

Exhibit Number:

3

The following exhibit is several assorted documents that exceeds the 10-page limit therefore it cannot be scanned. A small portion has been scanned to aid in your research for information. The exhibit is on file at the Montana Historical Society and can be viewed there.

Montana Comprehensive Health Association Fact Sheet

Vision

The Montana Comprehensive Health Association is committed to providing access to quality health insurance for uninsured Montanans. To fulfill our vision, we advance:

- ◆ Quality health insurance plans
- ◆ Accessibility for qualifying Montanans
- ◆ Effective programs to manage health claims and expenses
- ◆ Collaborative industry involvement

Who we are

- Statutorily created in 1985 to make health insurance accessible to Montana residents who are uninsurable due to a pre-existing health condition or offered coverage with a significant rider.
- MCHA is funded by premiums paid by MCHA policyholders and assessments on all health benefit policies written in the state of Montana. Fully insured group and individual policies are subject to assessments. Self-insured groups are not.
- MCHA makes health benefits available to persons who have been diagnosed with many chronic health conditions, including metastatic cancer, congestive heart failure, diabetes, multiple sclerosis, and coronary heart disease.
- In 1987 MCHA issued its first policies to a handful of Montanans under the Traditional Plan. Enrollment grew slowly and by 1989 MCHA covered 141 persons. Enrollment on this plan currently is 1,657.
- In 1997, MCHA became Montana's Health Insurance Portability and Accountability Act (a federal act) mechanism by opening a new plan. The Portability Plan provides guaranteed access to individual coverage for persons who lose employer group coverage. Enrollment on the Portability Plan grew from 107 (in 1997) to 1,728 today.
- In 2002, the MCHA opened the Pilot Program (Premium Assistance Program) that provides the Traditional Plan health benefits to qualified persons with incomes at or below 150% of federal poverty level at a reduced premium. Federal grant funds and state monies from the Tobacco Settlement fund have been used to provide the premium subsidy. Plan enrollment is currently 240 with 49 on a waiting list. More funding is needed to continue the premium subsidy for low-income uninsurable Montanans.
- A 2003 mechanism allows otherwise qualified persons with a premium that is more than 150% of the average premium rate (used to calculate the MCHA plan premium rates) as eligible for the Traditional Plan without a pre-existing condition being imposed.
- In 2003 MCHA became a coverage option for persons eligible for a federal Trade Adjustment Assistance Act of 2002 health care tax credit.

