

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
58th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON EDUCATION

Call to Order: By **CHAIRMAN JOAN ANDERSEN**, on January 31, 2003 at 3:00 P.M., in Room 137 Capitol.

ROLL CALL

Members Present:

Rep. Joan Andersen, Chairman (R)
Rep. Kathleen Galvin-Halcro, Vice Chairman (D)
Rep. Larry Lehman, Vice Chairman (R)
Rep. Norman Ballantyne (D)
Rep. Norma Bixby (D)
Rep. Gary Branae (D)
Rep. Nancy Fritz (D)
Rep. Carol Gibson (D)
Rep. Verdell Jackson (R)
Rep. Bob Lake (R)
Rep. Bob Lawson (R)
Rep. Joe McKenney (R)
Rep. Pat Wagman (R)

Members Excused: Rep. Clarice Schrupf (R)

Members Absent: None.

Staff Present: Eddy McClure, Legislative Branch
Mari Prewett, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed. The time stamp in these minutes appears at the end of the content it refers to.

Committee Business Summary:

Hearing & Date Posted: HB 302, 1/13/2003
Executive Action: None

HEARING ON HB 302

Prior to beginning of the hearing on HB 302 copies of the proposed amendments were passed out to the committee members, attached as Exhibit 1.

EXHIBIT (edh21a01)

Sponsor: REP. DAVE LEWIS, HD 55, HELENA

Opening Statement by Sponsor:

REP. LEWIS stated that HB 302 would implement a statewide health insurance pool for school employees. He explained the reason for doing this is that presently there are 230 separate plans scattered around the State. **REP. LEWIS** informed the Committee that school employees around the State were having a difficult time maintaining reasonably-priced health insurance. He explained that some studies had been conducted and it was expected that there would be a fifteen percent increase in costs for insurance in the State over the next few years. He further indicated that if this increase were projected out it could reach as high as a fifty percent increase in insurance rates.

REP. LEWIS went on saying that presently the average age of school employees is close to 50. This is a group that will be experiencing higher losses in the future. **REP. LEWIS** stated that it seemed to be reasonable to try to consolidate the pools for the purpose of spreading the risk factor, thereby eliminating the chance of catastrophic problems concentrating in any one particular plan. He further indicated that having the state pool would provide the members with some negotiating powers with the healthcare providers; i.e., hospitals and doctors, plus lowering administrative costs.

REP. LEWIS proceeded to inform the committee that there were several amendments and that Tom Bilodeau of MEA/MFT would present the amendments during his testimony.

Proponents' Testimony:

Karl Ohs, Lt. Governor, State of Montana, stated that he supported HB 302. He indicated that he felt the bill reflected true spirit of collaboration. **Lt. Governor Ohs** continued that HB 302 would make health insurance coverage a reality for more Montanans. He went on saying that HB 302 would establish standards and plan options that would allow school districts and bargaining units choices in selecting comprehensive healthcare benefits. **Lt. Governor Ohs** informed the Committee of the

benefits of the pool, the costs involved and the loan from the Board of Investments to fund the program. He further talked about the makeup of the board that would oversee the health insurance pool.

Madalyn Quinlan, Office of Public Instruction, stated she and the Superintendent of Public Instruction supported this bill. **Ms. Quinlan** talked about the challenges to the school districts in providing health insurance due to the rising costs. She continued explaining the problems the school districts were facing due to the increases and the choices they were having to make. **Ms. Quinlan** went on to say that healthcare costs affect every school district, and the health insurance pool would be a benefit to all. See Exhibit 2.

EXHIBIT (edh21a02)

Tom Bilodeau, MEA/MFT, stated that he was in support of HB 302. **Mr. Bilodeau** presented the committee with a handout entitled, "HB 302: A Statewide K-12 Health Benefit Program for Montana's Public School and Ed Coop Employees," attached as Exhibit 3. **Mr. Bilodeau** walked the Committee through this handout page by page explaining it in detail and referring to the amendments, found in Exhibit 1.

EXHIBIT (edh21a03)

{Tape: 1; Side: A; Approx. Time Counter: 0 - 28.4}

Mr. Bilodeau continued with his presentation by referring to both Exhibit 1 and Exhibit 3.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 18.4}

Tom Clinch, CEO, Montana School Services Foundation, stated he was in favor of HB 302. He presented his written testimony to the committee which he read. Attached as Exhibit 4.

