

Draft Study Plan for Senate Joint Resolution No. 22: To Study Health Care Costs and Health Insurance Costs in Montana

Prepared by Gordy Higgins for the Joint Subcommittee on SJR 22
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Introduction

This paper presents a plan for conducting an interim legislative study of health care and health insurance in Montana. The study was requested by Senate Joint Resolution No. 22 (SJR 22) and is assigned to the Economic Affairs Interim Committee who in turn, have recommended the establishment of a joint subcommittee whose members have been selected from the Economic Affairs Interim Committee, the Legislative Finance Committee, and the Children and Families Interim Committee.

This paper consists of several parts, which are described briefly as follows:

- ? Part I explains the general purpose and requirements for the study requested by SJR 22.
- ? Part II outlines the general scope of the study, including the goals and objectives of the study as adopted by the Subcommittee on August 30, 2001. It also identifies the major study areas that will be the focus of the Committee's work.
- ? Part III suggests a general approach for conducting the study of Montana's health care and health insurance system. Included is a description of the overall study framework and a series of broad questions that should be addressed before the Subcommittee moves toward making findings, drawing conclusions, and making recommendations.
- ? Part IV presents a tentative work schedule for the completion of the study.
- ? Appendix A is a list of the Subcommittee members.
- ? Appendix B is a copy of the enrolled version of SJR 22.

I. Purpose and Study Requirements

Reacting in part to concerns raised by local government representatives, members of the Senate Local Government Committee requested a study resolution to explore rising health care costs and health care insurance in Montana with the idea that through the interim, research and analysis would generate information that would lead to effective public policy solutions and better educate legislators and the public about the connection between health care costs and health care insurance.

Senate Joint Resolution No. 22, was the third-highest ranked study in the post-session legislative poll. Its high priority is indicative of the interest and the belief by many members of the legislature and the public that health care will be a primary focus during the 2003 legislative session. The Legislative Council assigned the study to the Economic Affairs Interim Committee along with a recommendation that members from the Legislative Finance Committee and the Children and Families Interim Committee join the Economic Affairs Committee on a joint subcommittee expressly devoted to identifying the many issues associated with the resolution. An appropriation of nearly \$30,000 was placed in HB 2 to cover the expenses of the Subcommittee.

This paper seeks to provide a broad description of the many perspectives associated with health care costs and health insurance and to offer ideas for Subcommittee members to frame requests for information from stakeholders and the public as they work throughout the next 12 months. It is anticipated that the study plan and approach chosen will be a direct result of open and frank discussions among stakeholders and the Subcommittee members.

During preliminary discussions with a number of the Subcommittee members, it was determined that the development of a study approach should be an inclusive, collaborative process that draws on the expertise and knowledge of stakeholders, other Legislators, and the public. This approach begins to establish priorities and assists in allocating resources effectively and efficiently. This document will set a stage for that collaborative effort and culminate in a working document that should meet the needs of all of the participants.

II. Study Outline

At its August 30 meeting, the Subcommittee more clearly defined the scope and focus of its study of Montana's health care and health insurance system by adopting goals and objectives following discussions with system stakeholders and interested persons.

Nature and Scope of the Study

The title of SJR 22 indicates just how broad the sponsors intended this study resolution to be. The Subcommittee is "directed to study health care and the increasing cost of health insurance", analyze the findings, draw conclusions, and make recommendations to the 58th Legislature to offer a "head start" in handling a complex public policy issue.

Thankfully, in addition to the broad mandate for a systematic review, the resolution provides a number of core policy areas on which the Subcommittee is requested to focus its attention. Specifically, the policy areas are:

- ? purchasing pools for individual and small group health insurance
- ? provider reimbursement rates and cost shifting of health care costs
- ? access to affordable prescription drugs
- ? strategies to decrease the number of uninsured Montanans
- ? factors causing health insurance rates to increase above the rate of inflation
- ? the feasibility of recreating the Health Care Advisory Council

These items, in addition to a series of major study objectives discussed later will be addressed in light of two overarching goals established by the Subcommittee. Information gathered over the next 12 months will be compiled in the Subcommittee's final report and will serve to give readers a sense of how the Subcommittee came to prioritize issues and reach its conclusions.