MONTANA COMPREHENSIVE HEALTH ASSOCIATION FINANCIAL PROJECTIONS

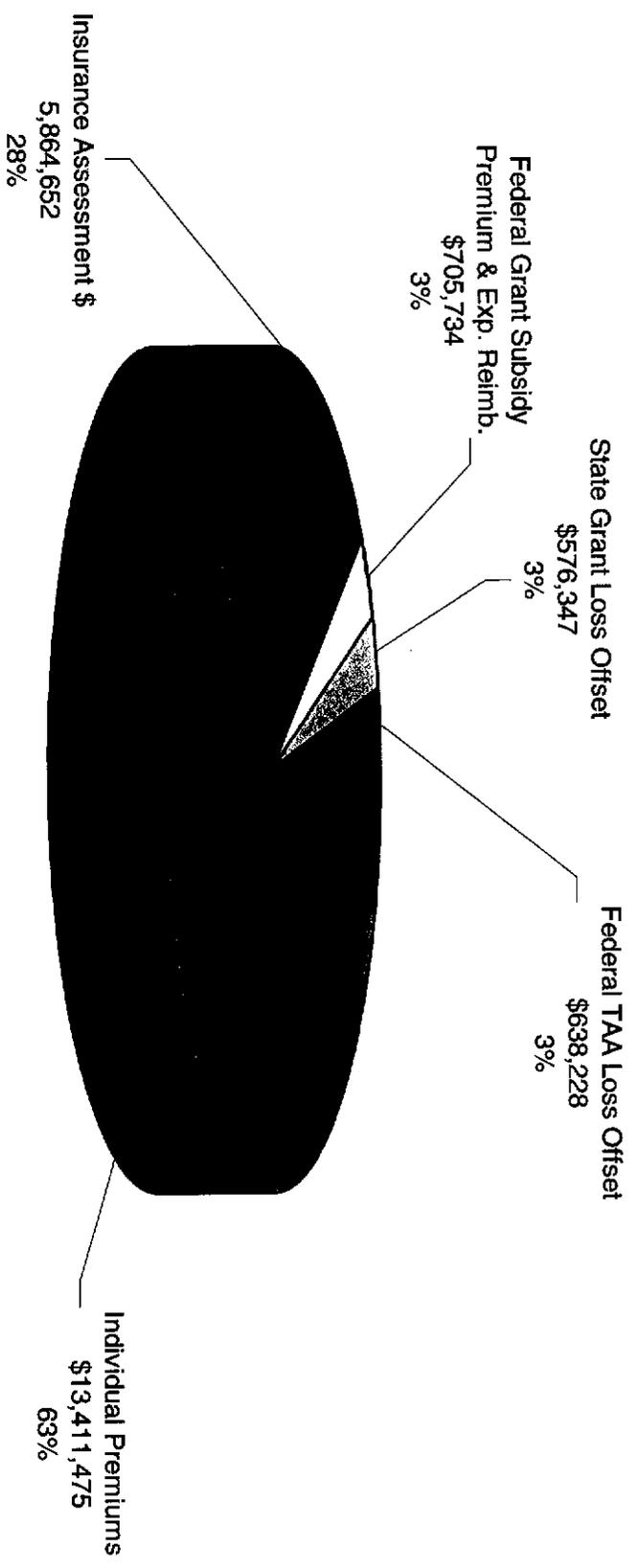
Summary Income Statement & Year-End Surplus
Scenario 86 (B-2: Baseline with approved 2005 rate increases; alternative Rx benefit; new P-3 Plan)
With Pilot Program Terminating at end of FY2006

Fiscal Year	2003	2004	2005	2006	2007	2008
Ending Members [e]	3,042	3,556	3,943	4,445	4,832	5,401
Income						
Premium [a] [f]	10,999,143	13,442,526	16,987,493	22,208,905	28,334,418	36,063,103
Commissions	(94,000)	(109,300)	(110,700)	(135,200)	(147,000)	(163,800)
Net Premium Income	10,905,143	13,333,226	16,876,793	22,073,705	28,187,418	35,899,303
Claims Expense						
Medical Claims	10,614,332	14,234,408	18,513,412	22,595,412	27,065,008	33,823,080
Drug Claims	3,443,822	5,073,166	6,390,994	8,331,574	11,480,617	16,038,877
Total Claims Expense	14,058,154	19,307,574	24,904,406	30,926,986	38,545,626	49,861,957
Drug Claims as % Total	24%	26%	26%	27%	30%	32%
Gain(Loss) before Admin	(3,180,011)	(5,974,348)	(8,027,613)	(8,853,281)	(10,358,208)	(13,962,654)
Expenses						
BCBSMT Admin	1,084,860	1,246,275	1,399,069	1,636,136	1,844,693	2,118,783
Other Admin	112,047	137,727	158,525	166,526	190,233	222,913
Total Admin	1,196,907	1,384,003	1,557,594	1,802,662	2,034,926	2,341,695
Other Income						
Admin Reimbursement	47,560	-	-	-	-	-
Interest Income	127,608	-	2,950	-	-	-
Federal Premium Subsidy	294,209	644,741	195,820	-	-	-
Federal Subsidy	-	51,652	8,169	-	-	-
State Subsidy	-	576,346	659,600	600,000	-	-
Total Other Income	469,377	1,272,739	866,539	600,000	-	-
Net Income (Loss)	(3,907,541)	(6,085,612)	(8,718,668)	(10,055,943)	(12,393,133)	(16,304,349)
Federal TAA Grant Income	-	638,228	608,062	500,000	500,000	500,000
Assessment - Funding Req.	(3,907,541)	(5,447,384)	(8,110,606)	(9,555,943)	(11,893,133)	(15,804,349)
Assessment - Income	5,287,312	5,889,815	6,518,176	6,974,448	7,462,660	7,985,046
Assessment - Excess	1,379,771	442,431	(1,592,430)	(2,581,495)	(4,430,474)	(7,819,303)
Prior Y/E Surplus	1,532,380	2,912,151	3,354,582	1,762,152	(819,343)	(5,249,817)
Incurring Loss Ratio [b]	126%	137%	141%	135%	136%	138%

