

Montana HB 332 Statewide School Health Trust

November 2023

LATEST SUMMARY DRAFT OF DISCUSSIONS UNDERWAY



Legislation HB 332

\$40M in funds available to first public school health insurance pool/trust to meet minimum requirements.

Legislation Highlights

- ▶ Minimum 150 districts
- ▶ Minimum 12,000 covered Employee Lives (different than member lives)
- ▶ Funds available as early as 8/15/2023
- ▶ \$40M available for pool meeting requirements by 7/1/2026
- ▶ Max 12% of annual funding spent on admin
- ▶ Equal allocation of assessment risk among members
- ▶ 5 year initial commitment, 5 year lockout period.
- ▶ Early exit possible based on renewal and claim performance.
- ▶ Will require the cooperation of all districts if it is to succeed.

We cannot do this without the support of all school districts.

1. AA districts - 16 school districts and approximately 5,700 covered employee lives
2. MUST - 217 school districts and approximately 4,500 covered non-AA employee lives
3. All other districts (including those purchasing fully insured products and members of other trusts, such as Joint Powers Trust - 170 school districts and approximately 4,500 lives.

Goals of Program

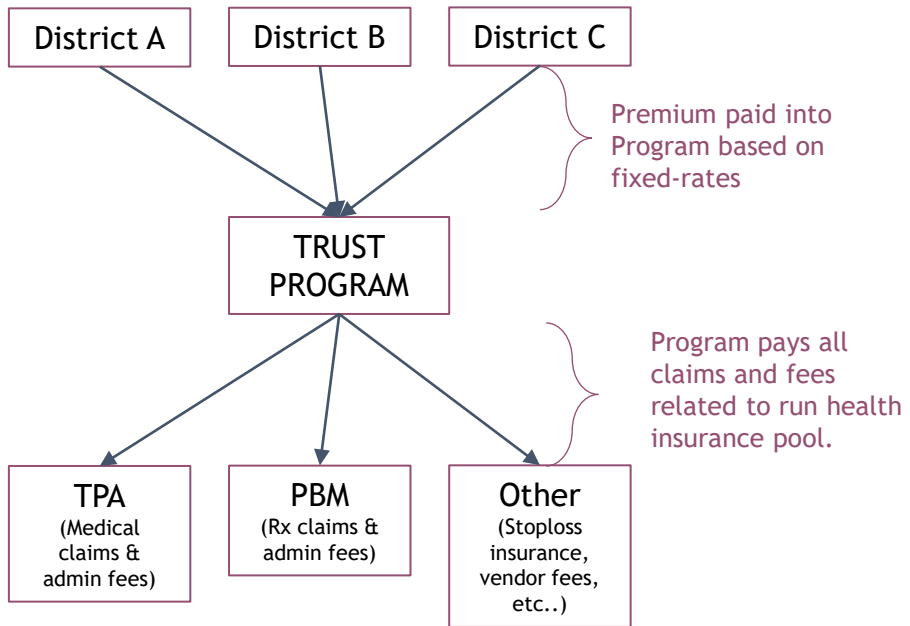
- ▶ Establish and maintain a member-directed risk sharing pool
- ▶ Offer insurance program that is cost competitive and meets the needs of Montana school districts.
- ▶ Committed to full transparency in all costs and accounting
- ▶ Create equitable risk sharing structures to ensure fairness and consistency for all members
- ▶ Offer long term stability through large pool risk sharing, fiscally prudent operations and accounting
- ▶ Achieve goals established by HB332 and obtain \$40M benefit for Montana public schools.

Governance

- ▶ **Member-Driven:** Governance by Members enrolled in the Program
- ▶ **Fair:** Each Member pays their own way through initial underwriting and application of the Renewal Allocation Methodology
- ▶ **Cost-Effective:** Pool large numbers of Members to obtain rate stability and economies of scale
- ▶ **Mitigate Risk:** Individually underwrite each prospective Member to ensure that only “good risk” groups participate in the pool and each Members is brought in at the right rate
- ▶ **Transparent:** Program level data and fixed cost data always available to Members

GUIDING PRINCIPLES

Underwriting



- Fully-pooled risk arrangement
- Underwritten and renewed as a single pool
- New business opportunities are rated appropriately based on their risk profile
- Members are brought in at the “right” rate
- Committee ensures suitable risk characteristics through new member approval process
- New groups receive the pool renewal for a specified period
- After the guarantee period, member groups are allocated the pool renewal with an adjustment based on their own performance (renewal allocation methodology)

