

An excerpt from:

*Better Health & Social Care: How are Co-ops & Mutuals Boosting Innovation & Access Worldwide?*

An International survey of co-ops and mutuals at work in the health and social care sector (CMHSC14)

Volume 2: National Cases

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For the research framework, the analysis of the national cases, and other research components, including a description of the research team members, refer to Volume 1: Report.

For information regarding reproduction and distribution of the contents contact the editor and research leader:

Jean-Pierre Girard

LPS Productions

205 Chemin de la Côte Sainte-Catherine, #902

Montréal, Québec H2V 2A9

Canada

[info@productionslps.com](mailto:info@productionslps.com)

URL <http://www.productionslps.com>

## HEALTH SYSTEM

Chile's health system is composed of mandatory health insurance that can be either public or private. Public insurance is offered through a single non-profit provider, the National Health Fund (FONASA). Private insurance can be purchased from 13 for-profit or not-for-profit private health insurance institutions known as ISAPRES (Instituciones de Salud Previsional) of which six are open to all and seven are restricted to personnel of a particular company or institution. Both FONASA and ISAPRES receive 7% of the worker's remuneration. That covers basic primary care, emergency care, and targeted health problems.<sup>2</sup> The basic coverage is laid out by the Explicit Health Guarantees Plan (Garantías Explícitas de Salud, AUGE-GES) which assures universal health coverage and a medical benefits package consisting of a prioritized list of diagnoses and treatments (80 items in 2013).<sup>3</sup> Those unable to pay health care are covered by FONASA through direct payments by the State.<sup>4</sup> Co-payments may be made under both systems depending on the care required and the health plan.

Cooperatives have a long history in Chile, with the first consumer cooperatives founded in 1887. According to the Department of Cooperatives of the Ministry of Economy, Development and Tourism (DECOOP), there were 1,324 active cooperatives in Chile on December 31, 2013.<sup>5</sup> Cooperatives are regulated by a general cooperative law which describes different types of cooperative and provides examples of their sectors of activity, including consumer, service, worker, electricity, agriculture, fishery, savings and credit, and housing.<sup>6</sup> It also describes cooperatives with regard to their impact on the economy, introducing the concept of "cooperatives of economic importance." These are defined as savings and credit cooperatives, housing cooperatives with open membership, and those whose capital exceeds approx. \$2 million USD (50,000 Unidades de Fomento)<sup>7</sup> or have more than 500 members.<sup>8</sup> It makes no specific mention to health or social cooperatives, but does not limit the sectors of activity in which cooperatives can operate.

Up until 2003-2004, one health cooperative, Cooperativa de Servicios de Protección Médica Particular (Promepart) was one of the ISAPRES. It provided services to over 120,000 people nationwide. It ceased operations due to alleged financial mismanagement, inability to provide the increased services required to be an ISAPRE at competitive prices, and the increased capital requirements.

Today, cooperatives do not provide obligatory health coverage. However, they do provide pharmaceutical services and complementary health insurance and services through public and private health care providers. Cooperatives are also involved in social care.

Mutuals are also recognized health care providers and manage 80% of the obligatory accident and occupational health insurance and services market.

**Population** (in thousands) total: 17,465

**Population median age** (years): 32.76

**Population under 15 (%)**: 21.38

**Population over 60 (%)**: 13.8

**Total expenditure on health** as a % of Gross Domestic Product: 7.2

**General government expenditure on health** as a % of total government expenditure: 15.2

**Private expenditure on health** as a % of total expenditure: 51.4

## HEALTH COOPERATIVES

The Department of Cooperatives of the Ministry of Economy, Development and Tourism (DECOOP) defines health cooperatives as those cooperatives which provide health care of all kinds. Under this definition, DECOOP reports that there are no health cooperatives in Chile.

DECOOP does however identify an additional six cooperatives that provide health-related services – one pharmacy cooperative and five cooperatives offering complementary health insurance and services. Those providing complementary insurance also offer members services through accredited health care providers with whom they have service contacts. They are listed below in order of date of foundation. The pharmacy cooperative is listed in a separate section of this case.

**Cooperativa de Servicios Villa de Vida Natural Manuel Lezaeta Acharan Limitada (COVINAT)**, a service cooperative founded December 19, 1965 as a naturopathic medicine cooperative. Its centre offers medical services, such as acupuncture, hydrotherapy, pelotherapy, and massage treatments, as well as nutritional and other educational programmes aimed at maintaining or recovering health.<sup>9</sup>

**Cooperativa de Servicios Medicos Limitada (SERMECOOP)**, a service cooperative, was founded November 27, 1967.<sup>10</sup> It provides complementary health services to more than 45,000 beneficiaries (members and their families) throughout the country. It aims to assist members and their families in accessing the best of the public and private health services available (medical and emergency dental care) and operates a complementary health plan.