Footnotes:

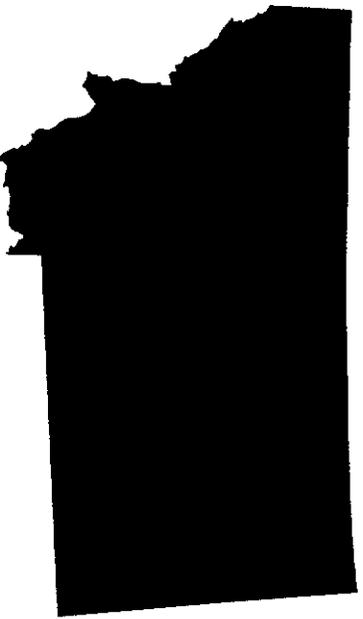
- [a] Premium for Pilot A and Pilot-MC represents subscriber premiums received. Subsidized portion of premium is Federal Premium Subsidy
- [b] Using true premiums. Federal Premium Subsidy may be less than full amount needed to subsidize premiums (\$1,209,375 exhausted)
- [c] Allocated State Subsidy to Pilot and Pilot-MC plans in proportion to Premium
- [d] 2004 Y/E Surplus per financial statements is \$2,704,177, or about \$650K less than projected.
- [e] Growth Assumptions: Traditional Plan B = 25%, Medicare Carve-Out Plan = 15%, Portability Option 2 = 10% and Option 3 = 15%
- [f] Includes actual rate increases for 2005 (Trad -15%, Med Car - 5%, Port Opt 1 - 12.6% Opt 2 - 20% and 15% increases for all plans in 2006+.

