

MINUTES

**MONTANA SENATE
56th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By **CHAIRMAN CHUCK SWYSGOOD**, on March 15, 1999 at 10:02 A.M., in Room 108 Capitol.

ROLL CALL

Members Present:

Sen. Chuck Swysgood, Chairman (R)
Sen. Tom Keating, Vice Chairman (R)
Sen. Tom A. Beck (R)
Sen. Chris Christiaens (D)
Sen. William Crismore (R)
Sen. Eve Franklin (D)
Sen. Greg Jergeson (D)
Sen. Bob Keenan (R)
Sen. J.D. Lynch (D)
Sen. Dale Mahlum (R)
Sen. Ken Mesaros (R)
Sen. Ken Miller (R)
Sen. Arnie Mohl (R)
Sen. Linda Nelson (D)
Sen. Debbie Shea (D)
Sen. Mike Taylor (R)
Sen. Daryl Toews (R)
Sen. Mignon Waterman (D)

Members Excused: None.

Members Absent: None.

Staff Present: Shannon Gleason, Committee Secretary
Pam Joehler, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 536, HB 470, 3/14/1999
Executive Action:

HEARING ON HB 470

Sponsor: REP. BETTY LOU KASTEN, HD 99, BROCKWAY

Proponents: Hank Hudson, Department of Public Health

Opponents: None

Opening Statement by Sponsor:

REP. KASTEN advised HB 470 was lowering the maintenance of effort for **Temporary Assistance for Needy Families (TANF)** funds from 80% to 77%. REP. KASTEN advised the committee the House amended the bill to make it effective retro to fiscal year 1999 and use the funds saved this fiscal year to reduce the deficit at the State Hospital.

Proponents' Testimony:

Hank Hudson, Department of Public Health, explained that the maintenance of effort money is state money, required to be spent in order to receive **Federal Block Grant** money and if certain performance requirements were met the amount of state money can be reduced. Mr. Hudson advised the requirements were met and therefore they are requesting a reduction of funds and returning \$3,800,000.00 to the General Fund over the next biennium.

Questions from Committee Members and Responses:

SEN. CHRISTIAENS wanted to know where the \$650,000.00 was coming from, REP. KASTEN explained the amendment made the bill effective at the beginning of this fiscal year and was the difference between 80% and 77% for this fiscal year.

SEN. CHRISTIAENS asked if the 80% was all General Fund money, REP. KASTEN advised the percentage is figured on 1994 projections. SEN CHRISTIAENS wondered if the state continued to meet performance requirements could the percentage required continue to decrease, and how low could it go. REP. KASTEN advised the Federal Government established the bottom percent and if the work requirements were not met the state would be penalized so there needs to be some money left for leeway. SEN. CHRISTIAENS wanted to know how much money 80% verses 77% was, REP. KASTEN advised 1% equaled \$260,000.00.

SEN. MOHL asked why there was no Fiscal Note, **REP. KASTEN** advised there were no appropriations. **SEN. MOHL** noted there is money going back to the General Fund. **REP. KASTEN** advised only because of the amendment done in the House, and the original bill would not affect the General Fund.

Pam Joehler advised she felt a new Fiscal Note was needed.

SEN. KEATING asked if section one referred to the next biennium and section two this biennium, **REP. KASTEN** advised that was correct. **SEN. KEATING** asked if the \$650,000.00 was appropriated for this biennium, **REP. KASTEN** advised without the amendment there would have been no money returned to the General Fund and no appropriations were made with this bill, and in the past this type of legislation has not required a Fiscal Note.

SEN. KEATING asked **SEN. MOHL** what part of the bill he thought needed a Fiscal Note, **SEN. MOHL** advised on the impact of reducing the percentage to 77%, and noted he did not understand what the \$650,000.00 was based on.

