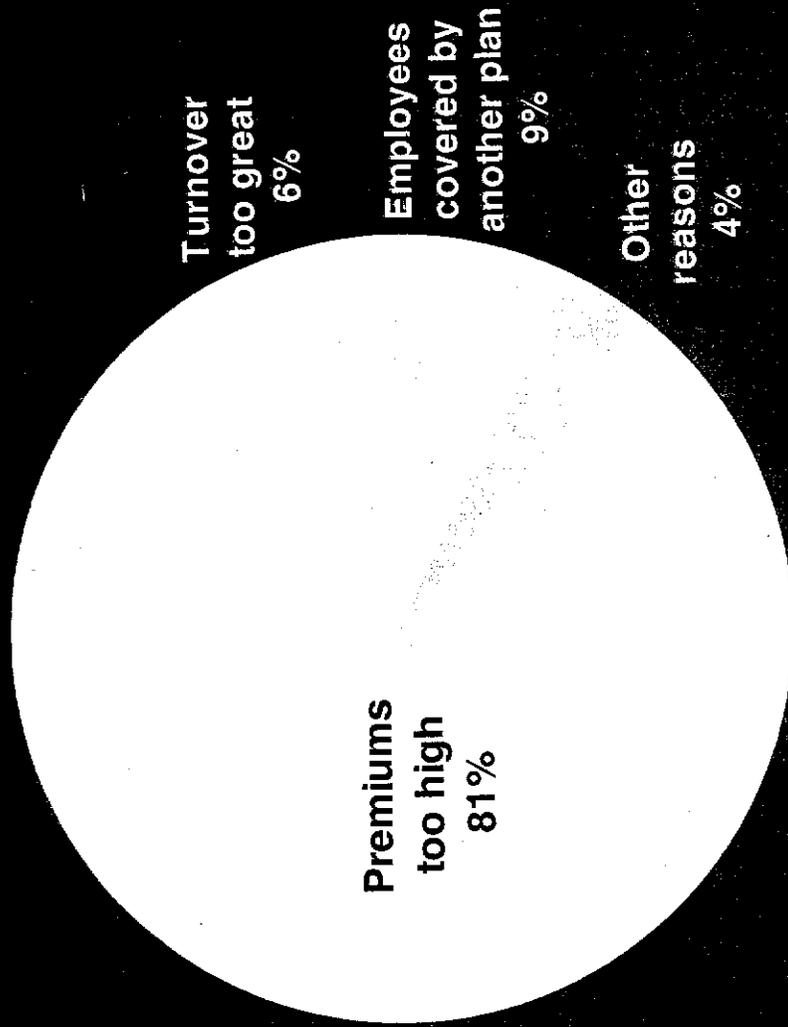


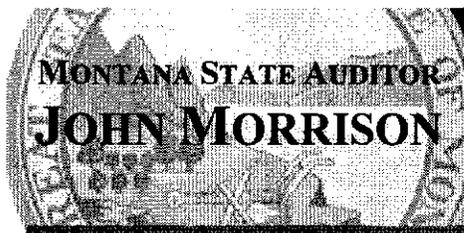
Why Montana Firms Do Not Offer Health Insurance Coverage

2003
(n=302)



Bureau of Business & Economic Research
Medicaid Redesign, February 2, 2004





Protecting Montana's consumers through insurance and securities regulation

THE UNINSURED IN MONTANA – A GROWING PROBLEM

(Data from the 2003 Final Report of the Household Survey and Employer Survey Findings about Health Insurance Coverage in Montana):

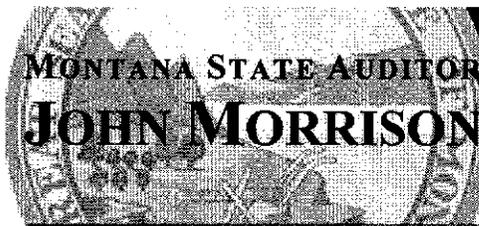
- Nineteen percent of Montana's population is without health insurance.
- Fifty-six percent of Montana's uninsured are employed in permanent jobs, with firm of 10 or fewer employers
- Employer-based insurance covers 58 percent of Montanans under 65 years of age compared to a national rate of 67 percent
- Fifty-nine percent of Montana firms with 10 or fewer employees do not offer health insurance. Industries included are agriculture, construction, retail and repair businesses.
- For 81 percent of Montana firms not offering health insurance, high premiums are cited as the major reason why they do not offer insurance.
- Montanans indicated they used to have health insurance on the job but it was dropped when coverage became too expensive to their employer.
- Twenty-eight percent of employers cited high premium costs as the major reason why employees did not use the health insurance coverage offered
- Ninety percent of the uninsured reported being unable to buy health insurance after paying for food, clothing, and shelter.