Montana Comprehensive Health Association Revenue by Sources for fiscal year 2004



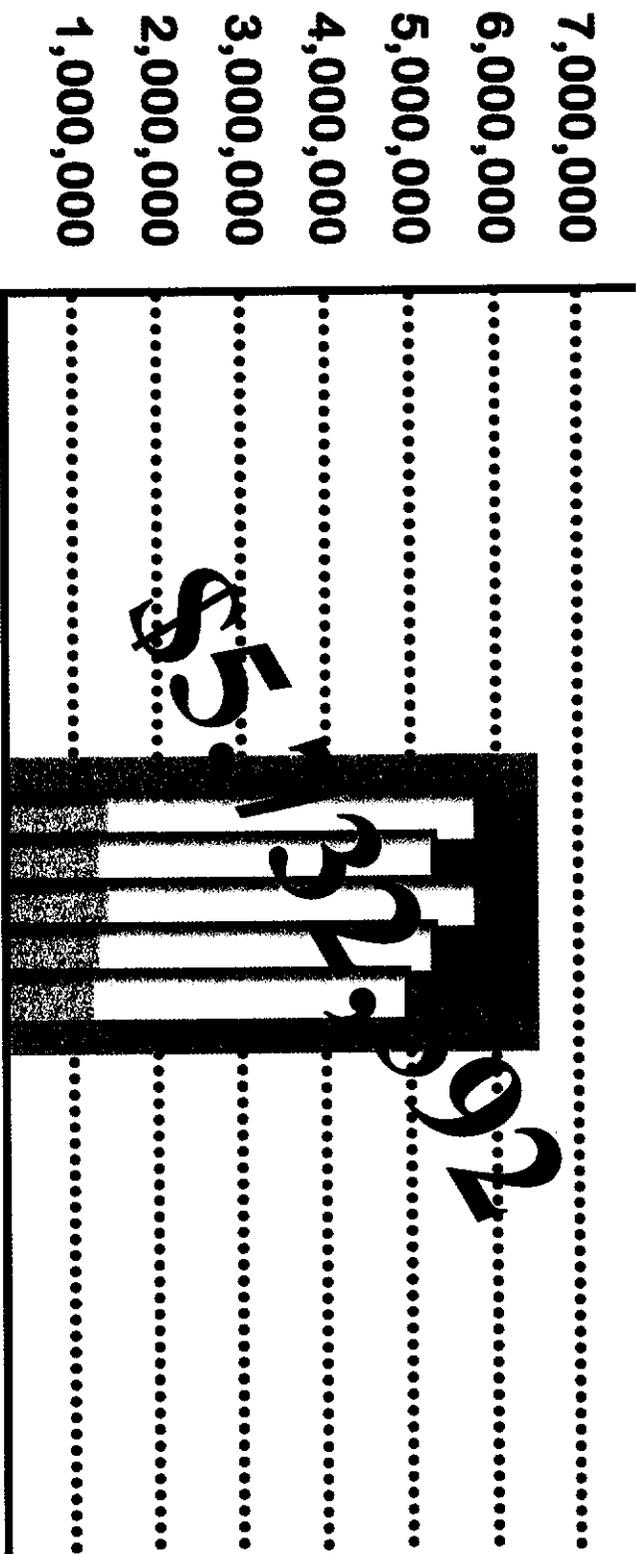
*Assessments are paid only by fully insured groups and individuals. Self-funded groups do not contribute to the assessment base, but, all qualifying Montanans have access to MCHA coverage.

- Individual Premiums \$13,411,475
- Insurance Assessment \$ 5,864,652
- Federal Grant Subsidy Premium & Exp. Reimb. \$705,734
- State Grant Loss Offset \$576,347
- Federal TAA Loss Offset \$638,228



Montana Comprehensive Health Association Plans Benefits Paid

For claims using ICD-9 Diagnoses featured in Minnesota Tobacco Litigation



For period of July 1, 1997 - June 30, 2004

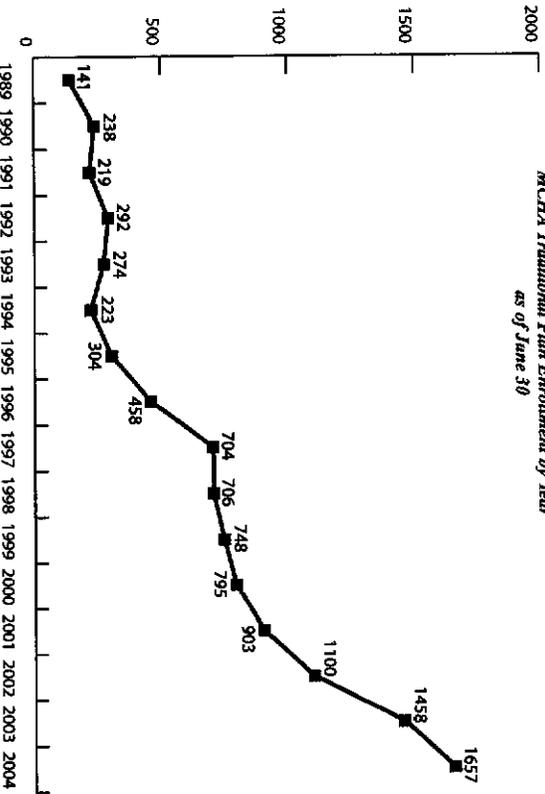
Current Plan enrollment as of 11/30/2004:

- MCHA Traditional Plan: 1657
- MCHA Portability Plan: 1733
- MCHA Premium Assistance Plan: 280



