



Exhibit No. HB 11

Date 4-7-09

### What is Insure Montana?

- Insure Montana is designed to assist small businesses with the cost of health insurance and is administered under the State Auditor's office. The program uses money collected from the tobacco tax to provide tax credits, premium assistance, and a purchasing pool to help small businesses cover their employees.
- Approximately 1,400 small businesses and 7,730 people who were previously uninsured or at risk of losing health coverage are already benefiting from the program.
- Insure Montana has the highest favorability rating of any program polled by the National Federation of Independent Business in Montana (81%). Insure Montana is also an award winning, nationally recognized model for health care reform.

### Is the tobacco tax revenue an appropriate source of funding for Insure Montana?

- The electorate passed **I-149** which raised the tax on packs of cigarettes by \$1.00 to provide revenues for veterans' nursing home operation and **created the special revenue fund specifically for health and Medicaid initiatives** which include the Insure Montana program.

### What is the source of the funding for HB 258 as amended?

- HB 258 was amended to serve hundreds of Montana small businesses on the Insure Montana waiting list with \$3 m annually from the special revenue fund for health and Medicaid initiatives. This additional funding will allow the program to serve most of the small businesses on the waiting list.
- The revised appropriation request does not contain any general fund dollars.
- The funding for these tax credits for small businesses comes from tobacco tax money unused by other programs that currently revert back into the health and Medicaid initiatives special revenue account at the end of each fiscal year. The appropriation would not currently impact any programs that use tobacco tax funds.
- HB 258, as amended, passed the House with bipartisan support, 13-7 in committee and 66-34 on the House floor.

### How is the money distributed?

- 40% of all funding goes to the tax credit program; 60% goes to the purchasing pool or qualified association plans.
- Tax credits are issued to any small employer (with 2 - 9 employees) who is sponsoring a group health plan issued by **any insurer** authorized to do business in this state.
- Pool money can be distributed to previously uninsured small employer groups (2 - 9) who participate in either a fully insured qualified association plan or the Insure Montana purchasing pool, which is also fully insured.
- Pool money is distributed in the form of premium assistance to employees (based on income--sliding scale) and premium incentive payments (25% of the premium) to the small employer to help pay the employer's share of the premium.

- A purchasing pool is NOT an association plan-- it is a statutorily created mechanism that allows employers to group together for the purpose of purchasing private health insurance--there is no same trade or profession or special interest group membership or dues involved.

#### **What role do private insurance companies play?**

- The Insure Montana Board solicits bids and contracts with a health insurer (up to three), designs the benefit plan (up to 6), and sets the amounts for premium assistance and incentive payments. The current insurer is Blue Cross Blue Shield.

#### **Should business association plans be able to participate?**

- Yes, and they do currently participate. Bona fide (qualified) association health plans (QAP's) are affiliated with a trade association or non-profit (i.e. Montana Loggers, Montana State Bar, Montana Chamber, etc.) In order to be bona fide, **these associations must have a purpose other than selling insurance** and may not discriminate on the basis of health status. In order to get coverage through these associations, a person must join an organization and pay dues and many times must be a member of that trade or profession.

#### **What is the role of the State Auditor's Office?**

- Insure Montana staff (there are 3) make eligibility determinations for the program pursuant to statutory requirements set by the legislature and policy decisions made by the Insure Montana Board; distribute premium assistance, incentive payments, and tax credit payments to eligible individuals; and provide administrative assistance to the Insure Montana Board. State funds must be distributed through a state agency.
- The State Auditor must approve some of the decisions of the board, but does not make those decisions.

#### **Is it a conflict of interest to have the program located in the State Auditor's Office?**

- The Insure Montana Program is not an insurance product that would fall under the area of insurance industry regulated by the SAO. The Insure Montana Program, using the same process as the Montana Comprehensive Health Association (MCHA), determines eligibility for premium incentives and assistance payments for businesses and employees. The program also submits a Request for Proposal (RFP) for offers from insurance carriers to provide an insurance product to the participants of the program. The Insure Montana Program follows the State's RFP processes and procedures when choosing an insurance carrier. The Insure Montana Board chooses the successful bidding.
- **The Insure Montana purchasing pool decisions are made by the Insure Montana Board**, which consists of seven members, mainly from the business community, which are appointed by the **Governor (4) and the State Auditor (3)**. The Governor and the State Auditor both have staff representatives on the board, but they do not have a vote.
- The State Auditor's Office is creating an **Insure Montana Advisory Council** and will be asking for participation from all stakeholders in this important initiative, including legislators, people from the business world, and non-profit communities. During the interim, this council will study the sustainability of the funding source, structure, and placement of the program. Any recommendations for changes to the Insure Montana program will be given to the next legislature.

### **Has the Insure Montana program been audited?**

- The Legislative Auditor performed two separate audits (financial and risk assessment) of the program in 2008. Copies of the audits are available in the Legislative Auditor's office.

### **What is the relationship between Insure Montana and CHIP?**

- SB135, passed by both the Senate and House, ensures there are no duplication of benefits between Insure Montana and CHIP by making sure that those lives currently covered by Insure Montana, who are eligible for the Children's Health Insurance Program or Medicaid, are covered by those programs. This change would help free additional funds and allow more businesses to participate in the Insure Montana program.

### **Was the program designed so that businesses would cycle off?**

- The original act never provided that assistance to these employer groups would automatically expire. Since many of these small businesses were previously uninsured, and there are income restrictions on this program, it is probable that these groups would not be able to afford coverage if their assistance ended and their coverage lapsed. The original purpose of this program was to sustain coverage. The tax credit, in particular, was designed to help small employers afford to keep their coverage.
- A pool which sustains membership is more stable and more likely to hold premium increases lower. If businesses were forced to cycle off, it is likely that the pool would be consistently unstable and would result in higher premiums.
- SB 135 makes sure that the program helps those who need it most by revising income guidelines. The passage of this bill will ensure that business owners making a certain amount "transition off" the program, and participants who are eligible for Medicaid and CHIP will transition to those programs as a prior resource to Insure Montana.

### **How do we know people aren't abusing the program?**

- There have been continuing enhancements to the Insure Montana database system, including ad hoc reports that are further efforts to control fraud internally and with participating businesses.
- A recent policy change will ensure that state incentive and assistance money will be sent directly to the insurer, instead of the employer/employee. This will avoid problems collecting money due from an employee that has dropped coverage.
- Also, the agency has "beefed up" its collections processes and has partnered with the Department Of Revenue to pursue debts of \$200+ which will be used to directly offset debts of less than \$200.