SEN. JERGESON asked if the \$650,000.00 was calculated as a reversion to the General Fund, **REP. KASTEN** replied without the amended effective date the 1999 budget would have continued and if there had been money left at the end of the year there would have been a reversion. **REP. COBB** intends to make this bill effective upon passage and he calculated the saving to the department at \$650,000.00, which could be used for the State Mental Hospital.

SEN. JERGESON commented if this expenditure was from a newly generated reversion that had not been anticipated then this is an offset and does not change the ending fund balance, however if the money had been anticipated it will change the ending fund balance and should be reviewed.

SEN. KEATING advised section one changes the level of effort percentage and affects the current biennium, however section two affects the previous biennium and the money being saved in this biennium would be used to off set the medical costs of the hospital rather than reverting to the General Fund.

REP. KASTEN referred to **Mr. Hudson** for clarification. **Mr. Hudson** agreed with **SEN. KEATING**. **SEN. KEATING** asked what the bottom line spending requirement was by the Federal Government for effort maintenance for the last biennium. **Mr. Hudson** advised the federal minimum requirement was 80%, and they were budgeted at 83%. **Mr. Hudson** explained there was always a cushion in case

sources generated less income than anticipated. **Mr. Hudson** advised if the work participation requirements were met the Federal Government reduced the required percentage, that is what happened. **REP. KASTEN's** bill will reduce the percentage ongoing. **REP. COBB** wants to capture the difference between 77% and 80% beginning this year instead of letting the current program run until the next year when the percentage would be reduced from 80% to 77%.

SEN. KEATING asked if that violated the federal requirements, **Mr. Hudson** advised it did not, and added they were notified earlier this year the performance requirements had been met.

SEN. JERGESON requested a Fiscal Note. **REP. KASTEN** advised she would request a Fiscal Note prior to executive action.

SEN. MILLER asked if section two was removed would the excess money would be reverted to the General Fund. **REP. KASTEN** believed it would.

Closing by Sponsor:

REP. KASTEN closed.

HEARING ON HB 536

Sponsor: **REP. BETTY LOU KASTEN, HD 99, BROCKWAY**

Proponents: **SEN. TOM BECK, SD 28, DEER LODGE**
Bill Jenson, Blue Cross Blue Shield(BCBS)
Claudia Clifford, State Auditor's Office
Don Allen, MT. Medical Benefits Plan
Russ Hill, New West Health Plan
Chuck Butler, Blue Cross Blue Shield
Beda Lovitt, Montana Medical Association
Page Dringman, Health Insurance Association
of America
Aidan Mhyre, Montan Comprehensive Health
Association
Pamela Kierrulff, Self

Opponents: None

Informational: **Joyce Brown,** State Employee Benefits
Glen Leavitt, Director of benefits for the
University System

Opening Statement by Sponsor:

REP. KASTEN passed out **EXHIBIT(fcs58a01)**, amendments for the bill, and advised the committee this bill raised and placed a 1% cap on the Montana Comprehensive Health Association (**MCHA**) premium, extends the base to HMO's, and allows a loan to be taken from the Board of Investments if necessary. **REP. KASTEN** advised the tobacco settlement money has been removed from this bill.

Proponents' Testimony:

Bill Jenson, BCBS, reviewed the history of **MCHA** and explained in 1997 the Legislature made **MCHA** the alternate mechanism for the federal required insurance coverage and since then **MCHA** has grown considerably. The program is funded using premiums charged to the insured and assessments against insurance carriers. **Mr. Jenson** advised the assessment needs to be increased because of the number of people being covered and the cost of care is \$3,000.00 per person over the premiums paid and that is why the base needs to be expanded to include **HMOs**. **EXHIBIT(fcs58a02)** and **EXHIBIT(fcs58a03)** were handed out and **Mr. Jenson** assured the committee efforts are being made to keep the cost down by using BCBS's provider and precertification network, annual reassessments, and a nurse to evaluate the insured. **Mr. Jenson** advised the committee next session they may be back to ask for additional funds to cover the people the legislature is requiring them to cover.

