

INSURE MONTANA

Presentation to the Joint Appropriations
Subcommittees of General Government
and Human Services

February 15, 2010



1

Insure Montana History

- Insure Montana is a two-part program designed to assist small businesses and their employees with the cost of health insurance.
- In November 2004, voters approved an initiative to fund a program to provide health insurance for small businesses.
- Insure Montana was created in 2005 by HB 667 with bipartisan support (co-sponsors: *Wanzenried, A. Olson, Tester, Arntzen, Lind, Brueggeman, McNutt, Matthews, Kitzenberg, Roberts, Cocchiarella, Klock*).



2

Insure Montana Overview

- The Insure Montana Purchasing Pool is a program for small businesses that have not provided group health insurance in the past 24 months.
- The Insure Montana Tax Credit is a program for small businesses that provide a fully insured group health plan to their employees.



Basic Eligibility

- The business must employ 2 to 9 eligible employees.
 - An *eligible employee* is defined as an employee who works on a full-time basis with a normal workweek of 30 hours or more; however an employer may reduce the criteria to 20 hours per week.
- The business must contribute at least 50% of the employees' monthly premium.
- Employees (excluding owners) cannot earn more than \$75,000 from the business or related business or the entire business is ineligible.
- The business or related business cannot owe delinquent State income taxes.
- Seventy-five percent of eligible employees must be enrolled in the employer-sponsored group health plan.
- Non-profit entities are eligible for the Purchasing Pool but not the Tax Credit program.



Purchasing Pool

- The Purchasing Pool provides an incentive payment to small businesses to reimburse a portion of the health insurance premium the business contributes to its employees.
- The pool also provides an assistance payment to employees to reimburse their out-of-pocket health insurance costs.
- 60% of Insure Montana's funding is appropriated to the Purchasing Pool.



Purchasing Pool Board

- The Purchasing Pool is overseen by a Board of Directors.
- The Board is comprised of seven members:
 - Four members are appointed by the Governor; and,
 - Three members are appointed by the Commissioner of Securities and Insurance.
- The Board is responsible for establishing an operating plan for the Purchasing Pool.
- The Board also selects an insurance carrier through the Request for Proposal (RFP) process and negotiates premium for the entire pool.



Purchasing Pool Insurance Plans

- Small businesses can choose to purchase group health insurance:
 - through the Insure Montana purchasing pool currently contracted with BCBS of MT; or,
 - through a Qualified Association Plan approved by the Insure Montana Program.

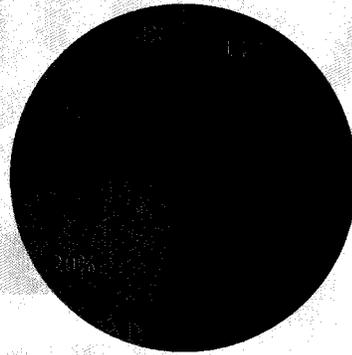


Purchasing Pool Payments

- Incentive payments to the small businesses equal 25% of the employee-only premium amount or 25% of the 2010 Standard Healthlink single premium, whichever is less.
- Assistance payments to the employees are based on the employee's total household income and range from 20% to 90% of the out-of-pocket cost and are capped at the 2010 Standard Healthlink premium amount.
 - The employee assistance payment amount is based on a formula using the 2005 Federal Poverty Levels.



Employee Household Income



- 0-199%
- 200-299%
- 300-399%
- 400-499%
- 500%+

- A random sample of 78 employees' household incomes found the average household income falls between 200-250% of the 2011 Federal Poverty Level.



9

Purchasing Pool Loss Ratio

- The Purchasing Pool's "pure" loss ratio has been approximately 70% per year (excluding 2007).
- Pure loss ratio is a different calculation than "minimum loss ratio", which includes investments in improving health care quality and payment of state and federal taxes. It is likely the purchasing pool would meet the 80% minimum loss ratio requirement.
- BCBS has entered into an agreement to allow the Board to spend 50% of any surplus premium collected. The Board has chosen to spend this money on item like buying down premiums and wellness programs.