Subcommittee Goals

On August 30, 2001, the Subcommittee, with the assistance of interested persons and stakeholders, identified two broad and related goals to be pursued throughout the course of the study. Those two goals, in no order of priority are:

- ? The recommendation of policies to provide access to affordable health insurance for as many Montanans as possible.

? The recommendation of policies that provide quality, cost-effective health care for Montanans.

Major Study Objectives

Within the context of the Subcommittee's goals, the focus of the Subcommittee's work will be to:

1. Identify the various issues and concerns associated with health care and health insurance and review the different options available for resolving those problems. This effort will include an assessment of what solutions other state's have applied, any opportunities available under Federally-administered programs, and how, if applicable, each of the individual proposals affect the overall system.
2. Identify what an appropriate health care and health insurance system should be achieving for the state's citizens with intent of developing an overall health care and health insurance policy for the state.
3. Generate a health care/health insurance inventory to develop a more complete understanding of the health care system and health insurance market in Montana.
4. Identify what the cost of health care is in Montana and what factors contribute to those costs.
5. Assess the feasibility of recreating the Health Care Advisory Council, or some other appropriate entity designed to continue the work of the Subcommittee, review the effectiveness of existing and proposed policies to meet the Subcommittee's stated goals, and advise the Executive Branch and the Legislature of viable options to continue to improve the health care and health insurance system in Montana.

III. Study Approach

The following is recommended as an approach for conducting the study outlined above:

General Study Procedure

In general, the study will consist of three phases comprising the overall framework for the study. There will be some overlap between the phases, but consistent movement toward the Subcommittee's stated goals will require that certain issues be resolved at an appropriate time or may require an opening of new issues.

Phase 1

During the first phase and throughout the course of the study, the Subcommittee will require the assistance of the state government agencies' staffs and other that have the staff and expertise to address health care and health insurance study issues. The resolution specifically lists several public and private entities that should be included in whatever study effort the Subcommittee chooses. Those entities include, but are certainly not limited to, the Office of the Insurance Commissioner, the Department of Public Health and Human Services, local government representatives, health care and health insurance consumers, providers, insurers, public employee and private sector health benefit plans, and hospitals. Those groups and many others will be in a position to provide valuable information and it is anticipated that these groups will collectively, cooperatively, and collaboratively, provide data, analyses, and other information relevant to the

study.

Some of the questions the Subcommittee should consider during this first phase are:

1. What are the features of other state's health insurance and health care programs? What factors bear special attention for purposes of comparison?
2. What are the options for maximizing Federal funding, including expanding eligibility requirements under Medicaid and CHIP and providing coverage for parents of CHIP eligible children?
3. What are the factors that cause health insurance rates to increase above the rate of inflation?
4. How are provider reimbursement rates established?
5. What is cost-shifting and what is its effect on health care costs?
6. What effect does regulation and mandated benefits have on the cost of health insurance and health care?
7. How do the following strategies work to reduce the number of uninsured Montanans, including:
 - Identifying what purchasing pools for individual and small group health insurance are, how the pools work, and how the pools should be structured to be effective.
 - Identify whether tax credits for purchasing health insurance, either alone or in conjunction with other strategies, is an appropriate and effective method of promoting access to affordable health insurance.
 - Investigate premium sharing and stop-loss coverage as practical ways of reducing the cost of health insurance and providing better access to affordable health insurance benefits.
8. What opportunities exist to provide Montanans with access to affordable prescription drugs?
9. How should health care be financed in Montana? At what level should health care and access to affordable health insurance be financed?

