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Senate Business and Industry
February 15, 2005
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Good morning, Madam Chair and members of the committee.
My name is Susan C. Witte. I serve as Vice President and Chief Legal Counsel of Allegiance Benefit Plan Management, Inc.

By brief way of background, our company was founded, initially as Intermountain Administrators, in Missoula, Montana. We have been in business and are registered as a third party administrator with the Montana Insurance Department since 1981. We develop and administer employee benefit programs, including flex benefit plans, for self-funded companies, associations and government agencies.

We appreciate Commissioner Morrison's concerns and Senator Tester, too, for bringing forward SB 380. However, we reluctantly oppose the bill because we don't see the need for it. We also think that it may reach our legitimate, in-state providers who have negotiated discounts to pass on to the beneficiaries of our health plans, and we think this reach is onerous.

This bill attempts to address consumer fraud. There are laws in place to counter consumer fraud. The bill opens up a whole level of enforcement to the Insurance Commissioner over medical care and medical care discount cards and it places expensive regulatory requirements, such as a \$500,000 bond and \$500,000 surety account on non-insurance related entities.

If the bill is to protect the Montana consumer from fraudulent sales of bogus discount cards with nothing behind them, there is already a criminal code that says you can't defraud people and take their money.

As a legitimate, duly registered third party administrator, we read this bill and try to figure whether we are subject to its registration requirements. We don't issue, sell or act as an enroller with these cards. We do, however, contract with prescription drug companies and provider organizations that may, in turn, issue discount cards to members of our self-insured employer groups.

Let's look at some real examples in today's health plans. SEMITool is a worldwide company, headquartered in Kalispell that self-insures health benefits for its employees. We act as their administrator, processing claims and providing access to provider networks on a local, statewide and national basis. One of the largest pharmacy benefit managers in the country, Express Scripts, or ESI, has a pharmacy discount card that it allows its administrators, including us, to offer to our employer groups.

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We have a contractual relationship with ESI and we pass on discounts and other benefits of that pharmacy management relationship to the beneficiaries in our employer groups. If this bill were to become law, and ESI was required to register and post a \$500,000 bond and establish a \$500,000 surety account, their costs of doing business in Montana could no doubt increase, due to the need to register as a card supplier. This could reduce or eliminate otherwise legitimate discounts to Montana consumers.

What does this bill do to make health care and health insurance affordable?

It could impact contractual relationships many large employers have in place already in this state. We contract with networks of health care providers who provide services to members in our employer groups. Those discount network arrangements are noted on the employee's ID "card". Does this make the ID card a "discount card" as defined in the bill?

Will SB 380 require those health care providers in communities like Kalispell, Missoula, or Billings, who have legitimate, community-based discount networks to register, post a bond, and open a surety account in Montana should they offer a discount to cardholders for services?

We don't believe that legitimate Montana healthcare providers or we are the targets of this bill, but we find it confusing and ambiguous.

The bill, as written, is too tight on legitimate operations and causes us to question how it could potentially an employer's self-funded benefits administered by a registered third party administrator.

Since consumer fraud is already against the law, and since the Insurance Commissioner already has the power to issue a cease and desist order, call for a hearing, levy fines or revoke licenses of insurance producers or companies, is this bill really necessary?

Thank you for your consideration.