

EXHIBIT 3
DATE 2/17/09
HB 2

February 6, 2009

TO: General Government Joint Appropriation Subcommittee
FROM: Lois Steinbeck
RE: Legislative Options – Health Plan Fiscal and Policy Issues

The General Government Joint Appropriation Subcommittee could consider several alternatives relative to the issues of subsidies for retirees participating in the state group health plan, the level of plan reserves, and the grandfathered reserve.

1. Subcommittee could take action during the session.
 - a. The subcommittee could consider directing DofA to change the level of subsidy for retirees participating in the state group health insurance plan.
 - The subcommittee could consider establishing a maximum level of subsidy and either verbally directing DofA to take such action or requiring DofA to take action by including language in a companion bill to HB 2.
 - The subcommittee could make a recommendation to the state administration committees to the House and Senate for their consideration and potential action.
2. Subcommittee could request that DofA prepare and provide the 2011 Legislature with the following information to be considered in conjunction with any pay plan recommendations:
 - a. The employer share necessary to cover only active employees, while maintaining deductibles, co-payments and plan benefits in effect for 2011.
 - b. The effect on the employer share for various pricing options for voluntary retiree participation in the state health plan based on years of service to the state, with higher years of service eligible to participate at a lower cost compared to those with fewer years of service.
 - c. The effect on employer share if loss ratios for retirees were held to:
 - 140%, 130%, 120% for retirees under 65
 - 110%, 105% for retirees over 65
 - d. Other recommendations to reduce the unfunded liability of the state employee health plan that could be considered by the legislature.
3. Subcommittee could make a recommendation for interim action.
 - a. The subcommittee could recommend that the Legislative Finance Committee review policy issues related to pricing of state group health insurance in conjunction with the Interim Committee on State Administration and Veterans' Affairs. Specific objectives could include review of:
 - Other state government health plans and subsidy of retiree participation in those plans, including the Montana university system
 - Legal requirements to provide a subsidy to retirees
 - Optional pricing strategies
 - b. The subcommittee could request that specific issues be considered in the "Graying of Montana" interim study with specific recommendations to the 2011 Legislature if HB 81 is passed and approved or the subcommittee could request amendments to the bill that would require the review and report to be included.