



# SJR 22 Joint Subcommittee on Health Care and Health Insurance

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## 57th Montana Legislature

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March 26, 2002

TO: SJR 22 Subcommittee members  
FROM: Gordy Higgins, Legislative Services Division  
RE: April 4 Subcommittee meeting

**Reminder: The SJR 22 Subcommittee will meet on Thursday, April 4, 2002, in Room 137 of the Capitol, starting at 9:00 am.**

Following the February 14 Subcommittee meeting, I was instructed to adjust and refine the initial SJR 22 Study Plan to reflect the latest decisions and direction chosen by the Subcommittee. The members and stakeholders have identified several public policy areas where detailed information is required in order to make informed decisions to meet the intent contained in SJR 22 which asks the Subcommittee to provide the 58th Legislature with a "head start" in coming to grips with health care policy in the state.

I believe that the gentle reproaches offered by fellow staff members and the growing concerns raised by others is well-founded and should represent the underpinnings of the amended work plan. The study process must move from a general discussion of the many issues surrounding health care and health insurance to an effort that requires a more targeted and focused fiscal and policy analysis. As a result of these necessary changes, staff members of the Legislative Fiscal Division, and Legislative Services Division staff attorneys have been asked to contribute their expertise as the Subcommittee moves closer toward final decisionmaking. This memo is designed to offer a summary of the changes and propose short and long-term agenda components through the middle of September.

Based on Subcommittee instructions, comments, and questions, the next several meetings will incorporate reports on:

- ▼ Health Insurance Tax Credits. The Subcommittee formed a working group of legislators and interested persons to develop design criteria for tax credits to be used for the purchase of health insurance. General recommendations offered at the February meeting raised the possibility of authorizing a tax credit targeted to individuals and small businesses. The Legislative Fiscal Division, the Department of Revenue, the State Auditor, the Governor's Office, the insurance industry, and the business community have been invited to participate in developing recommendations and cost projections for the Subcommittee to consider.

The working group has met twice in the past month to consider eligibility requirements, prices of insurance products, mechanisms for refunding or advancing the credits targeted to individuals, and the overall costs. A progress report will be presented during the April

meeting. The meeting will feature a presentation by staff and tax credit working group members about the initial eligibility and design features of a tax credit that would assist individuals and small businesses purchase health benefits. The working group determined that the best approach to this policy issue is to: (1) design a plan that they believe will meet the dual objectives of increased coverage and making coverage more affordable for those with insurance; (2) establish the potential costs of administering the tax credit; and (3) identifying various options for financing the proposed credit.

- ▼ Tobacco Settlement Trust Fund. This issue, discussed only conceptually in past meetings, has taken on greater importance as a result of recommendations proposed by Commissioner John Morrison to consider using the expendable interest from the tobacco settlement trust fund to increase state funding of CHIP to take advantage of federal matching dollars (the implications of this suggestion is covered in greater detail later in this memo). Analysts from the Legislative Fiscal Division and Subcommittee legal staff will provide information on the interest and income projections, payments to the trust fund, and a legal analysis of how the interest income may be expended and for what purposes.
- ▼ The State Children's Health Insurance Program. The Department of Public Health and Human Services provided information on CHIP to the Subcommittee at the first meeting in August of 2001. The presentation was designed to provide background and historical information, including benefit packages, federal requirements and guidelines, enrollment, and projections and trends for the future.

Commissioner Morrison (and others), responding to the Subcommittee's request for targeted recommendations to address the issue of the uninsured, proposed that CHIP eligibility be expanded to 200% of the federal poverty level. The Subcommittee reacted to the recommendation by requesting that staff prepare a CHIP "component" for a future meeting.

The CHIP portion of future meetings should include an analysis conducted by the Legislative Fiscal Division on the issue of unspent allotments and the effect of increasing eligibility to 200 % of the federal poverty level will have on the state's contribution and the number of eligible children and any appropriate updated information on program status from the Department of Public Health and Human Services. Requesting assistance on the important link between policy recommendations and fiscal impacts of those policies will allow the Subcommittee to make informed decisions regarding what actions the next Legislature may wish to pursue.

- ▼ Multi-State Prescription Drug Purchasing Pools. At least two multi-state arrangements are moving forward; the tri-state purchasing pool in the Northeast, and the coalition formed by West Virginia. Staff has been directed to gather information from existing pools to determine whether Montana could join their efforts and the costs and benefits associated with state participation. Staff is also investigating reported efforts by the State of Idaho and other Pacific Northwest states to gauge the interest of Montana in joining a proposed purchasing pool.

As details emerge about administrative costs associated with joining purchasing pools and the corresponding benefits realized in reduced prescription drug prices, blending the prospective policy benefits with financing the state's participation will be necessary.

- ▼ The Health Care Inventory. Several stakeholders recommended that the Subcommittee call for the creation of a health care inventory, which would, among other things, represent a single source of health care related information to allow lawmakers, public program managers, providers, insurers, hospitals, and consumers gather valuable information on trends, costs, and utilization. Key proponents of this proposal have been asked to prepare a detailed plan for the Subcommittee to consider.
- ▼ Funding Sources, Generally. One funding source identified by Commissioner Morrison was the cigarette tax. In his recommendations to the Subcommittee, the Commissioner proposed raising the cigarette tax by \$1 to provide a source of revenue to pay for any proposed health insurance tax credit. Additional interest, as mentioned earlier, was found in gathering more information on the opportunities associated with tobacco settlement revenue. Regardless of the source of funding, it will be important to gain a better understanding of cost projections associated with any policy recommendations that are made.

Finally, the Subcommittee requested more detailed information on a number of smaller issues. The issues are:

- ▼ The Health Care Advisory Council. Subcommittee staff will prepare a memo on the purpose of the Council and any products or recommendations attributable to the group. Nancy Ellery, the former Health Policy and Services Division Administrator within DPHHS, has agreed to share her perspective on the goals and objectives of the now-defunct Health Care Advisory Council. As you know, one of the specific tasks assigned by SJR 22 was determination of whether it is feasible or necessary to reestablish the Council as a way to assist legislators and others address health care policy issues. A brief statutory description of advisory councils, including the role and duties an advisory council may play is included as an enclosure.
- ▼ A "Basic" Health Insurance Plan. During the last major effort to address the issue of access and affordability to health care and health insurance, a basic benefit plan was created by the Legislature. The plan was exempt from certain state mandates. The plan was also designed to be used in conjunction with a small business tax credit. The key question for the Subcommittee to consider is whether a similar approach, adopted in conjunction with a tax credit or implemented as a stand-alone option, will offer a cost-effective alternative for the uninsured or small businesses seeking ways to continue to provide coverage.
- ▼ Public Program Co-Pay Provisions. This issue was raised during the Department of Public Health and Human Services presentation on recent decisions made within the Medicaid program and the Department to reduce spending to current budgetary levels. Analysts with experience in the policy implications of co-pays and the Department can

provide information for the Subcommittee to consider.

As the Subcommittee continues to narrow its focus, a more direct attempt will be made to offer information and time to allow members to reflect on the fiscal and policy implications of choices. Please contact me at 406-444-9280 or by e-mail at [gohiggins@mt.gov](mailto:gohiggins@mt.gov) if you have comments, questions, or concerns about the upcoming meeting or the remainder of the interim.

Encl: February meeting minutes  
April meeting agenda  
Tax Credit working group summary