MCHA Total Enrollment

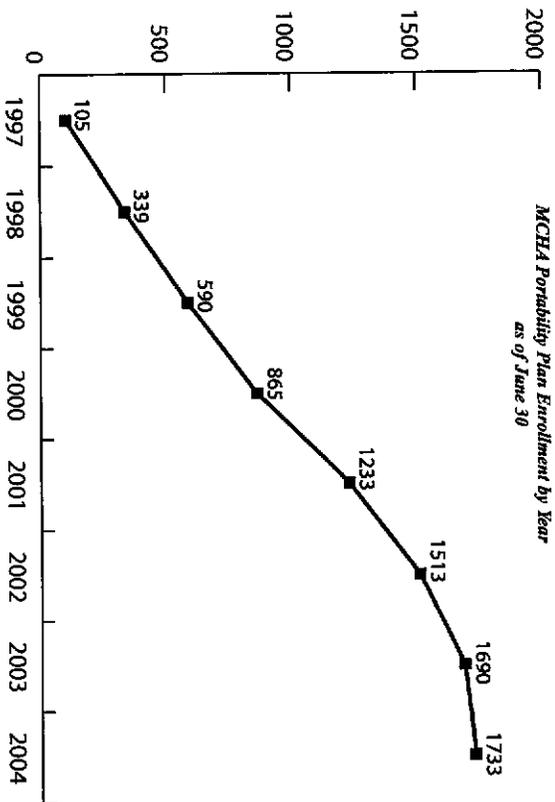
*MCHA Traditional Plan Enrollment by Year
as of June 30*



Montana residents are eligible for the MCHA Traditional Plan if they have certain specified major illnesses or have been rejected on offered a restrictive rider by two insurers within the last six months. This includes individuals on Medicare due to disability or age. Medicare is the primary payer in these cases.

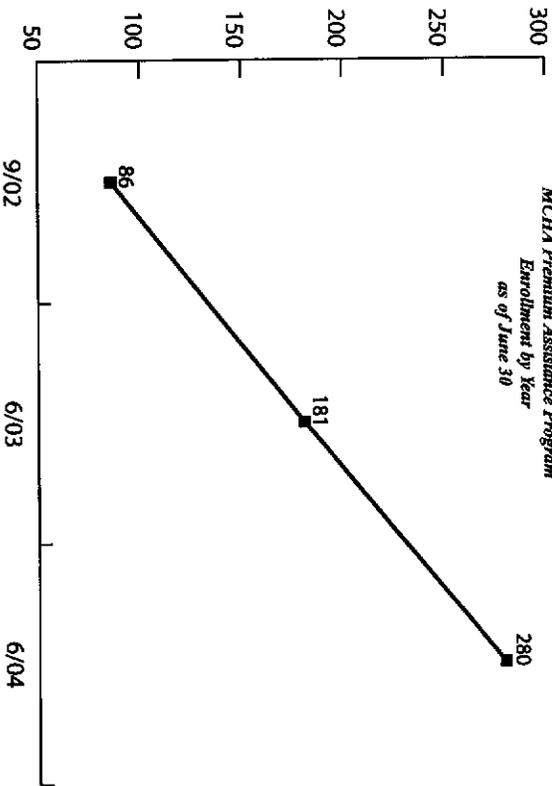
Montana Residents are eligible for the MCHA Portability Plan if their most recent prior creditable coverage was under an employer group health plan, a government plan or a church plan with an aggregate of 18 months or more of creditable prior health coverage, and they must not have, on be eligible for other group coverage. The Portability Plan was first offered September 1, 1997.

*MCHA Portability Plan Enrollment by Year
as of June 30*



Montana Residents are eligible for the MCHA Premium Assistance Program if they have certain specified major illnesses or have been rejected on offered a restrictive rider by two insurers within the last six months and have income at or below a qualifying level (80% of Federal poverty level). A Federal grant was secured to pay the premium subsidy. This includes individuals on Medicare due to disability or age. Medicare is the primary payer in these cases.