EXHIBIT (edh21a04)

Shannon Walden, High School Teacher, Fort Benton, spoke in favor of HB 302. **Ms. Walden** presented written testimony which she read. See Exhibit 5.

EXHIBIT (edh21a05)

{Tape: 1; Side: B; Approx. Time Counter: 18.4 - 24}

Darrell Rud, Executive Director, School Administrators of Montana, (SAM), stated he supports HB 302. He reported that they feel HB 302 is a very well thought out and actuarially sound proposal. **Mr. Rud** commented on the high cost of health insurance premiums and the inability of school district personnel to pay the high rates. **Mr. Rud** urged the Committee to pass HB 302.

Joe Brott, President, Montana Rural Education Association, stated he was testifying in support of HB 302. **Mr. Brott** informed the Committee that he felt a statewide K-12 health benefit program for Montana's public schools and cooperative employees was a must. He advised that he believed it would help a vast majority of school districts. **Mr. Brott** talked about tight budgets and the effects of the rising cost of insurance on those budgets. He went on to say that he felt a statewide health insurance pool would save the schools districts money. **Mr. Brott** then pointed out to the Committee the concerns of the smaller rural districts.

Bob Vogel, Montana School Boards Association, stated he felt the bill was getting better all of the time. He went on to say that he felt the real purpose of the bill was the health crisis that many of the school districts are facing. **Mr. Vogel** talked about the huge increases in premium payments in the last few years. He then stated that the increased costs had forced many school districts out of insurance coverage all together. **Mr. Vogel** then summarized for the committee the reasons that his association was supporting HB 302.

Mary Bryson, Representative for the Board of Trustees of Montana City School District #27, stated their support of HB 302. Ms. Bryson presented written testimony attached hereto as Exhibit 6.

EXHIBIT (edh21a06)

Charlotte Thomas, Montana Retired Educators Association and AARP, rose in support of HB 302. Ms. Thomas read her testimony to the committee. See attached Exhibit 7.

EXHIBIT (edh21a07)

Larry Nielsen, Helena Education Association, informed the committee that he was there to support HB 302. He went on to talk about the Helena School District and how fortunate they had been to maintain their insurance plan and maintain their costs. **Mr. Nielsen** advised the Committee that they were concerned as to whether or not they would be able to maintain their insurance costs in the future. He went on to say that they feel that there would be advantages to having a statewide insurance pool program.

Jack Copps, Executive Director, Montana Quality Education Coalition (MQEC), encouraged the Education Committee to support HB 302. Mr. Copps provided a copy of his written testimony to the members of the committee attached here as Exhibit 8.

EXHIBIT (edh21a08)

Dan Martin, Chief Operations Officer, Billings Public Schools, and chairs their health insurance committee, stated that they do not rise in support or opposition of the bill. He advised the Committee that they needed more information, and were in the process of obtaining that information. **Mr. Martin** talked about the Billings Public Schools self-funded plan. **Mr. Martin** brought ideas that they would like the Committee to consider such as: regional services areas, transition time for self-funded programs to join the state plan, negotiating discounts in service areas, and allowing self-funded programs to keep their reserve dollars. **Mr. Martin** then expressed their concern for maintenance of benefit issues.

Claudia Clifford, State Auditor's Office, stated that the Commissioner gives high marks to the research and planning behind HB 302. She went on to talk about the concerns of the school districts and the disparity in the insurance rates. **Ms. Clifford** advised the committee that they feel HB 302 is a fair bill with consumer choice built into it. She urged a do pass on the bill.

Tanya Ask, BC/BS Montana rose in support of HB 302. Ms. Ask distributed a copy of her written testimony to the committee. Attached as Exhibit 9.

EXHIBIT (edh21a09)

Dennis Davenport, Teacher, Colstrip Public Schools, stated that he supports HB 302. He talked about their insurance plan and the increases due to large numbers of costly illnesses. He further discussed the changes to their insurance that were made as a result of the costly illnesses. **Mr. Davenport** asked the committee to carefully consider HB 302 and how it would impact the school districts around the state.

{Tape: 2; Side: A; Approx. Time Counter: 0 - 26.5}

Jim Edwards, Montana Schools Health and Welfare Plan, stated that they were in support of HB 302. **Mr. Edwards** informed the committee that he felt that having one pool would give the school districts stability in their healthcare insurance. He went on saying, that an advantage to the pool is that it could give the schools a few months to determine what their needs were prior to

the renewal date, thereby allowing them time to budget for any upcoming increases.