Claudia Clifford, Health Policy Specialist with the State Auditor's Office, felt this program is very important to keep people off Medicaid. **Ms. Clifford** advised the premiums are higher than a healthy person would pay, and the Insurance Commissioner was concerned with the financial security of this program. **Ms. Clifford** offered **EXHIBIT(fcs58a04)**, an amendment to broaden the base by including the state employees and university system program. **Ms. Clifford** noted this does not take place this biennium and added the Commissioner feels it is important to also get tobacco settlement money for this program. **Ms. Clifford** advised it is difficult to provide cost projections because there is no way to determine how many new people will qualify.

Don Allen, MT. Medical Benefit Plan, rose in support of the bill and felt **MCHA** is a necessary insurance provider but the base needs to be expanded in order to cover the people the previous legislature required.

Russ Hill, New West Health Plan, rose in support of the bill. **Mr. Hill** noted they were concerned with health care costs and feel

the base should be broadened and included HMO carriers but the premiums should not begin until 1/1/2000, allowing the companies to build the premium in their budgets. **Mr. Hill** advised the committee New West Health Plan is an HMO that has been in business for one year and covers 11,000 people in the state.

Chuck Butler, BCBS, rose in support of the bill and felt the 1% cap was a good idea and added BCBS pays approximately 48% of the assessment or \$2,200,000.00. **Mr. Butler** stated BCBS supports adding the HMO's to increase the base and noted BCBS collects only 10% of the allowed 12% for administrative costs. **{Tape : 1; Side : B; Approx. Time Counter : 0}**

Beda Lovitt, Montana Medical Association, advised with the number of people appearing during the House hearing, it became clear how important this program was to Montana. **Ms. Lovitt** felt the base did need to be broadened to insure continued affordable coverage.

Page Dringman, Health Insurance Association of America, advised the members covered approximately 40% of the current funding and supported the base being broadened.

Aidan Myhre, MCHA, rose in support of the bill and added she had a personal interest in the bill because it affected her father, he was once self employed and when he sold his business he had no other coverage option.

Pamela Kierhulff, advised the committee she was a cancer survivor and uses the insurance because she can not get insurance from any other source. **Ms. Kierhulff** stated she pays \$230.00 per month and has a \$2,000.00 deductible, she added if her premiums went up she did not know how she would pay for her insurance, therefore she supported broadening the base in an attempt to keep premiums down.

Informational Testimony:

Joyce Brown, Department of Administration, read **EXHIBIT (fcs58a05)**.

Glen Leavitt, Director of Benefits for the University System concurred with **Ms. Brown**.

Questions from Committee Members and Responses:

SEN. LYNCH wanted to know what happened to the employees in the state. **Mr. Butler** answered the employer would have an increase in the premiums and the employees may also have an increase. **SEN.**

LYNCH noted the \$48,000,000.00 was being paid by the employees covered under the health coverage, **Mr. Butler** agreed.

SEN. LYNCH asked why Flathead County had so many people covered, **Mr. Jenson** advised he was unsure why that was but felt it could be an awareness issue with the agents.

SEN. CHRISTIAENS asked when the 1% assessment was added if there was an offset in the premium tax, **Mr. Jenson** stated for the commercial carriers who are subject to a premium tax there is an offset, however the last legislature made a provision that the carriers can not off set the portability portion against the premium tax.

SEN. CHRISTIAENS noted HMOs do not get the off set the other carriers do, and wondered how that was fair, **Mr. Jenson** thought the Commissioner would propose everyone be eliminated for the off set and that would place everyone on equal ground.

SEN. CHRISTIAENS stated is appeared the insurance benefactors were not receiving fair treatment as some carries do pay premium tax and others don't. **Mr. Jenson** advised if you were insured through a commercial carrier you are being charged the premium tax currently.

SEN. CHRISTIAENS wanted to know if a loan was taken out how it would be paid back, **Mr. Jenson** advised the loan would be paid back through whatever assessment could be maintained, and would be the highest priority. **Mr. Jenson** noted the loan provision was there because there was no way to determine how many people would be covered over the next two years, therefore there was no way to determine the increase needed from this Legislative session.