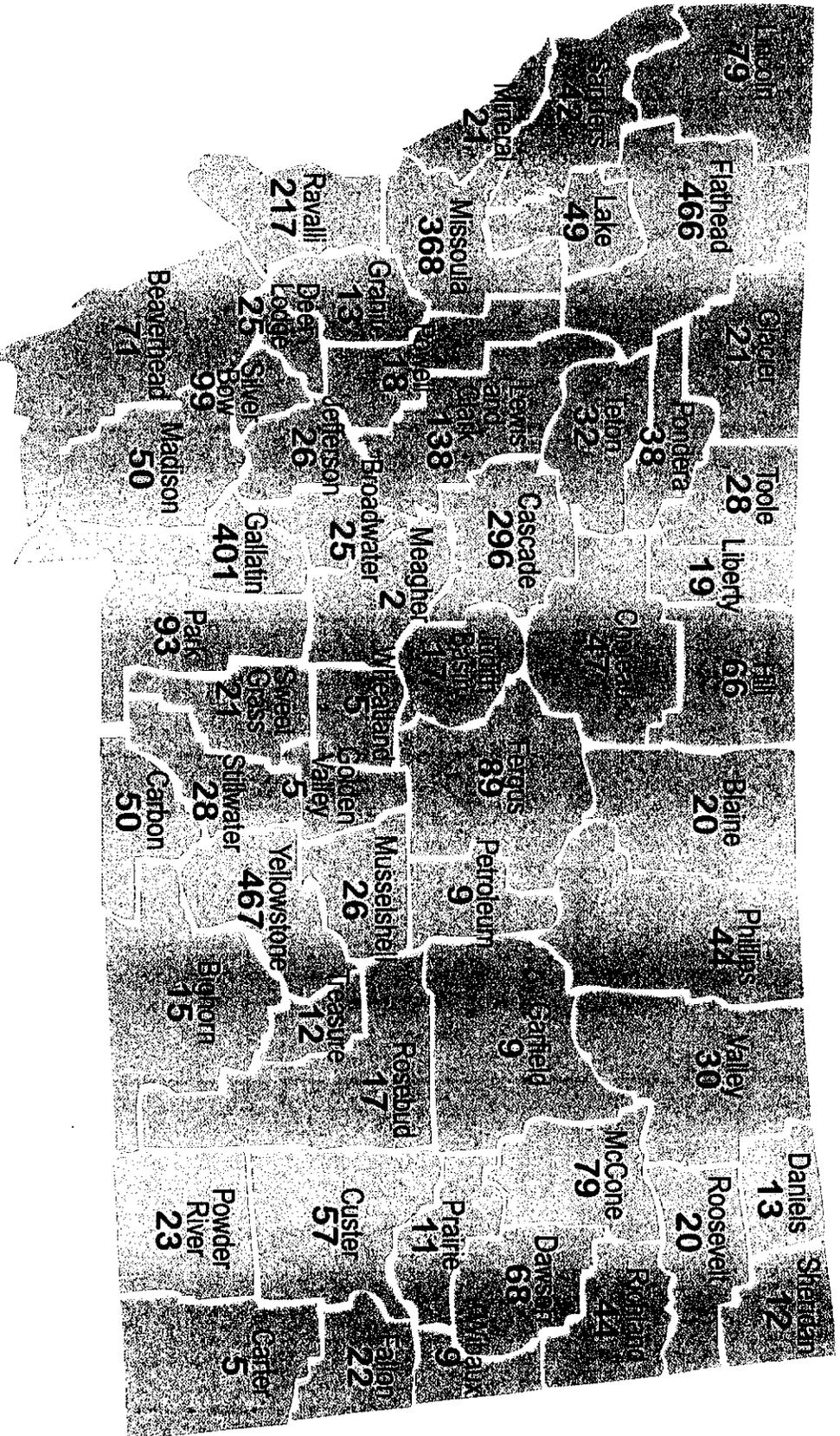
*MCHA Premium Assistance Program
Enrollment by Year
as of June 30*





Total MCHA Plan Enrollment by County

as of November 30, 2004



The number for each county represents combined enrollment on the Portability Plan, TAA Portability Plan, Traditional Plan, and Premium Assistance Program.



