

Exhibit 3

This exhibit is a booklet and it cannot be scanned therefore only the cover and table of context has been scanned to aid you in your research. The original exhibit is on file at the Montana Historical Society and may be viewed there.

**Montana Historical Society
Archives, 225 N. Roberts, Helena,
MT 59620-1201
Phone (406) 444-4774.**

EXHIBIT 3
DATE 3/11/09
HB 250



ANNUAL REPORT

July 1, 2007 – June 30, 2008



Reply to:
560 North Park Avenue
P.O. Box 4309
Helena, Montana 59604-4309
(406) 444-8537
www.bcbsmt.com
www.mthealth.org

Administered by Blue Cross and Blue Shield of Montana
An Independent Licensee of the Blue Cross and Blue Shield Association

November 2008

Honorable Brian Schweitzer, Montana State Governor
Honorable John Morrison, Montana State Insurance Commissioner
Members of the Montana State Legislature
Members of the Montana Congressional Delegation
Montana Comprehensive Health Association Member Companies
Montana State Insurance Brokers and Agents
Interested Persons and Organizations

Ladies and Gentlemen:

On behalf of the Board of Directors of the Montana Comprehensive Health Association (MCHA), we are pleased to present this Annual Report for fiscal year 2008.

This report provides summary information about MCHA's operations, plan offerings, insured members as well as other interesting data. MCHA was pleased to have Maryetta Bauer, consumer representative, participate in a recent Senate Finance Committee hearing hosted by Senator Max Baucus in Missoula. MCHA thanks Senator Baucus for his past recognition and support of the program through the "Grants to States for Operation of Qualified High Risk Pools." MCHA also thanks the State of Montana for providing tobacco settlement monies that are used to provide premium subsidies for the Premium Assistance Plans. Risk pools such as MCHA serve a critical need, that of providing health benefits to Montanans who are unable to get insurance coverage in the regular marketplace and portability coverage to those that leave employer group coverage.

We are available to answer any questions you may have about MCHA or its operations. Please contact Specialist Linda Price at 1-800-447-7828, ext. 3474. Additionally, Mr. Lozowski can be reached via email at lozowski@earthlink.net and Mr. Bykerk at oakoffice1@cox.net. Thank you for your time and consideration.