Phase 2

The second phase of the study would be the development of specific options to address problems and issues of major concern. To assist the Subcommittee during this phase, the staff will compile and develop options identified by Subcommittee members and others that might be of interest. The Subcommittee may then select options that it would like to have developed or analyzed further by way of appropriate research papers and interested persons testimony and other involvement. These options would then be discussed to determine their acceptability as proposed solutions and if the Subcommittee decides to pursue any of these options, the staff will perform additional research and, if requested, draft legislation for each option selected.

Additionally, testimony and discussion during the August 30, 2001, meeting raised the open question of how best to use the expertise and talents of the various stakeholders and program administrators in meeting the requirements of SJR 22. Should the Subcommittee desire, this phase of the study, where the

members are tasked with identifying specific options for additional study, may provide an opportunity to request additional assistance from the stakeholders to better understand the implications of all of the proposed options within the overall framework of the health care and health insurance system in Montana.

Phase 3

The final phase of the study will be the formulation of findings, conclusions, and recommendations. In this phase, the Subcommittee will develop the major findings for its study of health care and health insurance in Montana and draw conclusions based on the findings. In addition, the subcommittee will review options for meeting the stated goals, including options articulated as drafts of proposed legislation. Based upon its consideration of the options, including any proposed legislation, the Subcommittee would then distill the options into a "menu of alternatives". If considered appropriate, the Subcommittee could make recommendations to the 58th Legislature. The findings, conclusions, and recommendations, if any, would then be incorporated into the Subcommittee's final report to the Legislature, which will be prepared by staff at the conclusion of the study.

VI. Committee Work and Meeting Schedule

There is reasonable consensus among Subcommittee members and interested persons that future meeting dates make every effort to focus on individual topics. That being said, it is possible that certain topics or issues raised by the resolution and the Subcommittee do not lend themselves to discussion in isolation. However, every attempt will be made to spend the necessary time gathering information and presenting research to allow the Committee to make findings, draw conclusions, and make recommendations. The following schedule was adopted by the Subcommittee on August 30:

- I. October 29, 2001
? Overview of various options for increasing access to affordable health insurance and quality, cost-effective health care in Montana.
- II. November 29, 2001
? [agenda TBD]
- III. February 14, 2002
? [agenda TBD]
- IV. April 4, 2002
? [agenda TBD]
- V. June 6, 2002
? [agenda TBD]
- VI. August 15, 2002
? [agenda TBD]
- VII. September 11&12, 2002
? Review draft recommendations, any proposed draft legislation, and prepare the Subcommittee's proposals for final approval by the Economic Affairs Committee.

Additional meetings will affect the overall Subcommittee budget, but may be necessary in order to meet the demands of the resolution and the adopted study plan.

A few words on process

When the Legislative Council assigned SJR 22 to the Economic Affairs Interim Committee and recommended the establishment of a joint subcommittee, it provided, through a combination of statutory requirements and interim committee operating procedures, the manner in which findings, conclusions, and recommendations will be handled at the close of the interim. The Economic Affairs Committee has the responsibility of reviewing and acting on the recommendations of the subcommittee. However, the respective presiding officers of the Economic Affairs Committee and the SJR 22 Subcommittee believe that regular and meaningful updates to the other participating interim committees is critical to the success of the study and are committed to providing appropriate opportunities for others to be involved in the development of findings, conclusions, and recommendations. Finally, the resolution requires that all work, including the review of draft legislation, be completed no later than September 15, 2001.

Conclusion

The previous Legislature has imposed upon the Subcommittee a significant and important challenge. Previous and ongoing statewide, regional, and even national efforts to address health care and health insurance cost containment and access to affordable health care and health insurance have resulted in sweeping reform proposals, relatively minor changes in program administration, and nearly every option in between. The challenge for this Subcommittee is to identify the problems, uncover what aspects of this enormous and complicated system are under the control of the state and the legislature, and develop sensible policy options that establish a jumping off point for the next Legislative session.

This study plan was drafted with the idea that an initial, broad review of the various issues would serve to help the Subcommittee in identifying more narrow and specific areas of study. As such, it is a work in progress that when reviewed and adopted, will become a statement of the Subcommittee's goals and objectives. As a roadmap, it will provide guidance to the members, the staff, and stakeholders interested in participating in the study of health care and health insurance in Montana.