**Cooperativa de Servicios de Salud de los Educadores de Chile y Afines Limitada (ISAEDUCOOP)**, was founded February 14, 1992. It has 3,000 members and family beneficiaries. Like SERMECOOP, ISAEDUCOOP aims to assist members (teachers) and their families in accessing the best of the public and private health services available and operates a complementary health plan. It contracts with entities providing health services and administers the contributions that members make to cover co-payments for the following: hospitalizations, births, or surgeries; purchase orders for medical care (bonds), medical programmes, payment of prescriptions, purchases of optical lenses; dental treatment, dental emergencies; ambulance or other services.

**Cooperativa Nacional de Salud Solidaria Limitada** (National Cooperative of Health Solidarity) was established in 1994. Its purpose is the development of systems of mutual aid among its members, facilitating access to comprehensive services, community and family health care.

**Cooperativa de Servicios y Beneficios de Salud de los Trabajadores de Chile Limitada**. SERTRACOOP was established in 2011 to provide services, health and other benefits to protect and improve the quality of life and health of members and beneficiaries.

### Health Cooperative Data (2013)

DECOOP provided the following data on the cooperatives identified, as of 2013:

<b>Number of cooperatives</b>	5 User cooperatives
Number of members	29,902 (12,818 women, 17,084 men)
Number of employees	88
<b>Annual Turnover</b>	\$11,610,350 USD

### Case Study

**SERMECOOP** assists members and their families in accessing the best of the public and private health services available from public and private providers (medical and emergency dental care) and operates a complementary health plan. It contracts with health providers (private medical clinics, dental clinics, laboratories, opticians, pharmacies, hearing aid providers and the national reimbursement system I-Med)<sup>11</sup> to reduce the costs of health services. It also offers health education and organizes health promotional activities. Among its partner organizations are financial institutions offering health care loans, optional life and disaster or catastrophic insurance plans.<sup>12</sup>

SERMECOOP was established in 1967. The Sodimac cooperative and its workers wanted to improve the well-being of workers through the creation of a workers' welfare fund. Sodimac at the time was a consumer-retail cooperative specializing in construction materials. It dissolved in the 1980s due to bankruptcy. The enterprise re-emerged in 1982 as a private company, Sodimac S.A.

SERMECOOP initially managed a solidarity fund. It was a pioneer in making medical services available to all members while reducing out-of-pocket expenses. After the dissolution of Sodimac Cooperative, it continued to provide services to Sodimac S.A. and in 2001 expanded its service offerings to other enterprises.

In 2007 it signed an agreement with the Health Authority of Chile (Superintendencia de Salud) to provide information and guidance to members and to the general public on their rights and obligations with regard to health.<sup>13</sup>

Today, it provides services to 30,000 workers and 45,000 beneficiaries (members and their families from 100 enterprises and municipalities). Its services differ from for-profit actors as follows:

Item	SERMECOOP	For-profit industry actor
Pre-existing conditions	Accepts	Does not accept
Age	No limit	Limits
Waiting period	None	Yes
Deductibles	None	Yes
Dental plan	Integrated	Separate plan
I-Med <sup>14</sup>	Included at no cost	Optional at a cost
Advice/orientation	Yes	No
Contraceptives	Yes	No
Laser eye surgery	Yes (no minimum diopters)	Yes (minimum diopters)
Newborns	Coverage as of day 0	Coverage as of 15 days
<b>Profits</b>	Not-for-Profit	For-profit

SERMECOOP's head office is in Santiago. To achieve national coverage it has established branch offices in Viña del Mar and Concepción in 2002, in la Florida in 2006, Puerto Montt in 2008 and Antofagasta in 2013.

### PHARMACY COOPERATIVES

DECOOP identified one pharmacy cooperative, Cooperativa de Servicios de Salud y Medicamentos Limitada (FARMACOOOP), established in 2009. Its objectives are to provide access to affordable medicines and laboratory clinics, promote healthy living, and promote entrepreneurial activities and work opportunities for the elderly, persons with disabilities, and other vulnerable groups.