Duane Lyons, Superintendent of Schools, Hamilton School District, stated that they cautiously support HB 302. However, they do have questions because of the early numbers that were reported. He went on to say that their figures didn't match. **Mr. Lyons** reported that in the long-run they feel they will be better off by passage of HB 302.

Colleen Ives, Hamilton School District, stated that she was present to discuss Amendment 9, (Exhibit 1) involving individual choice. **Ms. Ives** informed the committee that it was important for them to have choices to meet their own needs. She further indicated that she concurred with Amendment 9.

Susan Brown, High School Math Teacher, Hamilton, stated she was concerned with the actuary study and how it would affect everyone involved. **Ms. Brown** then informed the committee of her concerns about the design aspects of the program and stated she felt there needed to be some amendments to the bill.

Jim Mephram, Superintendent of Schools, Brady, talked about some of the employees in their school districts and the effects of high insurance premiums on those employees. **Mr. Mephram** stated that they realize that HB 302 probably would not change the fact the rates will continue to rise, but felt it might stabilize the problem. He further indicated that he and all of his staff support HB 302.

Tim Tharp, Principal of Schools, Dutton, stated that they support HB 302. He informed the committee that his school had similar problems regarding healthcare costs as the Brady schools.

Opponents' Testimony:

Marta York, Teacher, Hellgate High School, Missoula, stated that they support the concept that a large statewide pool would have the potential for stabilizing insurance rates. She further stated that a statewide pool would have the potential for assisting financially-troubled districts across the state in affording health insurance coverage for their employees. **Ms. York** continued they were not philosophically opposed to a statewide plan, but that they do have serious issues with HB 302. Ms. York furnished the committee with a copy of her testimony, attached as Exhibit 10.

EXHIBIT (edh21a10)

Joe Potter, MCPS Insurance Committee, Hellgate High School, Missoula, stated that he opposed HB 302. Mr. Potter presented the committee with a copy of his written testimony. Attached as Exhibit 11.

EXHIBIT (edh21a11)

{Tape: 2; Side: B; Approx. Time Counter: 0.0 - 26.7}

Dirk Visser, President and CEO of Intermountain Administrators, Missoula, stated that they are in favor of lower costs and better health benefits for the educators in the State. He went on to say that they were in favor of pooling concept. **Mr. Visser** brought up their concern of mandated district participation in the pool when there is no mandate for individual employee participation. He continued discussing the results of this type of policy and that the result could affect the rates negatively. **Mr. Visser** talked about the fact that the exact coverage was not addressed nor the funding budget. He further indicated that there was no ceiling or floor and start costs and reserves were not quantified.

Mr. Visser addressed their concerns regarding the debt that was going to be incurred by obtaining the loan from the Board of Investments to fund the statewide pool. He further stated they had concerns about the incurred liabilities and general accountability.

Roger Cowan, Compliance Officer, Intermountain Administrators, Missoula, stated that they felt that the bill as written was not the answer. He went on to say that the pooling concept could be the answer but not as presented in HB 302. **Mr. Cowan** added that he felt that the details of the bill needed to be looked at. He further commented on premium trends and the unfunded mandate.

Mr. Cowan addressed his concerns regarding the loan from the Board of Investments to fund the pool and how it would be paid back. He further voiced his concern regarding what would happen if the loan from the Board of Investments was not granted and the program were to fail. **Mr. Cowan** continued stating his concerns about premiums, out-of-pocket expenses and deductibles. He stated he felt there should be more study before this program was put into law. **Mr. Cowan** expressed his concern as to whether or not it was prudent to start a program with the funding coming from a loan. He went on to question whether or not participants would be paying higher premiums to pay the loan back and who would be in control of the oversight.

Alan Hall, Employee Benefit Management Services, Billings, stated that he was there in opposition to HB 302. Mr. Hall submitted a copy of his written testimony attached hereto as Exhibit 12.

EXHIBIT (edh21a12)

{Tape: 3; Side: A; Approx. Time Counter: 0 - 25.6}

Informational Testimony:

Earl Hanson, Insurance Consultant, Bozeman, stated that he was giving written testimony for the Plan Administrator from the Bozeman School District. See attached Exhibit 13.

EXHIBIT (edh21a13)

Judy Higgins, Great Falls, talked about the insurance program in Great Falls. She informed the committee that Great Falls had an Insurance Committee and that the committee had been doing a good job of handling the insurance program. She further stated that for the past nine years they had been able to manage their program well. **Ms. Higgins** continued that they were aware of the rise in costs and realized that it could escalate. **Ms. Higgins** stated that there was a need for something different, but that the school districts that were doing well should have a period of time to phase out of their present plan and into the statewide insurance pool. She went on to say that they felt there were too many factors not taken into consideration in HB 302, and it needed more work.