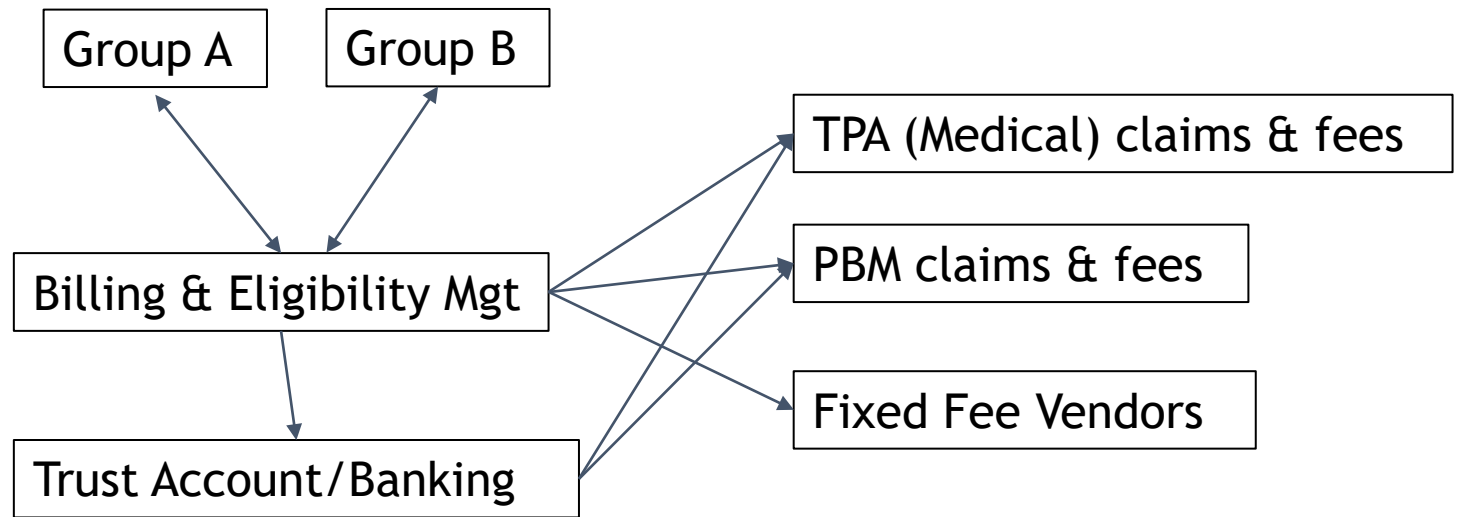
Benefits of Aggregation for Districts of all Sizes, Including both Small Employers and Large Employers under the law

Regardless of a school district's size, a statewide school health trust of this size will provide benefits otherwise unavailable to school districts purchasing health insurance or providing health benefits on their own or through smaller existing health trusts such as MUST or Joint Powers Trust.

- The concept of aggregation under this Trust will be to diversify the offerings and provide flexibility in options under the Trust to the greatest extent allowed by law, with a school district's needs as the primary consideration rather than its size.
- This will align with regulatory distinctions under the Affordable Care Act and applicable definitions under Montana law (such as the definition of "small employer" as one with 2-50 eligible employees in the preceding calendar year vs. a "large employer" as one with 51+ eligible employees). The overall goal, however, will be to ensure value-added services and products for all members of the Trust.

Administrative Structure: Data and Transactions

1. Billing & Eligibility (B&E) vendor integrates with each member to track day to day enrollment in plan (including adds/deletes)
2. B&E vendor bills each group monthly based on enrollment and fixed rates established by pool and collects funds
3. B&E vendor distributes fees to vendors operating on fixed fee basis (fixed monthly or PEPM basis)
4. B&E vendor remits all remaining funds (claim funding) to Trust Account
5. Trust Account maintains all claim funding and is connected with each member's TPA and PBM to pay claim costs via automated ACH process



Value Proposition for Participating Districts:

- Simplicity, Stability and Efficiency
- Power in Numbers: Large group purchasing leverage
- Expanded Choices: Large portfolio of benefits to choose from with known rates/costs.
- Traditional large group rate structure: no more age-banded rates.
- Flexibility in use of pre-existing reserves for districts that are currently self-funded (either through a group like MUST or individually like the AA districts). Reserves previously needed for basic financial stability and IBNR may be used to support and enhance employee benefits.
- Expertise and consultative support: consultants for program can assist with a variety of analysis and support activities
- Enhanced reporting and transparency:
 - entire program will utilize a consolidated claim data warehouse enabling sophisticated reporting capabilities for each member to help understand claim trends and utilization areas where there may be opportunities for intervention and improvements.
 - Full Transparency: all costs related to program administration and accounting are available to program members.