EXHIBIT 9
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HB 124

Testimony
HB 124
House Select Education Funding Committee
January 18, 2005
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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, 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 benefits 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 State can afford for health care with that amount to go directly to school districts to pay for health care, we would ask this Committee to maintain direct, local control of expenditures for health care.

Specific problems 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.

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 at this point consists of members who are not able to secure coverage from insurance carriers due to health conditions. That assessment is an additional cost to the K-12 SHIP.

Sections of the insurance code applicable 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, administration of school health plans" are to be given

consideration from nominating organizations, but there is no guarantee that such experts will be chosen.

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 $200.00 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 district and employees enrolled in the K-12 SHIP.

The credit share pool must be increased, per the bill, annually by the rate of medical care cost inflation, which runs approximately 9% per year. What, annually, is the cost with a built-in inflater?

Order of payment, by the Board out of the incentive credit is: fund core benefits on behalf of each eligible employee enrolled in the SHIP; repay the Board of Investments for any loans or line of credit and then to implement the plan, pay administrative costs and establish reserves.

The bill stipulates that "employer participation is voluntary". But if you don't join, you won't be eligible for the $200.00 credit.

And the school district makes the decision for teachers and other eligible employees, on whether to participate or not. That decision, once made is irrevocable, final and continuing with respect to all employees eligible to enroll in the SHIP. Once in, never out.

And what about retirees? The bill could have the immediate effect of increasing rates for many retired educators who currently belong to local school district health plans.

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 $750,000.00 for a new health service corporation in Montana.

Wouldn't it make more sense simply not to create another Helena bureaucracy; to maintain local control, to keep local jobs for insurance agents and other entities, like ours, that currently offer health care benefits, service and products to our teachers at arguably lower, and known, costs, ?

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

Thank you. Mr. Cliff Larsen, our Senior Vice President is here along with me for any questions.