[Eligibility](#) [Plans/Rates](#) [How to Apply](#) [Publications](#)

[Home](#) [Contact Us](#) [Meeting Notices](#)

Montana Health Insurance

The Montana Comprehensive Health Association (MCHA) is a program that offers policies of individual health insurance to eligible Montana residents who are considered uninsurable due to medical conditions. The MCHA also is the coverage available to persons who are leaving group coverage.

The MCHA is sometimes referred to as Montana's "high-risk" pool. The MCHA provides coverage of "last resort" and is not intended to duplicate coverage from any other source, public or private. The MCHA plans are administered by Blue Cross Blue Shield of Montana and currently provide coverage for about 3,600 Montanans.

The MCHA is committed to providing access to quality health insurance coverage for uninsurable Montanans. In fulfilling this vision, the MCHA believes in:

- Quality health insurance plans
- Accessibility for qualifying Montanans
- Effective programs to manage health care claims and expenses
- Collaborative industry involvement

About Us

The Montana Legislature created the MCHA in 1985 to establish a program that provides access to health insurance to Montana residents who are otherwise considered uninsurable due to medical conditions. These Montanans are not part of the traditional health insurance market because of preexisting health conditions or significant exclusions of coverage. In general, these people have been rejected for health insurance coverage or offered a policy with a rider on their primary health condition.

In 1997 the Montana Legislature created a second MCHA plan for eligible individuals who have had prior health insurance coverage that meet the federal rules of eligibility as described in the eligibility section. This site contains information about benefits, exclusions, premium rates, eligibility, and application procedures for the MCHA program.

This site also provides information about program changes, publications, and upcoming events that affect the MCHA.

Effective August 1, 2003: If you have lost your job due to foreign trade and are an eligible federal Trade Adjustment Act (TAA) qualified individual, you may qualify for coverage under the Portability Plan. The federal Trade Adjustment Act of 2002 provided a 65% tax credit for qualified persons to use to purchase health insurance. The MCHA is one of

PRESCRIPTION DRUG BENEFIT

Deductible \$0

Pharmacy Benefit for up to 34 day supply:

Generic \$10

Brand Name Formulary

\$35+20% of remaining cost
Maximum copay per script \$200

Brand Name Non-Formulary

\$50+30% of remaining cost
Maximum copay per script \$300

Mail Service Program for up to 90 day supply:

Generic \$20

Brand Name Formulary

\$70+20% of remaining cost
Maximum copay per script \$400

Brand Name Non-Formulary

\$100+30% of remaining cost
Maximum copay per script \$600

SELF-AUDIT PROGRAM

You may be eligible to receive 50 percent of the savings up to \$1,000 if you detect and identify an error on your processed bill.

INDIVIDUAL ASSISTANCE PROGRAM (IAP)

The IAP program offers short-term counseling for you and your immediate family. Help is available for stress, depression, and grief as outlined in the contract. 24-hour crisis counseling is also available.

MEDICARE

If you are eligible for Medicare A & B, you may qualify for this plan at a reduced rate. If you have Medicare coverage, your MCHA plan will be your secondary coverage. After Medicare has processed your claim, MCHA will process according to your MCHA benefits. MCHA coordinates with Medicare and will not pay more than the balance remaining after Medicare.

This is not a contract. This brochure is only a brief outline of the important benefits of the MCHA Premium Assistance Program. If you become insured by MCHA, read your contract carefully.



On a limited income and
can't get medical insurance?
due to health reasons?

NUMBERS TO CALL

Administrator
Blue Cross and Blue Shield of Montana
1-800-447-7828, Extension 8537
or
444-8537

Montana Department of Insurance
1-800-332-6148 or 444-2040

or visit the MCHA Website at:
www.mthealth.org

Administered By:

**Blue Cross® and Blue Shield®
of Montana**

An Independent Licensee of the Blue Cross and Blue Shield Association

BCBSMT provides administrative claims payment services only and does not assume any financial risk or obligation with respect to claims.

