

## LC 1357 – Purchasing Pool and Tax Credits for Small Business Health Insurance

Governor Schweitzer has budgeted approximately \$11.5 million/year from the I-149 special revenue account for this purpose. For the first year, FY 06, revenue will be a lesser amount to provide for program ramp-up. Sixty percent of revenue is reserved for the currently uninsured/purchasing pool and association coverage, forty percent of revenue for currently insured small groups/tax credits.

### **Premium Incentive & Assistance Payments (Inside the pool); 60% of revenue:**

- Small businesses (employer size 2-9) without coverage (60% of credits) will be eligible for a monthly premium payment on a first come, first served basis. Businesses will apply to use the credit until available funding is allocated for the year. To use the credit, the small business must join the pool or obtain qualified employer group association plan coverage. This will help ensure that the pool attracts enough members to lower the price of coverage through economies of scale for administrative costs, negotiating for health coverage, and by preventing adverse selection.
- The amount of the credit for firms in the purchasing pool will be set by the purchasing pool Governing Board, whose members will be appointed by the Governor's and Auditor's office. Ideally, the amount will vary by income and family size in order to cover as many Montanans as possible.

### **Refundable Tax Credits (Outside the pool); 40% of revenue:**

- Small businesses with coverage (40% of credits) will be eligible for a credit that is refundable to small business owners on a first come first served basis. Businesses would apply at the beginning of the year and receive the credit at the end of the year.
- The amount of the refundable tax credit will be \$100 or \$125 per employee per month (depending on average age of employees) for businesses with current coverage; those outside the pool. Employers will be responsible for a portion of the insurance premium.

### **Section-by-Section Breakdown:**

#### **Section 1 – Establishing the Small Business Health Insurance Pool.**

-The pool will be made up of all participating employers. The pool is voluntary and will begin offering coverage January 1, 2006.

#### **Section 2 - Definitions**

#### **Section 3 – Purchasing Pool Board of Directors**

- 7 voting members (each with one vote) and 2 nonvoting members
- Members will serve 3-year terms
- The commissioner will appoint 3 members that will include:

### **Section 5- Duties of the Commissioner – Rulemaking**

- Will adopt rules and supervise the creation of the purchasing pool, including the registration of eligible employers and administration of the premium incentive, assistance and tax credits
- Approve or disapprove actions by the pool board including the plan of operation, premium incentive and assistance payment amounts, and contracts with health insurance providers, and health plan offerings.
- Conduct audits of the financial transactions of the purchasing pool
- Allow up to 30% of the funds for the pool, or more if requested by the pool board, to be applied to health plan coverage purchased through association health plans.
- Make premium incentive and assistance payments available to association health plan coverage.
- Approve or disapprove associations as qualified

### **Section 6- Premium incentives, assistance and tax credits amounts**

- Employers are eligible for these benefits if the number of employees does not exceed established requirements, this maximum is set by the commissioner in rule and must be between 2 and 9 employees. The maximum employee limit can be different depending on if the employer uses tax credits or premium incentives and assistance payments. The maximum number can be changed once every six months. If changed, registered employers are not disqualified.
- To be eligible an employer must also:** sponsor a group health plan for the employees, have registered as a small-employer participant, and not have any employees (not including an owner, partner or shareholder), who receives more than \$75,000 in gross compensation, including bonuses and commissions from the employer in the prior tax year.

Employers seeking tax credits: **tax credit amounts:**

- If the average age of the group is under 45, not more than \$100/month for each employee, \$100 for each employee's spouse, if covered.
- If the average age is greater than 45, not more than \$125/month for each employee, \$100 for each employee's spouse, if covered.
- \$40/month per dependent other than spouse, if covered, not to exceed 2 dependent other than the spouse.
- Employer cannot claim a tax credit in excess of 50% of premiums paid by the employer, for premiums paid from medical savings accounts or for premiums in which a deduction was claimed.
- Employer cannot claim a premium incentive payment in excess of 50% of premiums paid for the small group.

### **Section 7-Filing for tax credit, premium incentive and assistance payments.**

- Employer applies the tax credit against taxes due for the current tax year
- Those small employers who previously did not offer a health plan for employees, or new businesses, apply to receive monthly premium incentive and assistance payments to be applied to coverage obtained in the pool or through a qualified association health plan.

- A representative with expertise in health insurance,
- A consumer rep for the small business community
- A consumer representing the public interest

The governor will appoint -4 members:

- A management-level individual with knowledge on state employee health plans
  - A management-level individual with Medicaid knowledge
  - A consumer representative for the small business community
  - A consumer representing the public interest
- The governor and commissioner each appoint one non-voting member from their staff
  - Directors will be compensated in the same manner as those of quasi-judicial boards
  - The cost of operating the purchasing pool board will be paid from the special revenue account and/or assessments on purchasing pools members.

#### **Section 4 – Duties of the Purchasing Pool Board**

- The board must adopt a plan of operation for administration of the pool.
- Establish administrative and accounting procedure of the purchasing pool
- Require annual renewal applications for of premium incentive and assistance payments, tax credits and health coverage if the members remain eligible. Current pool members will be given priority.
- Adopt monthly premium incentive payment amounts and a premium assistance payment schedule; either in amounts equal to tax credits (\$100 - \$125) or amounts that is are equitable to the income for eligible employees (sliding scale).
- Determine criteria for which employees will be eligible for a premium assistance payment.
- Limit premium incentive and assistance payments to available state, federal and private funding.
- If federal Medicaid funding is, premium incentive/assistance payments must be consistent with waiver requirements determined by DPHHS.
- Approve no more than 4 health plans with different benefit levels that will be offered in the pool
- Solicit bids from health insurers, and contract with no more than 2, to provide group health plans.
- May Request DPHHS seek a federal waiver for Medicaid matching funds
- May set contribution levels for employers.
- The board may open the pool to employer groups who are not receiving tax credits or premium assistance.
- May assess members for purchasing pool costs, or request that the commissioner or DPHHS appropriate funds from the special revenue account for that purpose
- May seek additional funding
- Receive premium incentive/assistance payments from DPHHS or the commissioner and payments from employers to make premium payments to insurers on behalf of employers and employees
- May pay commissions to insurance producers who market the pool coverage