

Testimony  
House Bill 124  
House Appropriations Committee  
March 22, 2005  
Page One

Madam Chair, members of the Committee: My name is Susan Witte. I serve as Vice President and Chief Legal Counsel for Allegiance Benefit Plan Management, Incorporated.

By way of brief background, our company was founded in 1981, initially as Intermountain Administrators, in Missoula, Montana. We develop and administer employee benefit programs, including flexible plan benefits, for self-funded companies, associations, and government agencies. Many of our health benefit plans are successfully administered through self-funded pools of employers.

We are strongly opposed to House Bill 124.

If there is a monetary dollar amount the Legislature can afford for health benefits, with that amount to go directly to school districts who can wisely shop the market with those tight school dollars, rather than be subject to a monopolistic, costly state-run health services corporation plan, we ask this Committee to choose that route: to maintain direct, local control of expenditures for health care benefits.

Specific problem areas with House Bill 124 include the following:

The bill establishes a new health services corporation in Montana, to be subject to the Montana State Insurance Commissioner's regulatory oversight. That corporation would be known as the K-12 SHIP. This is the same type of corporation as Blue Cross and Blue Shield of Montana. Reserves for the corporation are, by law, set at \$750,000.

Like Blue Cross and Blue Shield of Montana, the K-12 SHIP would not pay a premium tax but it would pay into Montana's Comprehensive Health Association, the high risk pool which consists of members who are not able to secure coverage from insurance carriers due to health conditions. This assessment could run over a million dollars in the first year. The assessment is an additional cost to the K-12 SHIP that does nothing for schools, teachers or children.

Sections of the Montana Insurance Code applicable to this new entity include, for the most part, sections 11 through 26 of the bill. There are costs associated with regulations, mandates and regulatory oversight. This bill does not address those costs.

The bill provides for the creation of a Board to oversee operations of the SHIP. That Board, composed of nine members appointed by the Governor, come from, for the most part, the educational community. Nominees with "demonstrated experience in the operation, supervision, and administration of school health plans" are to be given

Page Two

consideration from nominating organizations, but there is no guarantee that such experts will be chosen or what their relevant experience might be in managing a \$124 million dollar or more insurance operation.

Powers and duties of the Board, set forth in Section 7, places fiduciary duties upon the Board, some of which are specific to Montana insurance law.

The Board is required to meet at least six times annually. It can hire and manage its own personnel. It is expected to negotiate medical care discounts and potentially set up preferred provider organizations. There are a host of other "powers and duties" set forth in Section 7. Please read them and ask what these will cost?

With all of this administrative overhead, the bill contemplates that administrative costs do not exceed 7% of the premium charged for the plans administered by the SHIP. Is this 7% a realistic amount? Your comparisons are the other health service corporations in Montana. That 7% is an amount of money that could instead go directly to school districts to cover health benefits.

Section 3 of the bill envisions the creation of a state funded incentive credit of \$200 dollars a month for each employee eligible to enroll in the health plan. The credit is paid by the state to the Board. That credit goes into a credit share pool, with monies applied, or credited, by the Board to premiums paid by school districts and employees enrolled in the K-12 SHIP.

The credit share pool must be increased, per the bill, annually by the rate of inflation tied to the consumer price index. What, annually, is the future cost going to be with a built-in inflater?

The bill stipulates that "employer participation is voluntary". But if you don't join, you won't be eligible for the \$200 credit.

And the school district makes the decision for teachers and other eligible employees, on whether to participate or not. That decision can be revoked, once, and then the decision to participate, or not, is irrevocable, final and continuing with respect to all employees eligible to enroll in the SHIP. Realize, too, that even though a school district may already be providing benefits to their employees, they would not receive the \$200 credit if they don't participate.

And what about retirees? The bill could likely have the immediate effect of increasing rates for many retired educators who currently belong to local school district health plans or if the school district chooses the SHIP basic plan, eliminate their current prescription drug coverage.

Page Three

The bill contemplates a start-up loan of \$2 million from the Montana Board of Investments. There is also an option for a letter or line of credit in the amount of \$24 million to be available to establish the initial reserves for the K-12 SHIP. Remember that those reserves are set at \$750,000 for a new health services corporation in Montana. Remember, too, that those loan expenses are paid out of premiums charged.

We believe it makes more sense to maintain local control, to offer health care benefits, services and products to our teachers at lower, and known, costs through Montana's existing pools and health benefit arrangements without creating a risky new bureaucracy with no assurance of success.

These pools already exist – the Montana Unified School Trust (MUST) offered by the MEA-MFT, Montana School Board Association (MtSBA) and the School Administrators of Montana (SAM) currently has 178 participating school districts; the Montana Schools Health and Welfare Plan pool, offered by Blue Cross and Blue Shield of Montana and the Montana Joint Powers Trust, offered by EBMS, collectively cover over 60 school districts.

We urge this Committee to vote “do not pass” HB124. The bill is not the right fix.