Appendix A

Membership list

SJR 22 Joint Subcommittee

Senators	Representatives
Jon Ellingson, Vice-Chairman 430 Ryman Street Missoula, MT 59802-4249 406-721-1614 (W) 406-543-5608 (H) 406-721-1615 (F) e-mail: jonelling@aol.com	Joe McKenney, Chairman 1140 18th Ave SW Great Falls, MT 59404-3426 406-452-0326 (H) 406-452-2051 (W) 406-727-1968 (F)
Dorothy Berry 852 Ponderosa Drive Hamilton, MT 59840-9121 406-363-2911 (H) 406-363-5676 (F)	Kathleen Galvin-Halcro 101 Riverview Drive E. Great Falls, MT 59404-1547 406-452-3356 (H) 406-268-3572 (W) 406-452-3356 (F) e-mail: kgalvinhalcro@aol.com
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Jerry O'Neil P.O. Box 2058 Kalispell, MT 59903-2058 406-752-8903 (H)	Michele Lee 213 West Geyser St. Livingston, MT 59407-3412 406-222-9285 (H)
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Appendix B

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING THAT AN APPROPRIATE INTERIM COMMITTEE OR SUFFICIENT STAFF RESOURCES BE DIRECTED TO STUDY HEALTH CARE AND THE INCREASING COST OF HEALTH INSURANCE.

WHEREAS, rising health care costs are detrimental to stable lifestyles and the well-being of families; and

WHEREAS, health care costs and health insurance rates are increasing above the rate of inflation; and

WHEREAS, rising health insurance costs have a significant impact on the overall personnel and salary budgets of governmental agencies; and

WHEREAS, uncompensated care is a burden on all taxpayers, insurance carriers, and insurance consumers; and

WHEREAS, prescription drug costs may be driven by advertising that extols the virtues of the newest expensive drug; and

WHEREAS, because of the increased cost, a large percentage of employers in Montana no longer offer insurance benefits to their employees and many employees who have insurance have dropped dependents from coverage; and

WHEREAS, all Montanans should have the opportunity to have health insurance coverage, yet 20% are not covered; and

WHEREAS, mandating coverage for certain health care services and providers adds to the cost of insurance; and

WHEREAS, the 58th Legislature will likely have numerous health care and health insurance issues to address; and

WHEREAS, a study of health care and health insurance and how the state might deal with rising costs will provide the members of the 58th Legislature with a head start in handling this complex problem.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the Legislative Council be requested to designate an appropriate interim committee, pursuant to section 5-5-217, MCA, or direct sufficient staff resources to study:

- (1) purchasing pools for individual and small group insurance;
- (2) provider reimbursement rates and cost shifting of health care costs;
- (3) access to affordable prescription drugs;
- (4) strategies to decrease the number of uninsured Montanans;
- (5) factors causing health insurance rates to increase above the rate of inflation;
- (6) the feasibility of recreating the Health Care Advisory Council; and
- (7) any other issues that the committee or the staff deem appropriate and relevant to the problem.

BE IT FURTHER RESOLVED, that the interim committee or the staff designated to conduct the study seek the participation and input of the Office of the Insurance Commissioner, health care and health insurance consumers, provider organizations, insurers, the Department of Public Health and Human Services, representatives of public employee and private sector health benefit plans, local government representatives, hospitals, and any other appropriate individuals or entities.

BE IT FURTHER RESOLVED, that if the study is assigned to staff, any findings or conclusions be presented to and reviewed by an appropriate committee designated by the Legislative Council.

BE IT FURTHER RESOLVED, that all aspects of the study, including presentation and review requirements, be concluded prior to September 15, 2002.

BE IT FURTHER RESOLVED, that the final results of the study, including any findings, conclusions, comments, or recommendations of the appropriate committee, be reported to the 58th Legislature.