Sincerely,

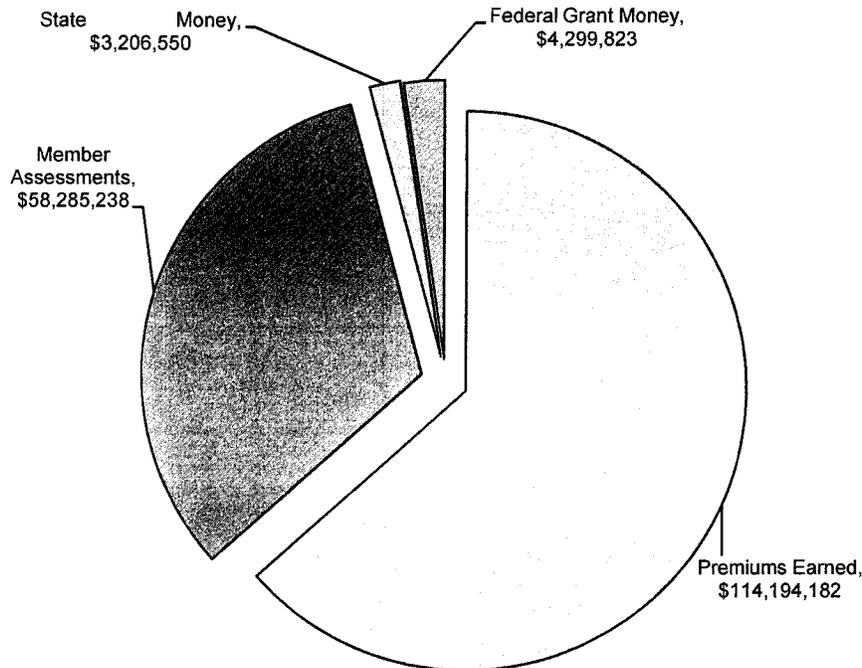
Cecil D. Bykerk
Executive Director

Chester M. Lozowski
Board Chairman

**MCHA
 1998 through 2008**

FY Year	30-Jun Policyholders	Premiums Earned	Claims Paid & Incurred	Assessments Collected	Federal Grant Money	State Money
1998	1045	\$ 2,121,114	\$ 3,679,408	\$ 2,120,000		
1999	1338	\$ 3,459,883	\$ 6,314,781	\$ 3,751,354		
2000	1660	\$ 4,740,569	\$ 7,073,719	\$ 4,608,721		
2001	2126	\$ 6,261,592	\$ 10,731,036	\$ 3,737,816		
2002	2613	\$ 8,649,219	\$ 12,245,550	\$ 5,084,690		
2003	3083	\$ 10,907,746	\$ 14,118,364	\$ 5,287,312	\$ 332,786.53	
2004	3556	\$ 13,302,445	\$ 19,993,074	\$ 5,864,652	\$ 1,343,962.37	\$ 576,347
2005	3540	\$ 16,054,547	\$ 20,761,994	\$ 6,507,909	\$ 747,476.09	\$ 659,600
2006	3223	\$ 16,459,770	\$ 20,320,620	\$ 6,771,174	\$ 72,344.00	\$ 573,215
2007	3048	\$ 16,007,934	\$ 23,016,400	\$ 7,111,701	\$ 1,643,272.18	\$ 573,215
2008	3016	\$ 16,229,363	\$ 26,133,329	\$ 7,439,909	\$ 159,981.96	\$ 824,173
Total		\$ 114,194,182	\$ 164,388,274	\$ 58,285,238	\$ 4,299,823	\$ 3,206,550

1998-2008: Historical



Montana Comprehensive Health Association Fact Sheet

Vision . . .

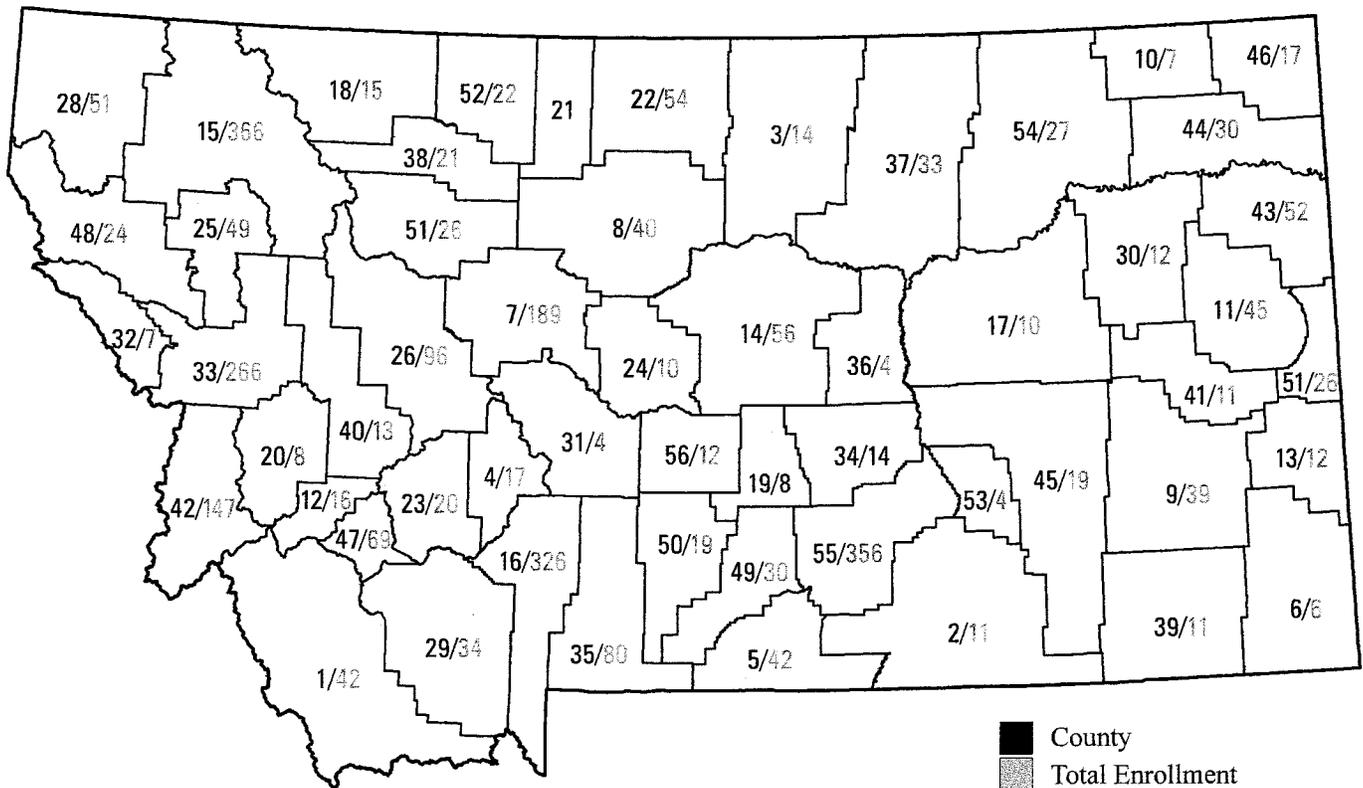
The Montana Comprehensive Health Association is committed to providing access to quality health insurance for uninsurable Montanans. To fulfill our vision, we advance:

