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I am the President and owner of Mountain West Benefit Solutions. My company provides consulting services to six association-sponsored group medical insurance plans. I'm here to speak in opposition to HB 619, as I believe if passed, it would have a devastating negative effect on the future of association sponsored medical plans.

Overview on Association medical plans and their policies regarding providing participating firms their claims information

Very few insurance carriers are interested in the association group medical insurance marketplace. Reasons include:

- Small group reform laws;
- Risk of losing profitable small group business to the association plan;
- Anti-selection, good groups leaving the association plan in a high renewal year; ie – the death spiral.

Association sponsored plans in Montana have been in existence for over 40 years. Some long running, successful association plans include:

- Montana Bankers Trust;
- Montana Automobile Dealers Association Trust;
- Montana Society of CPA's Trust;
- Montana Contractors Association Trust;
- Montana Dental Association Trust;
- Montana Schools Health & Welfare Plan (MSHWP); and the
- State Bar of Montana Group Benefits Trust

Most association sponsored medical plans, both trade and professional, are governed by Trustees who are members of the association. The Trustees have a fiduciary obligation to the membership of their Trust, to oversee the operations of the Trust so as to insure the plans are operated for the long term benefit of the membership.

Trustees often hire experts to assist them with the varied aspects of managing a plan, including legal, accounting, consulting and investment advisors.

Association Plans have two primary target markets, as it relates to the associations membership, these are:

1. Small group market – groups from 2-50 employees; and
2. Merit-rated market – groups from 51-150 employees. (90% of the businesses who participate in association sponsored plans, are in the 2-50 employee size range)

Both the small group and merit rated markets have experienced huge volatility relative to their annual premium increases. Association Plans, primarily because of their size, have eliminated or greatly limited the volatility of premium increases for their members

Because of the volatile and unpredictable nature of claims costs for any small business from year to year, carriers and association plans have, since inception, not provided claims information. A small group could look very bad in any year, from a premium VS claims paid basis, simply as a result of a single, non life threatening hospitalization. Conversely, a small group might look exceptionally good from a premium VS claims basis, but an individual in the group may be in line for an operation or medical procedure that could cost tens of thousand of dollars in the upcoming year(s).

For this reason, carriers require that detailed health questionnaires be completed and they will not underwrite or provide rates based on the groups historical paid claims information. Today, carriers will not even issue a quote unless the business applying for coverage submits health questionnaires on all of the employees (and dependents) who will be enrolled in the coverage.

Some Association Plans choose to give different rate increases to their members. These plans may be asked – Why did my XYZ business get a 30% increase when business ABC got only a 7% increase? Thus, an association Plan that elects to stratify or give different participating groups different rate increases may wish to justify this policy by providing some additional documentation to the members receiving more than the average increase.

However, the norm for association plans is to give every employer in the Plan the exact same rate increase each year – **true pooling**. It is this feature of association Plans along with premium stability from year to year, that have made them so attractive to their membership. For association plans operated in this manner, it is and has always been the position of the Trustees elected to manage their association sponsored plan, that no individual firm will receive its claims information. Association plans utilizing this approach have worked extremely well. Below is a three year history of renewal increases for six (6) association sponsored medical plans operated in this manner:

	MDA Trust	MADA Trust	MSCPA Trust	MSHWP	MBA Trust	State Bar Trust
2005	5.9%	6%	12.0%	3%	8%	6.5%
2004	9.1%	2%	6.9%	5.6%	12.6%	8.5%
2003	11.5%	15%	13.6%	7%	5%	7.9%

These 6 plans provide coverage to over 7,600 employees and over 17,000 individuals (employees plus spouses and children). The MADA, MDA and State Bar Trusts have also given their memberships premium holidays over the last three years.

The biggest exposure and challenge for Trustees in managing their association’s plan, is avoiding what the industry calls the “**death spiral**”; this is when a Plan has a larger than normal or expected renewal increase, and member firms leave the Plan. Generally, the firms that leave will tend to be better risks, leaving the association Plan with a deteriorating risk pool. The renewal increase that was placed, was in anticipation of the entire membership renewing in the Plan; when firms leave, it results in that renewal increase being less than what was actually needed.

Now the problem, the next renewal, because of the previous years renewal being understated as a result of some groups leaving the association plan, will need to be considerably above average in order to catch up from the year before. This causes more firms to look at alternatives and the association plan could fall into a **death spiral**.

The long, successful history of association plans is linked in some way, however big or small, to the fact that they have never given out claims information to participating member firms. Giving out claims experience gives an inaccurate picture, more times than not, in that relatively good groups might look bad and relatively bad groups might look good. It is also an invitation or even an encouragement to a group whose claims experience looks good to go to the marketplace to see if there isn’t something better. More importantly, if a participating firm in an Association Plan wishes to go to the marketplace to get competitive quotes, it will be required to have all employees complete health questionnaires anyway, regardless of whether or not it provides the carrier with its claims history, and regardless of the carrier from whom quotes are being requested.

Association Plans succeed based on three reasons –

1. The member has a philosophical interest in supporting its’ association;
2. The mentality of – “all for one and one for all”; and
3. Avoiding processes that might contribute to a death spiral, for example, giving out individual groups claims experience.