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**MEMORANDUM**

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**TO:** CHAIRMAN OSMUNDSON AND MEMBERS OF THE JOINT APPROPRIATIONS  
COMMITTEE ON GENERAL GOVERNMENT  
**FROM:** DAN VILLA, BUDGET DIRECTOR  
**SUBJECT:** INSURE MONTANA BRIDGE FUNDING  
**DATE:** FEBRUARY 14, 2013

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The Insure Montana program has been a topic of debate for some time after former Governor Schweitzer proposed elimination of the program due to fiscal constraints in the fund and other opportunities for individual coverage. The Bullock Administration has, however, concluded that there needs to be adequate time for those other opportunities to take root and provide an additional, one-time-only funding “bridge” to ensure conversion for potentially impacted Montanans. This memo serves to fully quantify the problem, identify options, and propose a solution.

PROGRAM DESCRIPTION

Insure Montana was created in 2005 at the request of former Governor Brian Schweitzer and former State Auditor John Morrison as a way to provide affordable insurance to small business employees across Montana. It was funded with revenues derived from ballot initiative I-149 passed by the voters in 2004. Insure Montana is codified in [33-22-2001 through 2009 MCA](#) and [33-22-1801 through 1828 MCA](#).

Today the program has 2,055 enrollees who benefit from the Insure Montana insurance purchasing pool. The budget for the 2013 Biennium was \$20,915,342.

There are an additional 770 Montana businesses that qualify for the Insure Montana tax credit of up to \$125 per employee per month or up to 50% of the employer’s contribution toward employee premiums, whichever is less.

FUNDING CONCERNS

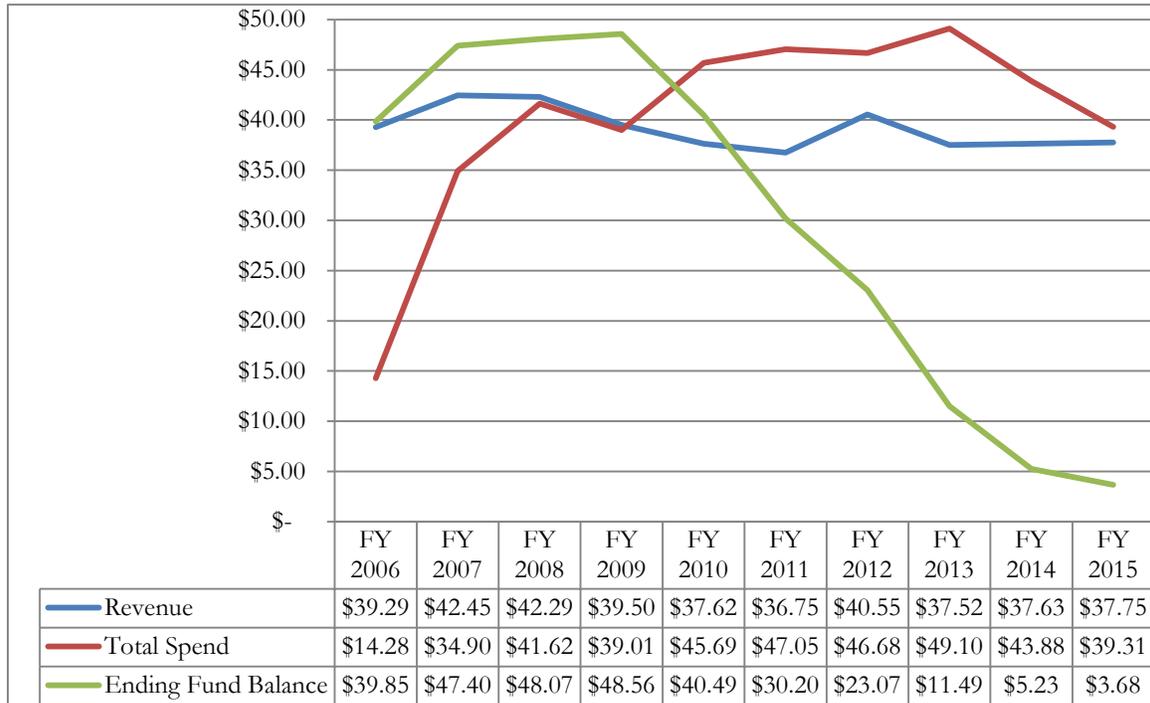
The Insure Montana program is funded with revenues from the I-149 Health and Medicaid Initiatives Account created in 2004 as a result of citizen ballot initiative to increase taxes by \$1 per pack of cigarettes. There are four major initiatives which are funded through this account pursuant to [53-6-1201 MCA](#). First, the Children’s Health Insurance Program (CHIP)/Health Montana Kids (HMK) program is funded in part with these funds. Medicaid services and provider rates are also eligible expenditures that match federal funds. Big Sky Rx, a program designed to assist seniors purchase affordable prescription drugs, is paid for by this account in its entirety. Finally, Insure Montana is also fully funded from this account.

