EXHIBIT 1
DATE 2/16/2011
HB 445

AMERICAN LEGISLATIVE EXCHANGE COUNCIL

Prepared Statement

of

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on

Montana House Bill 445

to the
Montana House Human Services Committee
February 16, 2011

Introduction

Good afternoon Chairman Howard, Vice Chairman Noonan, Vice Chairman Smith, and members of the Committee:

My name is Christie Herrera and I am the director of the Health and Human Services Task Force at the American Legislative Exchange Council, or "ALEC." As you may know, ALEC is the nation's largest, nonpartisan membership association, with 2,000 legislator members from all 50 states and 101 members of Congress. In Montana, we have 26 members in the House and Senate. Since 2005, 38 states have enacted model legislation drafted by ALEC's Health and Human Services Task Force.

House Bill 445 Will Help Solve the Crisis of the Uninsured

I submit written testimony today to commend House Bill 445, which would allow Montanans to purchase quality, affordable health coverage across state lines. House Bill 445 is modeled after ALEC's model legislation, the *Health Care Choice Act for States*. Nineteen states have introduced legislation similar to House Bill 445, and last year, Wyoming became the first state in the nation to enact this legislation.

It's no surprise that the biggest issue facing Montana is access to meaningful health coverage. More than 153,000 Montanans, or one in six, are uninsured.[1] Like most states, the uninsured population in Montana is very diverse. Many Montanans lack access to employer-sponsored coverage; are eligible, but not enrolled, in Medicaid or SCHIP; and are denied coverage due to costly chronic diseases.

But increasing numbers of Montana's can't afford coverage, or choose not to purchase coverage because it just isn't a good "deal" for them. According to the 2003 Montana Household Survey, 77% of Montana's uninsured are employed, and many have chosen to forgo employer-sponsored coverage because of high costs. Fifteen percent of Montana's uninsured are between the ages of 19 and 34—what we call the young and healthy "invincible" population. Forty-five percent of Montana's uninsured have incomes above 200% of the federal poverty level—that's a family of four earning $44,700—but still don't have coverage.[2]

It is clear that a one-size-fits-all solution will not help Montana's diverse uninsured population. That's why ALEC believes that House Bill 445 will be an effective target in helping Montanans find coverage that fits both their needs and their budgets.

Many Montanans are near surrounding states where better health insurance deals can be found just across the state line. When compared with its border states, Montana has the highest premiums for individual and family health insurance coverage.

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[1] Henry J. Kaiser Family Foundation, "Montana: Health Insurance Coverage of the Total Population," www.statehealthfacts.org.

[2] Steve Seniger, *Household Survey and Employer Survey Findings about Health Insurance Coverage in Montana.* University of Montana, February 2004.

Average Monthly Premium, Individual Coverage (2010)

State	Cost
MT	**$168.01**
WY	$160.75
ID	$141.19
ND	$139.54
SD	$135.93

Average Monthly Premium, Family Coverage (2010)

State	Cost
MT	**$368.64**
WY	$368.40
ID	$327.26
ND	$317.41
SD	$312.43

Source: ehealthinsurance.com, 2010 Fall Cost Report for Individual and Family Policyholders

House Bill 445 Provides Choice, Access, and Innovation

But cost isn't the only consideration for the uninsured. Many consumers are stuck in a stagnant health insurance market with fewer carriers and plan choices than their cross-border neighbors. House Bill 445 would allow the uninsured to access different carrier and more plan choices—sometimes, at lower prices—even by simply allowing Montana's border states to sell plans within the state.

Consider a single mom living in Montana with her two daughters, who is without access to health insurance. House Bill 445 would allow her to access nearly 50% more plan and carrier choices just across the Wyoming border.

Individual Insurance Choices: Single Mother (35 years); Two Daughters (15 and 10 years)

MT	WY	ID	ND	SD
31 plans 2 carriers	45 plans 6 carriers	33 plans 3 carriers	17 plans 2 carriers	39 plans 6 carriers

Source: ehealthinsurance.com

It is clear that, despite low-cost insurance options in the individual insurance market, Montana must do more to encourage its uninsured to gain meaningful coverage without added government regulation. House Bill 445 would allow countless uninsured the opportunity to access more health plan choices, while expanding coverage choices for those who are already insured.

House Bill 445 would also help the uninsured access a more-customized benefits package that meets their health needs. Montana's 38 government-imposed mandates—which includes mandates for "essential" medical services like naturopathy and acupuncture—require the uninsured to purchase coverage they might not want or need. Compared with its border states, Montana imposes the most mandates on its insurance plans.

Number of Health Benefit Mandates by State (2010)

State	# of Mandates
MT	**38**
WY	37
ND	34
SD	29
ID	13

Source: Council for Affordable Health Insurance, Health Insurance Mandates in the States 2010

Similarly, House Bill 445 would allow Montanans who want more extensive benefits to "top-up" for richer coverage in other states.

In addition to bringing greater choices and access to health insurance, House Bill 445 will also allow Montana to benefit from innovative plans in other states. Cross-border purchasing of health insurance will cause pressure to create a more competitive Montana health insurance market. It will bring about quicker access to innovative plans because insurers would face fewer "barriers to entry" into Montana. In other words, Montana could benefit from new ideas in other states while maintaining core consumer and licensing protections important to this state.

House Bill 445: Implementation Questions and Answers

Isn't it unfair to give out-of-state insurers special advantages, while punishing Montana's domestic carriers?

No, because domestic insurers licensed in Montana could obtain licenses from other states, and then sell those plans in Montana. Similarly, House Bill 445 could allow domestic health insurers an exemption from Montana insurance laws, which would allow them to provide plan designs that are comparable to those that a foreign insurer may offer under the bill. House Bill 445 could also allow Montana agents to sell these out-of-state policies.

Will out-of-state plans dominate Montana's insurance market?

If out-of-state plans dominate Montana's market, it only means that Montanans are freely choosing those plans and becoming insured. These twin goals should be equally important, if not more important, than preserving Montana's current insurance structure.

If out-of-state plans dominate the market, it would reveal that Montana's regulations are preventing the uninsured from choosing a less-regulated plan. To compete, Montana should become a more hospitable regulatory environment by allowing in-state carriers to offer similar products. Simply put, the purpose of insurance regulation is not to achieve fairness or protection for insurers. It is to achieve fairness and protection for consumers.

How could a Montana resident, who purchases an out-of-state plan, bring forward disputes?

When licensing an out-of-state plan, Montana would require that the domicile state's laws be enforced in Montana courts.

Will out-of-state carriers "forum shop" and organize in a state with lax consumer protection?

Perhaps. But as with any other business, an insurance carrier is unlikely to attract customers if it has a reputation for inferior products and lax consumer protection.

House Bill 445 would allow Montanans to purchase plans that have been approved for sale and are fully regulated by the laws of at least one state. In many cases, other states have similar—if not more stringent—licensing laws than Montana does. The goal is to let consumers decide the level of regulatory oversight with which they are comfortable. The most vital "consumer protection," when it comes to the uninsured, is ensuring access to affordable health coverage.

Conclusion

With hard economic times and tightening state budgets, Montana simply cannot afford to limit access to health insurance for its uninsured families. That's why I thank you, Chairman Howard, for holding this hearing and for the opportunity to submit testimony on House Bill 445—common-sense legislation that will help many Montana families gain meaningful health coverage. We look forward to working with Montana in the weeks ahead to develop this proposal. I would be pleased to answer any questions you might have at (202) 742-8505 or christie@alec.org.