Connie Welsh, State Employees, Chief, Employees Benefits Bureau, Department of Administration, stated that if anyone had questions about the plan she would be available to answer them.

{Tape: 3; Side: B; Approx. Time Counter: 0 - 8.7}

Questions from Committee Members and Responses:

REP. LEHMAN asked Tom Bilodeau why they had only gotten one actuarial organization to provide information when normally there should be several. **Mr. Bilodeau** stated that REP. LEHMAN was correct. He further replied that the actuarial organization had used several other informational sources in doing their study. He also stated that they were planning on having a peer review done and obtaining information on the amendments that were presented.

REP. LEHMAN asked Tom Bilodeau if he would want to include the Employee Benefits Management Services' input. **Mr. Bilodeau** stated that they would welcome their input.

REP. LEHMAN asked if anyone could answer why the Montana Association of School Business Officials was not noted as a supporter of the bill. **Tom Bilodeau** stated he did not know if they had taken a particular position on the bill.

REP. BALLANTYNE asked Tom Bilodeau, "What would happen if two members of the same family were employed? Would they have to buy two packages but only receive one benefit?" **Mr. Bilodeau** replied that it was assigned to the Board of Public Benefits to make a decision on how to handle dual employee spouses. He went on to explain that with a statewide plan there would be an additional question on how to handle spouses that are employed under essentially the same state health program, but in two different districts in some cases. That issue is not addressed in the bill, but is listed as one of the issues that would have to be resolved by the Public Benefits Board.

REP. BALLANTYNE asked Tom Bilodeau if under this program administrators would be part of the program or would they have the option not to be. **Mr. Bilodeau** responded that under the amendment which was offered any individual would be able to waive coverage simply upon signature and acknowledgment that they would not be eligible until the next fiscal year enrollment window. **Mr. Bilodeau** further answered that, pursuant to the bill, if school districts were to provide health benefits to school employees they would have to do so through the statewide health program.

REP. WAGMAN asked Earl Hanson to provide the committee with some background as to his experience in the insurance industry. Mr. Hanson provided the information requested.

{Tape: 3; Side: B; Approx. Time Counter: 8.7 - 25.5}

REP. BRANAE referred to Tom Bilodeau's handout and asked him how the size of the school would fit into the projections for the plan. **Mr. Bilodeau** stated that among the ten or eleven school districts where the premiums appeared to be higher, under the proposed statewide plan, there was one large school district and the rest were small to medium size school districts. He further stated that the remainder of the districts that are proposed to have savings are on the single rate compared to the standard plan. **Mr. Bilodeau** continued that the concern of many regarding the Great Falls plan is that in a couple of years the plan would actually cost the participants more for their premiums than the statewide plan.

REP. BRANAE asked Tom Bilodeau to clarify classified staff and their inclusion status. **Mr. Bilodeau** stated that they had

amended their plan to allow for individual choice of plan. He continued saying that the inclusion of individual choice allows classified employees to elect between the standard plan and the basic plan. He continued that this allows them the ability to have insurance coverage at a lower rate than required under the standard plan.

REP. BRANAE further asked Mr. Bilodeau about the three-year opt-in and whether or not it was a viable option. **Mr. Bilodeau** responded that it might be and was worth further discussion. He continued that there would have to be additional limits imposed. **Mr. Bilodeau** stated that the bill already addressed delayed entry for the districts that had collective bargaining agreements in place that would extend into the 2005 year. He informed the committee that they would not like to see the product of HB 302 simply turn into a study bill.

REP. LAWSON asked Tom Bilodeau if between now and executive action he could address some of the concerns presented, and if they could be put into the proper form and offered as amendments. **Mr. Bilodeau** responded that he thought they could respond to a number of the concerns raised. He further stated he thought that some of the concerns raised had already been addressed by the amendments that had been submitted.

REP. JACKSON asked Marta York to explain why she thought they were going to lose the healthy people out of the proposed pool. **Ms. York** stated that this bill probably would not have been presented if they had not failed at the bargaining table. She continued that because of the economic conditions of the State of Montana there is not enough money. **Ms. York** went on to say the reason was because there are a lot of small districts and some units, such as classified, that are weaker at the bargaining table. **Ms. York** continued, stating her concerns regarding the process for determining eligibility and eligibility rates through the local bargaining process. **Ms. York** indicated that people would choose not to elect to take the insurance as it would cost too much.