According to DECOOP, the cooperative is not currently active in the market due to a lack of member capital for the initial investment. FARMACOOOP has confirmed that the founder group, a group of seniors, is still in the process of setting up the cooperative. It has not yet been able to open its first pharmacy or to seek new members, given the country's difficult financial situation.<sup>15</sup> It is currently seeking information, advice, and financial support to help initiate operations.

### OTHER COOPERATIVES

The retail-consumer and savings cooperative set up by the police force, Cooperativa de Consumos y de Ahorros Carabineros de Chile Ltda (COOPERCARAB), provides members with a wide range of consumer goods, including pharmaceutical and optical products. Created on July 13, 1934 to meet the needs of the police force for basic goods, it is the oldest and largest cooperative. In 2013 it had 75,216 members and in 2012 reported sales of \$66,276,736 USD. It has branches in Chile's major cities: Santiago, Iquique, Antofagasta, Valparaíso, Concepción, Temuco, and Puerto Montt.

COOPERCARAB offers pharmaceutical and optical products to its members for 20% less than the market price. The cooperative handles sales service within its retail centres to control costs. It does not lease space to providers, but runs the business itself.

### SOCIAL COOPERATIVES

DECOOP defines social cooperatives as those providing services for vulnerable populations, including persons with disabilities and the elderly. By this definition, only one cooperative is active, **Cooperativa de Trabajo para personas con Discapacidad, los Emprendedores de los Vilos.**

This worker cooperative was founded in 2012 with the objective of creating job opportunities for people with disabilities through entrepreneurship, skills development, and occupational inclusion. The cooperative is engaged in the banqueting and catering industry and more specifically in food production, and packaging, venue rentals, facilities, event, and staff management. It has 26 worker-members, 15 women and 11 men.

It is also worthy of note that the National Disability Fund (Fondo Nacional de Discapacidad, FONADIS) provides financial support for initiatives in self-employment and microenterprise development for or by persons with disabilities. The Fund makes specific reference to support for cooperative development, thus providing opportunities for other cooperatives to form.

### MUTUALS

In 1968 the legal code was amended to make obligatory the protection of workers from accidents and occupational disease (Seguro Social contra Riesgos de Accidentes del Trabajo y Enfermedades Profesionales). Mutuals that protected workers from accident and health-related misfortunes predated this law, however.

Currently there are three mutuals and one state provider, Instituto de Seguro Laboral (ISL). All provide obligatory accident and occupational health insurance and health care services in addition to other social protection services and accident prevention training.

The three mutuals manage 80% of the 5.5 million obligatory accident and occupational health insurance policies. They provide preventive, curative, and rehabilitative care to workers as well as compensation in the form of subsidies, allowances, and annuities for loss of earning due to accident or professional illness.<sup>16</sup> The mutuals providing health services are:

- **Instituto de Seguridad del Trabajo (IST)**, the first employers' mutual in Chile. It was created in December 1957 by the Industrial Association of Valparaíso y Aconcagua (Asociación de Industriales de Valparaíso y Aconcagua, ASIVA). In 2012, IST held 12% of the mutual market, serving over 550,000 workers.<sup>17</sup>
- **La Asociación Chilena de Seguridad (ACHS)** created June 26, 1958 (Decreto N° 3.029) and associated with the industrial workers association, Sociedad de Fomento Fabril (SOFOPA). In 2013 it had approximately 2.4 million members.<sup>18</sup>
- **Mutual de Seguridad CChC**, created in 1966 by the Chilean Chamber of Construction (Cámara Chilena de la Construcción). In 2012, it had 1.7 million members.<sup>19</sup>

Their service offerings are available to individual salaried workers, to enterprises through group plans, and to self-employed workers. Mutuels provide their services through networks and their

own health care installations across the country as well as through other health care providers with whom they have partnered.

### Mutual Data (2013)<sup>20</sup>

Number of mutuels	3
Number of members	4.4 million
Number of employees	N/A
Users	N/A
Facilities	3 hospitals, 53 clinics, 153 polyclinics providing a total 1,014 beds
Services offered	Preventive, curative, rehabilitative care, including emergency medical transport (ambulance, helicopter), surgery, dental, orthopaedic care, ophthalmology, cardiology, hearing specialists, etc.

### SOURCES

<sup>1</sup> Special thanks to the Department of Cooperatives of the Ministry of Economy, Development and Tourism (DECOOP) for their collaboration in providing information and statistical data.

<sup>2</sup> Superintendencia de Salud, Government of Chile. 2014. Website. Retrieved March 1, 2014 (<http://www.supersalud.gob.cl/>).