MCHA Premium Assistance Program (01/2005)

Administered by Blue Cross and Blue Shield of Montana

HAVE YOU BEEN DENIED MEDICAL COVERAGE? HAD LIMITATIONS PLACED ON YOUR POLICY DUE TO YOUR HEALTH? IS YOUR INCOME LIMITED?

WHAT IS THE MCHA?

The Montana Comprehensive Health Association (MCHA) was established by the Montana Legislature to make comprehensive health insurance benefits available to high-risk individuals regardless of their health conditions. The continued viability of the program is ensured through various funding mechanisms, including the premiums paid by enrollees on the plan, assessments paid by the health insurers doing business in the state, and federal funding for this pilot.

WHAT IS THE MCHA PREMIUM ASSISTANCE PROGRAM?

The MCHA Premium Assistance Program will subsidize premiums for people who qualify for MCHA Traditional Plan coverage and have family income at or below a qualifying level. Enrollment in the program will be limited and on a first come basis. For the Premium Assistance Program the premium subsidy will be paid by a grant from the federal government. The program will end when grant funds are exhausted. We anticipate the program to last through 2004. If more funding is not obtained to subsidize premiums, you will need to pay the regular premium to continue coverage.

HOW TO APPLY:

You must fill out an application form and provide income documentation. To be eligible for the program you must:

- be a Montana resident
- have been rejected or offered a restrictive rider by two insurers within the last six months or have a specified major illness;
- be ineligible for any other health insurance coverage (including Medicaid) and;
- have family income less than the qualifying income amounts. (Documentation of income required.)

NOTE: If you work for an employer who has between 2 and 50 employees, you may now be eligible to join your employer's group health program without having to show proof of good health. For more information about small group coverage, please call the Montana Department of Insurance at 1-800-332-6148.

PREEXISTING CONDITION LIMITATION

No payment will be made for treatment of any preexisting condition, including pregnancy, until you have been continuously covered under this plan for four (4) months. This preexisting condition limitation does not apply:

1. to newborn children or children placed for adoption.
2. Creditable coverage may be given if:
 - coverage was not voluntarily canceled by the applicant;
 - application for this plan is made within 30 days of the last day of your previous coverage;
 - all other options for health insurance, including COBRA or state continuation coverage, have been exhausted.

PARTICIPATING PROVIDER NETWORK

Participating providers accept the allowable fee as their full reimbursement, so plan payment, deductible and co-payment is their full reimbursement. They will not bill you for charges in excess of the allowable fee for covered services. Payment for services of **nonparticipating** providers is made directly to you.

These providers may bill you for charges above the allowable fee in addition to deductible and co-payment.

BENEFITS

The plan features an annual deductible of \$1,000 and 20 percent co-payment. Maximum deductible and co-payment expenses during a calendar year are \$5,000. Coverage is provided up to a lifetime maximum of \$1,000,000.

Services for which coverage is provided:

- Inpatient Hospital Care
- Convalescent Home - 60 days/yr
- Outpatient Hospital Care
- Office Visits
- Surgery and Anesthesia
- X-ray and Lab
- Immunizations
- Radiation Therapy and Chemotherapy
- Ambulance
- Oxygen
- Durable Medical Equipment
- Prosthetics
- Diabetes Education
- Newborn and Adopted Children - (coverage for first 31 days)
- Well-Child Care through 2 years of age
- Home Health Care - 180 visits/year
- Hospice
- Mammography
- Maternity
- Transplants - \$150,000 Lifetime Benefit
- Inpatient Rehabilitation Therapy - \$100,000 Lifetime Benefit
- Prescription Drug Coverage
- Severe Mental Illness (certain diagnoses only)

Services for which coverage is not provided:

- Eyeglasses
- Hearing Aids
- Treatment for Chemical Dependency
- Treatment for Mental Illness (except Severe Mental Illness)



***Montana
Comprehensive
Health
Association***

Annual Report
July 1, 2003 - June 30, 2004