- ◆ 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 artery 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 1,364.
- 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 1,397 today.
- In 2002, MCHA began a demonstration program (the Pilot Program) that provided the Traditional Plan health benefits to qualified persons with incomes at or below 150% of federal poverty level at a reduced premium. Thanks to Senator Baucus, federal monies were provided to fund the premium subsidies. In recent years, federal grant funds and state Tobacco Settlement monies have been used for the premium subsidies. The program is now known as the Premium Assistance Program. Currently, the program covers 255 low-income uninsurable Montanans. More funding is needed to maintain the current premium subsidy.
- 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 waiting period being imposed. MCHA also became an option for persons eligible for federal (Trade Adjustment Assistance Act of 2002) health care tax credits.
- Statistics indicate that up to 35% of new members enrolling on the Portability Plan are leaving self-insured group coverage.
- Current financial projections indicate the plans could be in a deficit funding situation as early as May 2009.
- MCHA provides comprehensive health coverage to 3,016 Montanans (as of July 31, 2008.)

MCHA Total Enrollment by County



MCHA Traditional Plan Enrollment by County as of June 30, 2008

The first number represents regular plan enrollees. The second number represents plan members who have Medicare primary coverage.

1	Beaverhead	17/0	20	Granite	1/2	40	Powell	2/1
2	Bighorn	5/1	22	Hill	22/6	41	Prairie	6/0
3	Blaine	8/2	23	Jefferson	4/2	42	Ravalli	66/6
4	Broadwater	6/5	24	Judith Basin	4/0	43	Richland	23/8
5	Carbon	17/0	25	Lake	18/4	44	Roosevelt	17/1
6	Carter	4/0	26	Lewis and Clark	25/8	45	Rosebud	6/1
7	Cascade	62/10	27	Liberty	7/2	46	Sheridan	7/2
8	Choteau	17/4	28	Lincoln	13/11	47	Silver Bow	17/5
9	Custer	15/2	29	Madison	22/1	48	Sanders	9/3
10	Daniels	5/0	30	McCone	5/0	49	Stillwater	10/1
11	Dawson	15/5	31	Meagher	1/0	50	Sweet Grass	12/1
12	Deer Lodge	6/3	32	Mineral	3/0	51	Teton	13/2
13	Fallon	8/2	33	Missoula	101/19	52	Toole	15/0
14	Fergus	23/2	34	Musselshell	6/1	53	Treasure	1/0
15	Flathead	136/29	35	Park	34/3	54	Valley	12/2
16	Gallatin	126/12	36	Petroleum	2/0	55	Yellowstone	135/18
17	Garfield	7/0	37	Phillips	17/3	56	Wheatland	8/0
18	Glacier	4/2	38	Pondera	14/2	57	Wibaux	2/0
19	Golden Valley	5/0	39	Powder River	6/0			