10

Purchasing Pool Statistics

- 872 Businesses Participating
- 2,415 Employees with 2,053 Dependents = 4,468 covered lives
- Average Annual Business Incentive Payment= \$3,496
- Average Annual Employee Assistance Payment = \$1,890
- Total Annual Cost= \$7,806,494



Tax Credit

- The Insure Montana Tax Credit provides a refundable tax credit to small businesses for a portion of the health insurance premium the business contributes to its employees.
- 40% of the Insure Montana funding is appropriated to the Tax Credit.



Tax Credit Payments

- Tax Credit payments:
 - \$100/month per employee if average age is less than 45;
 - \$125/month per employee if average age is 45+;
 - \$100/month per spouse; and,
 - \$40/month per dependent (other than spouse) up to two dependents.



Tax Credit Statistics

- 802 Businesses Participating
- 2,687 Employees with 1,740 Dependents = 4,427 covered lives
- Average Annual Business Incentive Payment= \$5,297
- Total Annual Cost= \$4,250,600



Senate Bill 135

- SB 135, passed in 2009, made the following changes to Insure Montana:
 - Gives flexibility in funding allocation between programs.
 - Establishes CHIP and Medicaid as a prior resource.
 - Allows businesses to purchase a group health plan considered 'not creditable coverage' while on the waiting list.
 - Tightens income restrictions.



Senate Bill 135

- Owner's Earning > \$75,000
 - Owners that earn over \$75,000 from the business and related businesses are ineligible to receive a premium assistance payment or tax credit.
 - The owner's spouse and dependents are also ineligible to receive a premium assistance payment or tax credit.
 - The business may still receive a premium incentive payment in the purchasing pool for an owner who earns more than \$75,000 (and dependents) in addition to the business' employees participating in the group health plan.
 - Tax credits are only given for employees other than the owner who earns more than \$75,000.



House Bill 258

- HB 258, passed in 2009, provided one-time only additional funding to Insure Montana.
- Revenue was from unspent cigarette tax in state special revenue.
- Provided one additional employee to handle increased caseload.
- The new funding cleared the waiting list for both the purchasing pool and the tax credit. Currently, the programs are full and again have waiting lists.



HB 2

- In 2009, HB 2 added an auditor to Insure Montana.
- This employee conducts random audits of case files and verifies information included on the small business' and employees' applications. The auditor also ensures Insure Montana staff follow regulations when determining benefit eligibility.
- One year of audits has netted approximately \$37,000 in savings.



State vs. Federal Tax Credit

Federal Tax Credit

- No owners or their family included.
- Credit amount is 35% of business premium costs.
- Less than 25 fulltime employees.
- Employee average annual income must be less than \$50,000.

State Tax Credit

- Includes owners and their family.
- Credit amount is \$100/mo or \$125/mo per employee depending on age; \$100/mo per spouse and \$40/mo per dependent.
- Must employ 2 to 9 eligible employees.
- No employee earning more than \$75,000.
- Business cannot have delinquent state income tax.



State/Federal Tax Credit Example

- Small business with 7 employees participating in the group health plan. Average annual wage of employees is \$24,000 and average age is <45.
- Business contributes 100% of the employees' monthly premium.
- Monthly premium is \$600/ month per employee. The total cost to the employer is \$50,400 annually.

<u>Insure MT tax credit</u>	\$ 8,400
<u>Federal tax credit</u>	\$17,640
<u>Insure MT and Federal tax credits</u>	\$26,040
<u>Employer Responsibility</u>	\$24,360 (48%)



Impacts of FPL Restrictions on Insure Montana

- Businesses can only offer one employer-sponsored health plan.
- All employer-sponsored health plans have participation requirements. The average number employees per participating business is three. If employees drop coverage because it is no longer affordable, the entire business may become ineligible.
- In order for small businesses to remain competitive with large employers and retain high skilled workers, the business must be able to offer health plan.



21

Legislative Performance Audit, 2010

Changes are continually being implemented to improve Insure Montana. Some recent improvements address recommendations by the LAD.

- Receive weekly electronic reports of who is covered from BCBS;
- Require all tax credit businesses submit current insurance statements at renewal;
- Require all purchasing pool businesses submit current contracts with carriers at renewal;
- Provide information to businesses on the website and through newsletters;
- Conduct insurance agent training sessions;
- Perform targeted case audits by internal auditor



22

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