<sup>3</sup> Biblioteca del Congreso Nacional de Chile. 2014. "Guía legal sobre: Plan GES o AUGÉ." Webpage. Retrieved April 17, 2014 (<http://www.bcn.cl/leyfacil/recurso/plan-ges-%28ex-auge%29>).

<sup>4</sup> Gobierno de Chile, Superintendencia de Salud. 2014a. Website. Retrieved March 1, 2014 (<http://www.supersalud.gob.cl/>).

<sup>5</sup> Information provided by the Department of Cooperatives of the Ministry of Economy, Development and Tourism (DECOOP) in a personal communication, April 14, 2014.

<sup>6</sup> Biblioteca del Congreso Nacional de Chile. 2003. "Fija Texto Refundido, Concordado y Sistematizado de la Ley General De Cooperativas." Webpage. Retrieved February 24, 2014 (<http://www.leychile.cl/Navegar?idNorma=221322>).

<sup>7</sup> The Unidad de Fomento (UF) is a currency used in Chile (in addition to the Chilean Peso) which is defined as the amount of currency units, or pesos, necessary for Chileans to buy a representative basket of consumer goods. The peso-to-UF exchange rate, is calculated daily adjusted for inflation, and is published on the central bank's (Banco Central) website. Real estate, rent, mortgages, loans, long-term government securities, taxes, pension payments etc. are priced using UF.

<sup>8</sup> Ley General de Cooperativas. Artículo 109.

<sup>9</sup> Cooperativa de Servicios Villa de Vida Natural Manuel Lezaeta Acharan Limitada. 2014. "Villa Vida Natural: Manuel Lezaeta Acharan." Webpage. Retrieved April 15, 2014 (<http://www.vidanatural.cl>).

<sup>10</sup> Decreto Legal N° 1445 del Ministerio de Economía, Fomento y Reconstrucción el 27 de Noviembre de 1967.

<sup>11</sup> I-Med is a system that digitally records fingerprints of patients and makes them available to health professional and medical facilities. This enables patients to have immediate access to health care authorizations (e-vouchers), determines co-payments, and applies discounts based on the patient's healthcare plan. I-Med. 2014. Website. Retrieved April 21, 2014 ([http://www.i-med.cl/bono\\_electronico.html](http://www.i-med.cl/bono_electronico.html)).

<sup>12</sup> Sermecoop. 2013. "Presentación Comercial Sermecoop." Retrieved April 18, 2014 (<http://www.slideshare.net/Sermecoop/presentacin-comercial-sermecoop>).

<sup>13</sup> Gobierno de Chile, Superintendencia de Salu. 2014b. "Convenio con la Cooperativa de servicios médicos (Sermecoop)." Webpage. Retrieved April 15, 2014 (<http://www.supersalud.gob.cl/documentacion/569/w3-article-6364.html>).

<sup>14</sup> Decreto Legal N° 1445 del Ministerio de Economía, Fomento y Reconstrucción el 27 de Noviembre de 1967.

<sup>15</sup> Personal communication with FARMACOOOP, April 21, 2014.

<sup>16</sup> Paz Figueroa, M. 2011. "Sistema de Protección de Riesgos Laborales en Chile". Asociación Chilena de Seguridad. Retrieved April 21, 2014 ([http://www.fundacionprevent.com/app/webroot/news/jornadas/2013/PDF/Sistema\\_de\\_proteccion\\_de\\_riesgos\\_laborales\\_en\\_chile.pdf](http://www.fundacionprevent.com/app/webroot/news/jornadas/2013/PDF/Sistema_de_proteccion_de_riesgos_laborales_en_chile.pdf)).

<sup>17</sup> Instituto de Seguridad del Trabajo. 2012. *Memoria Anual y Estados Financieros IST 2012*. Retrieved April 21, 2014 (<http://www.ist.cl/wp-content/uploads/2012/06/solo-MEMORIA-IST-2012-baja.pdf>).

<sup>18</sup> Asociación Chilena de Seguridad. 2014. Website. Retrieved April 21, 2014 ([http://www.achs.cl/portal/ACHS-Corporativo/Paginas/ESTADISTICAS\\_DE\\_LOS\\_AFILIADOS.aspx](http://www.achs.cl/portal/ACHS-Corporativo/Paginas/ESTADISTICAS_DE_LOS_AFILIADOS.aspx)).

<sup>19</sup> Mutual de Seguridad CChC. Website. Retrieved April 20, 2014 (<http://www.mutual.cl>).

<sup>20</sup> Author's own calculations based on information in annual reports.