Totals (as of June 30, 2008):

Regular MCHA Enrollment 1,161

Medicare MCHA Enrollment 196

Total Statewide Enrollment 1,357

MCHA Premium Assistance Program Enrollment by County

as of June 30, 2008

The first number represents regular plan enrollees. The second number represents plan members who have Medicare primary coverage.

1	Beaverhead	4/0	20	Granite	0/0	40	Powell	2/0
2	Bighorn	2/0	22	Hill	7/0	41	Prairie	1/0
3	Blaine	0/0	23	Jefferson	1/1	42	Ravalli	11/1
4	Broadwater	1/0	24	Judith Basin	3/0	43	Richland	5/0
5	Carbon	3/0	25	Lake	1/2	44	Roosevelt	7/0
6	Carter	1/0	26	Lewis and Clark	8/3	45	Rosebud	2/0
7	Cascade	10/2	27	Liberty	4/0	46	Sheridan	3/0
8	Choteau	6/1	28	Lincoln	3/0	47	Silver Bow	5/2
9	Custer	2/1	29	Madison	5/0	48	Sanders	1/0
10	Daniels	0/0	30	McCone	3/0	49	Stillwater	0/1
11	Dawson	8/1	31	Meagher	2/0	50	Sweet Grass	2/0
12	Deer Lodge	0/0	32	Mineral	0/0	51	Teton	4/1
13	Fallon	1/0	33	Missoula	13/4	52	Toole	2/0
14	Fergus	4/0	34	Musselshell	3/0	53	Treasure	0/0
15	Flathead	20/2	35	Park	7/1	54	Valley	4/0
16	Gallatin	18/0	36	Petroleum	0/0	55	Yellowstone	11/3
17	Garfield	0/0	37	Phillips	4/0	56	Wheatland	0/0
18	Glacier	1/0	38	Pondera	13/0	57	Wibaux	1/0
19	Golden Valley	1/0	39	Powder River	1/0			

Totals (as of June 30, 2008):

Regular MCHA Premium Assistance Program Enrollment 225

Medicare MCHA Premium Assistance Program Enrollment 26

Total Statewide Enrollment 251

MCHA Portability Plan Enrollment by County

as of June 30, 2008

The first number within a county represents Portability Plan members in that county. The second number represents TAA Portability members in that county.

1	Beaverhead	21	20	Granite	5	40	Powell	8
2	Bighorn	3	22	Hill	19	41	Prairie	4
3	Blaine	4	23	Jefferson	12	42	Ravalli	63
4	Broadwater	5	24	Judith Basin	3	43	Richland	16
5	Carbon	22	25	Lake	24	44	Roosevelt	5
6	Carter	1	26	Lewis and Clark	52	45	Rosebud	10
7	Cascade	105	27	Liberty	10	46	Sheridan	5
8	Choteau	12	28	Lincoln	24	47	Silver Bow	40
9	Custer	19	29	Madison	6/2	48	Sanders	9/2
10	Daniels	2	30	McCone	4	49	Stillwater	18
11	Dawson	16	31	Meagher	1	50	Sweet Grass	4
12	Deer Lodge	7	32	Mineral	4	51	Teton	6
13	Fallon	1	33	Missoula	129	52	Toole	5
14	Fergus	27	34	Musselshell	4	53	Treasure	3
15	Flathead	179	35	Park	35	54	Valley	9
16	Gallatin	170	36	Petroleum	2	55	Yellowstone	189
17	Garfield	3	37	Phillips	9	56	Wheatland	4
18	Glacier	8	38	Pondera	7	57	Wibaux	1
19	Golden Valley	2	39	Powder River	4			

