SENATE PUBLIC HEALTH, WELFARE & SAFETY

EXHIBIT NO. 11

DATE: 1-21-05

BILL NO. SB 154

Testimony of Working for Equality and Economic Liberation (WEEL)
Senate Public Health, Welfare, and Safety Committee
59th Session of the Montana Legislature
PROPONENT OF Senate Bill No. 154

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE STATE CHILDREN'S HEALTH INSURANCE PROGRAM; PROVIDING FOR A LIMIT TO THE ADMINISTRATIVE COSTS AND RESERVES OF ANY ENTITY UNDER CONTRACT WITH THE DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES TO ADMINISTER THE STATE CHILDREN'S HEALTH INSURANCE PROGRAM; CLARIFYING THAT THE DEPARTMENT MAY EITHER ADMINISTER THE PROGRAM DIRECTLY OR CONTRACT FOR ADMINISTRATION OF THE PROGRAM WITH AN INSURANCE COMPANY OR OTHER ENTITY; AMENDING SECTION 54-4-1007, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE, AN APPLICABILITY DATE, AND A TERMINATION DATE."

Dear Chairperson Cromley and members of the Senate Public Health, Welfare, and Safety Committee:

For the record, my name is Kim Abbott and I represent Working for Equality and Economic Liberation (WEEL). WEEL is a grassroots economic and social justice non-profit organization made up of low-income families and our supporters striving to develop accountability in the welfare system, make certain that families have access to the programs designed to meet their needs, and ensure that the rules within those programs are applied fairly and honestly.

WEEL strongly supports Senate Bill No. 154 for two basic reasons.

First, by capping administrative costs to the CHIP program, Montana can cover more children without spending more money. This is an incredible opportunity to help some of Montana's most vulnerable citizens. We are all painfully aware of the fact that so many Montana children go without access to much-needed basic medical care because they lack insurance. With federal funds that match state dollars four to one, the CHIP program can cover these children. If we are more efficient in the way we administer this important program, we can meet the immense need of children in this state.

Second, Senate Bill No. 154 remedies Montana's current failure to comply with 42 CFR § 457.618(a)(2), (b) and (c), which place a 10 percent annual limit on non-primary expenditures under a state plan for child health assistance for which a state may receive federal funds at the enhanced federal medical assistance percentage. As the fiscal note for Senate Bill No. 154 states, the current contractor's administrative expenses for CHIP are 13.65 percent of the premium. Federal regulations make no distinction between a plan operated by the State and a plan operated by a private contractor; the same 10 percent cap on administrative costs governs both situations. The present contractor has consistently exceeded the 10 percent cap on non-primary expenditures, with

administrative costs alone totaling over $9.9 million over the life of the contract. Senate Bill No. 154 brings Montana, and the current contractor, a step closer to compliance with federal regulations. WEEL's proposed amendment to Senate Bill No. 154 would ensure full compliance, by limiting payment of direct and indirect expenses to 10 percent.

If the state of Montana is found to be over the 10 percent cap on non-primary expenditures, it is the state that will have to foot this bill, not the federal government.

Please recommend a "do pass" on Senate Bill No. 154. Thank you, and I will be available for any questions.