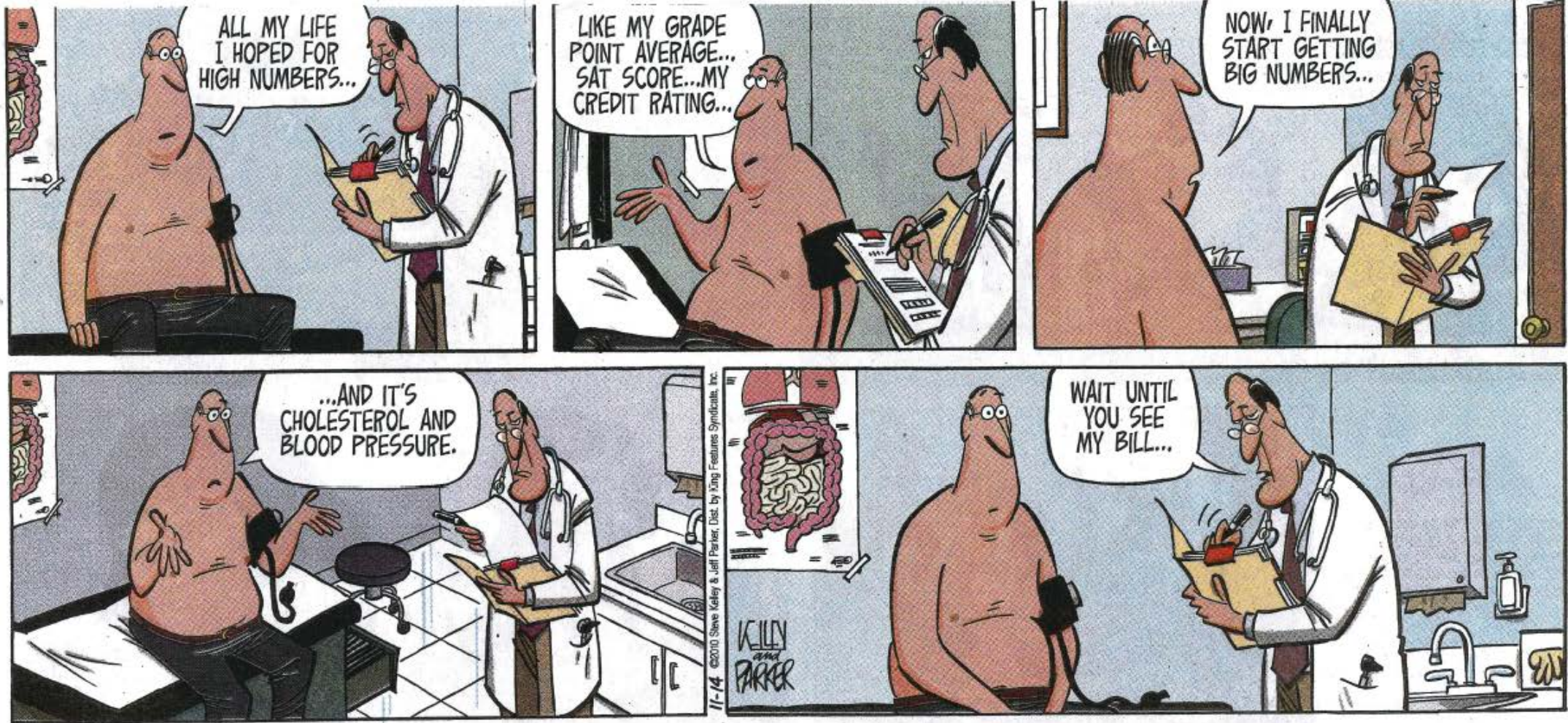
Health Plan Highlights

Six major medical plans, ranging from \$1,500 to \$6,550 deductibles, four HSA compatible

All plans are ACA compliant and include the following:

- No lifetime limits, no pre-existing conditions
- Routine preventive care paid at 100%
- Doctor office visits, subject to a deductible or copay
- Prescription drugs, subject to a deductible or copay
- Hospital care, inpatient, outpatient and emergency room
- National Provider Network – Cigna

Dustin By Steve Kelley & Jeff Parker



Medical Plans – Vendor Partners



Website: www.40Square.coop

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[HEALTH PLAN PARTICIPANT](#)

[FAQ](#)

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Being part of cooperative buying power

[START YOUR ESTIMATE NOW](#)

Why 40 Square?

- Engage farmers in future plan decisions
- Seek long-term sustainable health care costs
- Empower farmers through education
- Provide quality health plan options
- Create trust through transparency
- Will give a voice to the agricultural community
- Farmers own the co-op and health plan

Replicate in Your State?



Replication

✓ Who's taking the lead?

- Assemble a team of supporters

✓ Check your state's cooperative statutes

- Do they allow for investor ownership?

✓ Research your state's Multiple Employer Welfare Arrangement (MEWA) statutes

- Has your state ever approved a MEWA?

✓ Legislative action

- Engage your grassroots support
- Know your allies and non-allies

Questions/Answers



Thank You!