Totals (as of June 30, 2008):

Portability Plan Enrollment 1,380

TAA Portability Enrollment 4

Total Statewide Enrollment 1,384

Testimony regarding MCHA
Presented by Cecil Bykerk, Executive Director
March 11, 2009

EXHIBIT 3
DATE 3/11/09
HB 250

Thank you Mr. Chairman and Committee members.

I hope that I am able to answer some of the questions concerning MCHA. We believe that we have a compelling story and we hope that you will agree.

MCHA provides coverage for about 3,000 members who live across the state. These Montanans have chronic conditions that they must manage on a daily basis, such as diabetes, cancer, and heart disease. This funding request is a bridge to the future of healthcare reform. Our members are not seeking a handout but a hand up to help get through this healthcare reform transition.

It is important to note that these members are putting significant amounts of their own money into the program. I would direct you to look at the handout showing the pie chart. You can see that the members provide from 60 to 65% of the funding for the program. By doing that, they allow us to help them manage their health care and health care costs. They get better care, earlier rather than later which helps reduce future costs and maintain better quality of life. In addition providers have less uncompensated care to shift to other paying individuals.

Again referring to the handout, you can see that the premium totals have plateaued over the last four years while the claim totals continue to rise. This rise in claims costs is seen in spite of slightly declining enrollment. In addition assessment availability is leveling off as the insured marketplace upon which the assessment is made has seen declining numbers. As can be seen at this point, Federal money can not be counted on. The State monies have been dedicated to the special program for low income uninsurable members. With the financial situation in mind, the Board has assessed the maximum of 1% each year since the inception of this limit. The Board has also been careful to set the premium rates at a level that is within 10% of the allowed maximums with rates currently set at about 135% of the average market rates. It is safe to say that we can not save the program by increasing premium levels.

The Board has also focused on the managed care elements that can provide excellent care while controlling costs through provider discounts. Over the last two fiscal years, medical claims have been reduced by 20% due to preferred provide discounts. New PPO policies were introduced in 2008 that are providing even greater discounts with the first six months of this fiscal year seeing 26% in discounts. Use of the drug card, has reduced drug costs by about 33%. In real dollars, \$9.9 million in medical claims were saved in FY2008 and \$6.3 million during the first six months of this FY. Drug claims have seen savings of around \$2 million per year. These savings of over \$10 million per year are extremely important to the whole system.

Projections for a small plan like MCHA are difficult at best. A few large claims can impact the pool significantly. By way of example, if you look at the last six months of calendar year 2008, you will see that the monthly paid claims vary from \$2 million in the lowest month to \$2.6 million in the highest month. We have experienced even greater swings in the past.

As we approach the next 2 years, our projections (assuming no Federal monies) indicate that we could finish FY2011 in a negative \$3 to \$5 million if we focus on our most likely scenario. If enrollment begins to pick up, those negative positions could range up to \$8 to \$10 million. Of course, if all the right things happen we could end up in a positive position, but it is not financially responsible to not address these anticipated negative positions.

Please refer to the handout that breaks down the total enrollment on each by county to see where these members live. I think you'll find there is at least one person who lives in your community. That person is relying on this program to keep providing the critical coverage so that they can continue to manage their illnesses on a day to day basis.

To summarize, we believe that MCHA is a program that in effect pays for itself as I have outlined. But we need a hand up.

It has been a pleasure to come before you and I look forward to your questions.