SEN. FRANKLIN wanted to know what the current level of assessment was and how that was determined, **Ms. Clifford** advised it was a balancing act but last year \$2,100,000.00 was needed and she felt with the plan increases capped at one percent that would allow enough money to cover the plan and give carriers security the ceiling would not continue to be raised. **SEN. FRANKLIN** advised this bill is a trade off for the insurance company to get a fixed rate they can count on, but a higher premium than last year.

SEN. FRANKLIN asked if the entire assessment was not used could the money be invested for the future costs, **Ms. Clifford** advised the money would probably be rebated back if it was not needed, but noted that was up to the Commissioner and the plan administrator.

SEN. NELSON wanted to know the current rates, **Mr. Jenson** passed out **EXHIBIT(fcs58a06)** and **EXHIBIT(fcs58a07)** and noted the premiums were based on age.

SEN. BECK wanted to know if the base was broadened, if the rate would be lowered for the people paying in. **Ms. Clifford** advised it was hard to tell because the number of people signing up for the insurance was still increasing.

SEN. LYNCH wanted to know the purpose of postponing the dates and if the same would apply to school districts and local governments, **Ms. Clifford** advised the Insurance Commissioner wanted the amendments to become effective now, but felt it was fair for the state and university system not to pay until next year because the budgets for this year were already set. **Ms. Clifford** stated the school districts and local governments were not included in the amendments as they get their insurance through private carriers.

SEN. TAYLOR asked if an income tax deduction was given for profit companies and a premium tax credit for non profit companies, **Ms. Clifford** advised there was no income tax deduction, just a premium tax credit.

SEN. KEATING stated the insurance premium tax went to the General Fund and asked if there was a rebate of the insurance premium tax or just the assessment. **Ms. Clifford** advised if a carrier pays premium tax they subtract what they owe for **MCHA**, then the difference goes into the General Fund. **SEN. KEATING** thought that would reduce the General Fund and the Fiscal Note showed no reduction to the General Fund. **Ms. Clifford** advised the Fiscal Note does not take into account amendments placed today, only how the original bill affected the budget.

SEN. KEATING did not understand why the Fiscal Note would not show an impact to the General Fund and **SEN. JERGESON** advised the offset was established previously, the Fiscal Note does not show current law. **SEN. KEATING** advised that made it clear for him.

CHAIRMAN SWYSGOOD asked **Mr. Hill** if he wanted a delayed effective date because of section two. **Mr. Hill** replied that was correct and noted he did believe the HMOs should be included but they to had already set their budgets for the year.

CHAIRMAN SWYSGOOD wanted to know how that would affect the funds coming into the account. **Ms. Clifford** advised it would decrease the revenues but it was not an unreasonable request.

CHAIRMAN SWYSGOOD wanted to know what **Ms. Clifford** meant when she said there was not a lot of notice, therefore people did not show up for this hearing, **Ms. Clifford** answered in the House there was 10 days notice. **CHAIRMAN SWYSGOOD** advised this was posted for 72 hours.

Closing by Sponsor:

REP. KASTEN urged the committee to consider her amendments involving the loan provisions, but noted she had a concern with the Commissioner's amendments as she felt the stop loss provisions would place a mandate on private self insured and if that was true she opposed the amendments.

REP. KASTEN asked if the bill was passed if **SEN. BECK** would carry the bill and **CHAIRMAN SWYSGOOD** would carry the prior bill.

SEN. CHRISTIAENS wanted clarification on the stop loss provision, **Ms. Clifford** advised stop loss carriers do pay premium tax and have a member on the MCHA board, however there may be other policy reasons not to include them.

ADJOURNMENT

Adjournment: 11:30 A.M.

SEN. CHUCK SWYSGOOD, Chairman

SHANNON GLEASON, Secretary

CS/SG

EXHIBIT (fcs58aad)