The account has, since the passage of [HB258 in 2009](#) during the regular session, been structurally imbalanced as expenditures have exceeded revenues each year since fiscal year 2010. As the structural imbalance has continued it has drawn down ending fund balance, or the savings account for the above programs, to such an extent that there is no way to continue all of the

aforementioned programs in their current form without additional revenue. The chart below depicts this structural imbalance:

**I-149 Health and Medicaid Initiatives Account Ending Fund Balance**

**Executive Budget Assumptions (Millions \$)**



This structural imbalance, however, is not a surprise. Both the Office of Budget and Program Planning (OBPP) and the Legislative Fiscal Division (LFD) have projected this deficit spending for some time. Unfortunately, no administrative action was taken and, as a matter of fact, the Insure Montana program has expanded services since deficit spending in the I-149 Health and Medicaid Initiatives Account was identified (See the minutes from the [April 14, 2010 Insure Montana Board meeting minutes, agenda items III and IV](#)).

**CURRENT STATUS**

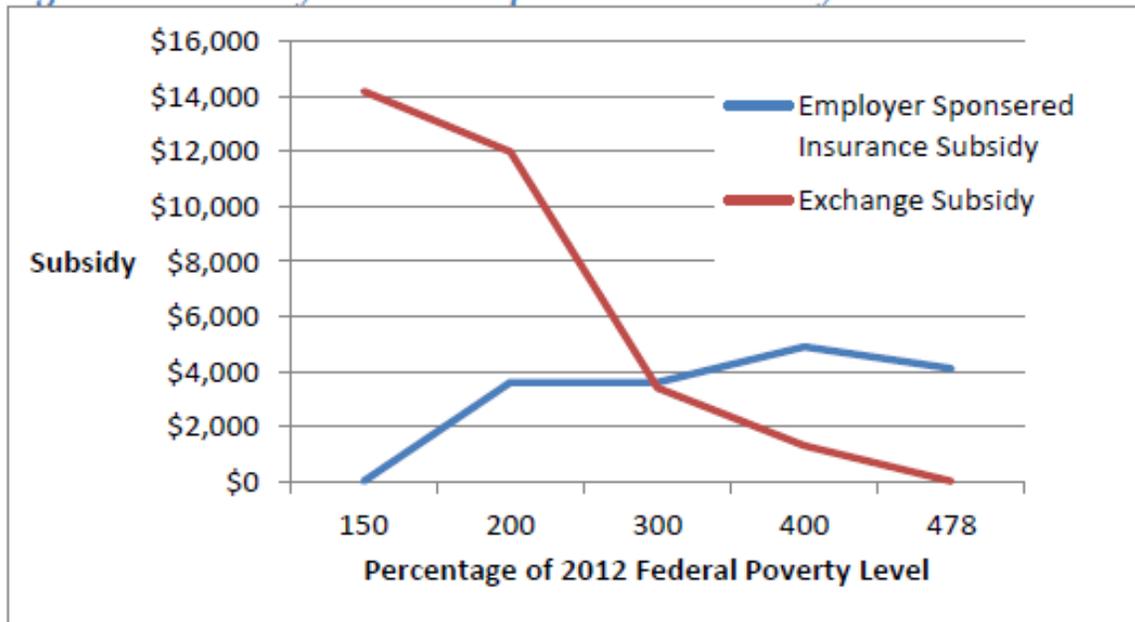
The Executive Budget proposes \$5,120,473 (\$4,864,449 once the 5% statutory restriction is applied) in I-149 tobacco tax funding to cover current enrollees for the first half of FY2014 and the second half of Plan Year (PY) 2013. This would provide for the federally facilitated exchange (health exchange) to be operational and available for Insure Montana enrollee conversion beginning in the second half of FY2014 before the beginning of PY2014. The health exchange will be operational by January 1, 2014 (See [Billings Gazette, December 9, 2012](#)). Montana is prohibited from creating our own health exchange due to passage of [SB125](#) during the 2011 Legislature.