A COMMON SENSE SOLUTION FOR MONTANA FAMILIES

A majority of the uninsured in Montana work for small businesses with ten or fewer employees. These small businesses provide jobs, goods, and a sense of pride to towns across the state. However, due to skyrocketing health care costs, insurance premiums are increasing at near double-digit rates annually. Small business owners struggle to provide health insurance for their family let alone their employees. These business owners would like to offer health insurance, and are enthused at ideas that would make providing insurance more affordable to both the business and the employees themselves.

- Sixty-seven percent of firms not offering insurance thought they would provide insurance under a tax credit policy.
- Ninety percent of firms not offering insurance were interested in learning more about a purchasing pool or actually joining it, if premiums were reasonable.
- More than 40 percent of firms not offering insurance indicated they would 'absolutely' participate in a small business purchasing pool.

To ensure that hard working Montanans and their families have the health insurance they need, and that small businesses in Montana do not suffer from the rising costs of health insurance, a common sense solution is needed. Tax credits to small businesses and the creation of a small business pool will lower costs to both employers and employees, and ensure that hard working Montanans and their families have the coverage they deserve.



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Small Business Health Insurance Affordability Act

Increasing Access to Affordable Health Insurance for Montanans

The Challenge:

Skyrocketing insurance premiums mean most small businesses that want to provide health insurance to their employees find they just can't afford to. Workers are denied pay increases and additional benefits because insurance costs keep going up. And all of this ignores other elements of the health care crisis – like too many Montanans forced to make weekly choices between paying for their prescription medicines and paying for basic necessities like food or rent. Dire as things are for uninsured Montanans, this crisis affects each and every one of us. The cost of the uninsured gets shifted to the insured, driving up our health insurance premiums and creating new hardships for business and families.

Many uninsured Montanans are finding health care unaffordable. Small businesses are buckling under the weight of rising premiums, and are considering reducing or eliminating coverage for their employees. Further, according to recent survey information, 60% of Montana small businesses with 10 or fewer employees are not able to offer any of their employees a health insurance plan.¹ Most want to, but simply cannot afford premiums at current market prices.

The Opportunity to Act:

State Auditor John Morrison, working with the Montana Chamber Commerce, NFIB, and other businesses, created a new tax credit proposal to help Montana's smallest businesses provide health insurance to their employees. The new proposal will incorporate Governor Schweitzer's purchasing pool idea to achieve even greater savings. The plan will make health insurance more available, improve choices of coverage, and most importantly, lower the number of uninsured Montanans working in small businesses.

In this proposal, tax credits will be offered to small businesses that are currently providing health insurance to their employees, *and* premium incentive/assistance payments will be available to small businesses currently without coverage. National health policy experts have helped create a plan to combine the premium payments for small businesses that cannot afford coverage with a purchasing pool. The pool will increase the purchasing power of the premium payments by negotiating lower-priced health plans through group purchasing.

Revenue Source:

Governor Schweitzer has budgeted approximately \$11.5 million/year from the I-149 special revenue account for the coming biennium. For the first year, FY 06, revenue will be a lesser amount to provide for program ramp-up. Sixty percent of available revenue is reserved for the currently uninsured/purchasing pool, forty percent of available revenue for currently insured small groups.

Funding Options and Coverage Estimates:

Year 1 (2006)–Minimal Leveraging of Federal Fundsⁱⁱ

State funds	Federal funds	Business/worker \$	Adults	Children	Total
\$15 million	\$4.0 million	\$9.8 million	5,857	3,890	9,747
\$12 million	\$3.2 million	\$7.9 million	4,685	3,112	7,797
\$9 million	\$2.4 million	\$5.9 million	3,514	2,334	5,848

Year 2 (2007)–Additional Leveraging of Federal Funds

State funds	Federal funds	Business/worker \$	Adults	Children	Total
\$15 million	\$19.2 million	\$17.8 million	10,613	7,058	17,671
\$12 million	\$15.3 million	\$14.3 million	8,491	5,647	14,138
\$9 million	\$11.5 million	\$10.7 million	6,368	4,235	10,603

Timeline for HB667

July 2005 – October 2005

- Bill becomes law.
- New FTE's hired.
- SAO begins and completes rulemaking process.
- SAO develops registration forms and procedures.
- SAO develops process/rules for approving qualified association plans.
- Commissioner and the Governor appoint board members for the purchasing pool board.
- Pool board begins to meet and develop a plan of operation, including the schedule of premium assistance payments and amount of employer premium incentive payments.
- Pool board develops RFP's to begin search for insurer(s) for the pool and decide on the parameters of the benefit packages to be offered to eligible small employers.
- Pool board develops procedures and forms for applying for the premium assistance/incentive payments.
- Pool board establishes system for paying purchasing pool insurance premiums by coordinating employer/employee share with premium incentive/assistance payments.
- Pool board develops a plan for marketing purchasing pool coverage to eligible small employers.

