



EXHIBIT 6
DATE 1-18-05
HB 124

TO: House Select Committee on Education Funding

FROM: 
Lance L. Melton, Executive Director
Montana School Boards Association

RE: HB 124

DATE: Tuesday, January 18, 2005

The Montana School Boards Association stands in strong support of HB 124, introduced by Representative Tom Facey. HB 124 addresses an important aspect of funding for Montana's public schools and will assist MTSBA members in providing its staff with a key benefit currently offered and funded on behalf of all other public employees in the state of Montana. Federal and state employees currently enjoy the benefit through appropriation specifically designed to cover the full costs of single participation. Local government employees, other than the employees of school districts, currently enjoy the benefit funded in its entirety through a local, non-voted levy. The employees who serve and educate the children of our state are the only public employees left without a guaranteed statutory or funding mechanism to fund the costs of health insurance.

HB 124 is an important component in the Legislature's efforts to ensure a basic system of free quality public elementary and secondary schools in Montana, and provides a key response to portions of the Court's ruling in Columbia Falls Elementary v. State, wherein Judge Sherlock specifically held that evidence of the inadequacy of the current formula was proven in part by:

"decreasing salaries and benefits that are offered to Montana teachers compared to their counterparts in the United States." Finding 160, Judge Sherlock's Order

HB 124 Local Control Provisions:

HB 124 will provide school districts with significant flexibility and local control in developing health plans that will meet the needs of their employees and which will also encourage responsible use of health care by school district employees.

First and foremost, the bill provides a voluntary incentive. Nothing is mandated. Secondly, the contribution incentive is specifically credited as the employer's contribution under collective bargaining agreements, which will free up significant resources to address other key funding needs of our schools. Both of these provisions are important components and should be retained to ensure ongoing support of the school districts affected by the bill.

HB 124 would give local school districts a broad array of options in providing for the health of their employees. Among the most likely innovations to spring out of this bill would be in the area of Health Reimbursement Plans (HRA's) and Health Savings Accounts (HSA's).

HB 124 is not a one size fits all bill. It allows school districts to determine in conjunction with their employees the level of participation and contribution. The innovative approach of providing for a high deductible fully funded plan will allow school districts to purchase health insurance for their employees in a variety of ways, including:

- Fully through the plan;
- Through a combination of the plan and other "gap coverage" plans to fund aspects of health care not covered by the basic plan funded by the state; or
- Through a combination of the plan and existing self-funded plans, Health Reimbursement Arrangements and Health Savings Accounts.

The options are limited only by the constraints guiding HRA's and HSA's under federal law, and the bill is designed to create a basic plan that will qualify for HSA's and create responsible users of health care among the employees affected by the bill.

Specific provisions in the bill that promote local control and options include the following:

New Section 1, page 2:

- Provides in (2) that there is an incentive credit for participation in the plan of \$200. The incentive credit is equal to the projected cost of the basic plan, meaning that a district has no liability in participating beyond the costs that are fully funded by the state.
- Provides that contribution and participation is determined by collective bargaining or by district policy in the absence of a collective bargaining agreement.

New Section 3, page 5:

- Establishes that participation is voluntary, subject to the agreement of the district to offer the insurance to those eligible under the bill (regularly working 30 hours or more per week).
- Provides for an increase in the incentive credit by annual medical care cost inflation to ensure against a future unfunded mandate.

New Section 4, page 6:

- Provides that the election to participate in the K-12 SHIP is solely a decision of the employer and that the decision to participate cannot be claimed as an unfair labor practice.
- Provides in subsection (3) that the incentive credit is recognized as an employer contribution toward the premium obligated under the terms of a collective bargaining agreement.
- Provides that collective bargaining is maintained over the selection of the plan and the contribution for same.

New Section 5, pages 7-8:

- Provides in subsections (4) and (10) that the selection of the plan and the contribution of the employer are set according to the collective bargaining agreement covering the applicable employees.
- Subsection (10)(b) provides that contribution levels and selection of a plan with regard to employees not covered by collective bargaining will be pursuant to district policy.
- Subsection (14) provides for maintenance of self-funded reserves and provides for addressing those reserves pursuant to collective bargaining.
- Specifies in subsection (15) that nothing in the bill should be construed to require a particular contribution of either the employer or the employee toward the plan. It leaves it up to local control.

Again, MTSBA strongly supports HB 124, and believes that it has something to offer for just about any school district out there. Whether a school district struggling with providing health insurance under an existing plan and looking for a one-stop solution, a school district with a thriving self-funded plan looking for a state-funded safety net around which it can build its plan, a school district interested in looking into HRA's and HSA's, or a school district that has never been able to afford to provide health insurance of any kind, HB 124 provides a solution that will work.

MTSBA respectfully requests your support of HB 124 as introduced.

Thanks