It has been inferred that if the other programs in the I-149 account were reduced that there could be sufficient fund balance to continue full, permanent funding of Insure Montana. That simply is not true, nor would it be a wise use of tax dollars given the efficiencies which could and should be gained in the Insure Montana program.

GOVERNOR BULLOCK’S BRIDGE PROPOSAL

The first data question must be “who can get a better deal on the exchange that saves taxpayers money?” According to the Bureau of Business and Economic Research (BBER) study commissioned by the SAO, the population between 133% of the Federal Poverty Level (FPL) and 300% FPL can in fact get a better deal on the exchange while purchasing individual coverage ([pg 63, The Status of Montanas Health Insurance Population, Dec 2012](#)). HB48 of the 2013 Legislature by Rep. McChesney at the request of the SAO eliminates eligibility for those individuals above 400% FPL ([Section 2 \(4\) of HB48](#)). With an assumed Medicaid expansion to 133% FPL, that only leaves those individuals between 300% FPL and 400% FPL who cannot find a better deal through the exchange or who cannot secure coverage elsewhere.

*Figure 5.2: Subsidy Relationship to Federal Poverty Level*



*BBER, December 2012*

In order to provide that those individuals with health insurance subsidized by Insure Montana continue to have affordable health insurance, a “bridge” solution will need to address those individuals with income between 300% and 400% of the FPL. The breakdown of the assistance payments by FPL grouping is attached below.

**Employee Assistance Payments and Federal Poverty Level Comparison**

<b>Federal Poverty Level</b>	<b>Number of Employees</b>	<b>Est. Annual Cost Savings</b>	<b>Est. Biennial Cost Savings</b>
Over 400%	299	\$ 270,625.00	\$ 541,250.00
Between 300 - 400%	231	\$ 194,340.00	\$ 388,680.00
Between 250 - 300%	164	\$ 159,348.00	\$ 318,696.00
Between 200 - 250%	235	\$ 419,076.00	\$ 838,152.00
Between 175 - 200%	120	\$ 260,220.00	\$ 520,440.00
Between 133 - 175%	174	\$ 421,776.00	\$ 843,552.00
Below 133%	127	\$ 396,372.00	\$ 792,744.00
Below 100%	213	\$ 750,120.00	\$ 1,500,240.00
<b>TOTALS</b>	<b>1563</b>	<b>\$ 2,871,877.00</b>	<b>\$ 5,743,754.00</b>

*SAO, January 2013*

With these facts in mind, I would recommend the following changes be made to the program using standalone legislation and HB2 as vehicles to implement a solution:

1. Provide a one-time-only transfer from the General Fund to the I-149 account of \$8,410,035 to continue the program through PY/TY2014.
2. Require the 5% restriction funds “freed up” from passage of HB48 be used to audit the program ensuring that individuals who can acquire a lower cost alternative be moved to that lower cost insurance option by the end of PY/TY14.
3. Prohibit eligibility for those individuals and families above 400% FPL (as proposed in HB48) as well as those below 133% FPL contingent on passage of other healthcare coverage alternatives being enacted into law this session.
4. Prohibit administrative changes by the SAO and/or the Insure Montana Board to increase premium assistance or tax expenditures as was done in both 2009 and 2010. The Legislature should also resist legislation which proposes to expand the program.
5. Require the SAO begin collecting data on businesses benefitting from the Tax Credit Program of Insure Montana and prohibit participation by businesses whose employees exceed 400% FPL in accordance with [Recommendation #1 of the 2012 Legislative Audit Division Performance Audit](#).
6. Prohibit new enrollees in the Insure Montana program due to a lack of funds in the I-149 account.
7. Require a report to the 2015 Legislature by the SAO on any outstanding obligations, including TY2014 outstanding liabilities, which would prohibit any excess fund balance in the I-149 account from being returned to the general fund.

8. Adopt Decision Package NP – 3014 as presented in the Executive Budget to ensure ongoing structural balance in the I-149 account.

This solution would ensure that those who most need access to affordable health insurance receive it, those who can afford other alternatives by their own financial means do so, and that we comply with Montana law which prohibits negative fund balance.