October 2005 – January 2006

- SAO begins accepting and processing registration applications for tax credits and premium incentive/assistance payments from eligible small employers.
- Pool board finalizes pool coverage options and insurer contracts.
- Pool board begins accepting application for pool coverage and for premium incentive/assistance payments from registered small employers.
- Pool board begins accepting applications for premium incentive/assistance payment for employers who wish to use qualified association health plan coverage.
- Purchasing pool coverage is issued effective January 1, 2006.

October 2006

- SAO begins accepting renewal applications for tax credits and premium incentive/assistance payments.
- SAO transmits the list of small employers who are eligible to claim the tax credit on taxes filed for the 2006 tax year to the DOR.

Small Business Healthcare Affordability Act

I-149 Special Revenue Account
• ~ \$11.5 Million
• For Employer Groups of 2-9



Administered by State Auditor's Office
40% ~ \$4.6 M for Insured **60%** ~ \$6.9 M for Uninsured



Refundable Tax Credits
• Eligible businesses register with SAO
• Collect credit when tax return processed



General Fund
• SAO will reimburse general fund for tax credits paid by DOR



Existing Small Group Association Plans
• Up to 30% of premium payments may be used by eligible businesses here

Small Business Health Insurance Purchasing Pool
+ Premium incentive payment → employers
+ Premium assistance payment → employees
+ Up to 2 insurers, 4 plans
+ Employers sent one monthly check
= **Lower Premiums!**



Montana State Auditor
John Morrison



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Successful Small Business Insurance Pools in Other States

California – PacAdvantage:

PacAdvantage is a non-profit purchasing pool offering health insurance plans to small businesses in California with two to fifty employees. Formerly known as the Health Insurance Plan of California, PacAdvantage was created in 1992. No state funding was provided, although a loan of 5.5 million was offered from the state high-risk pool program. Revenues to repay the loan and the operation of the purchasing pool are generated from administration charges paid by participating employers in the program. Pacific Business Group on Health (PBGH) took over the pool from the state of California in 1999.

The purchasing power of thousands of businesses allows the pool to share risks and negotiate competitive prices for small business owners by leveraging the purchasing power of employers across the state. It also allows businesses to offer their employees products at affordable rates. The result is that small businesses can receive insurance options formerly reserved for large corporations.

Presently, PacAdvantage offers an array of plans and providers and is a great vehicle that encourages small businesses to provide health coverage to their employees. PacAdvantage now includes over 11,000 small businesses, covering 147,000 employees and dependents.

New Mexico - Health Insurance Alliance:

The alliance is a private nonprofit corporation with the goal of increasing access to health insurance among small businesses. Created in 1994 by the state legislature, this organization became permanent in 2001. The alliance is made up of independent health insurers who have agreed to offer health plans to companies with 50 employees or fewer, including the self-employed. The alliance is a third party administrator for these health insurance plans, and fulfills the critical need of providing insurance to small employers who otherwise cannot afford it.

Today, there are 4,000 lives enrolled in the alliance. These members come from a variety of industries and income levels and have the opportunity to choose from three types of health insurance plans. Some industries represented include; retail, legal, financial, nonprofits, and other service organizations.

New Mexico has seen an increase in small employers offering health insurance since the implementation of the New Mexico Health Alliance in 1994. In total, the amount of firms offering health insurance has risen from 51% to 58% between 1993 and 2000. Since most large firms already are able to buy health insurance, most of this increase comes from small employers. This is especially true among the smallest employers. Between 1993 and 2000, employers with fewer than 5 employees offering insurance rose from 31 to 44%. Further common industries that have firms with a small number of employees, such as agriculture and retail, witnessed increases in insurance. Agricultural firms offering insurance rose from 38% to 44% and retail business increased from 41 to 48%.

(Data from "Employment-based Health Insurance in New Mexico" by the Bureau and Economic Research, University of New Mexico.)