Ms. York referred to the rationale that had been presented for the standard plan and the fact that it was merely an outline. Further, she talked about the insurance plans she had helped to put together and the fact that the costs never came in where the actuarials have stated. She advised the committee there were too many factors involved to be able to predict the costs or that the plan would be beneficial for all concerned.

REP. ANDERSEN asked Tom Bilodeau if he would address the concerns stated regarding the makeup of the board and the number of times

the board would meet. **Mr. Bilodeau** replied that the recommendations made as to the size of the board have been as small as seven and as large as fifteen. He then explained the recommendations as to the persons who should serve on the board. **Mr. Bilodeau** stated he was not sure that there was a magic number. They had selected nine as it was an odd number and a manageable number. He talked about the representation through the rank and file, through nomination by constituency groups familiar with people who are in the business. **Mr. Bilodeau** indicated that he felt each group would nominate the best people from their group to represent them. **Mr. Bilodeau** addressed the question of the number of meetings, stating he did not know if four meetings a year would be adequate. He continued that in the beginning, as there would be much to do, there would need to be more meetings. **Mr. Bilodeau** informed the committee of the various areas that would need to be addressed and possibly added to the bill.

{Tape: 4; Side: A; Approx. Time Counter: 0 - 26.4}

REP. ANDERSEN referred Mr. Bilodeau to page 8, line 2 wherein it states, "The Board shall hire and manage its own personnel, by contract, for all administrative services..." **REP. ANDERSEN** asked Mr. Bilodeau if he thought that statement should be more specific. She went on ask if he thought it would be wise to have a person with expertise in the health insurance field part of that personnel. **REP. ANDERSEN** continued by asking if there were provisions for cost containment in the contract. **Mr. Bilodeau** answered that there was nothing in the bill that requires or specifies that the persons hired would have some prior experience in the insurance field. He continued that it was anticipated that those are the types of persons they would be looking at to hire for the third party administrative positions and executive staff members. **Mr. Bilodeau** indicated that possibly a reference to the types of staff hired could be added to the bill.

REP. LEHMAN asked Mr. Bilodeau about the equity of the program when there would be schools that had been on the program from the beginning and schools that opted into the program at a later date, when it came to paying back the loan for the startup of the program. As an example, **REP. LEHMAN** used the fact that some of the schools would be paying toward the loan for ten years while the other schools would only be paying for seven years. **Mr. Bilodeau** stated that it was an issue that would have to be addressed if any type of phased-in entry were allowed. **Mr. Bilodeau** then talked about the reserves question and stated that any claim that came up in a run-out of claims at the end would be the liability of the existing local health plans. **Mr. Bilodeau**

continued explaining to the Committee about uses for reserve funds, the phase-in process and the repayment of the initial loans for starting up the program.

REP. LEHMAN asked Tom Clinch if there were a number of school districts that were still laboring under a liability to MUST (Montana Unified Schools Trust) and, if so, how many school districts there were and what the amount was statewide. **Mr. Clinch** gave the Committee some background on the problem. He went on to say that by the time the bill would be put into effect, the liability to MUST would be erased and, therefore, an irrelevant issue.

REP. LEHMAN asked Tom Clinch again asked how many schools were involved. **Mr. Clinch** replied it was about 150 to 160 schools that were affected.

REP. LEHMAN asked Tom Clinch if this would account for some of the high premiums or higher costs that have been heard by the Committee during the testimony. **Mr. Clinch** stated that there was a component of their premiums in the last two years that were specifically identifiable to the assessment. He then quantified the problem for the Committee.

Closing by Sponsor:

REP. LAWSON closed for **REP. LEWIS**. **REP. LAWSON** thanked everyone for their time and energy. He further stated that a lot of work had been put into HB 302 and he hoped that the work would continue until the time Executive Action would be taken.

{Tape: 4; Side: B; Approx. Time Counter: 0 - 11.2}

REP. GALVIN-HALCRO stated a point of personal privilege.

{Tape: 4; Side: B; Approx. Time Counter: 11.2 - 12.1}

ADJOURNMENT

Adjournment: 6:05 P.M.

REP. JOAN ANDERSEN, Chairman

MARI PREWETT, Secretary

JA/MP

EXHIBIT (edh21aad)