

Proposed 2007 Session Legislation

Agency Name & No: Department of Administration - 6101

Priority Number: 10 **Filename:** \6101\21-010

Short Title: Internal Benefits Administration

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1. Purpose:

This legislation enables the State of Montana to create and operate a claims processing system for adjudicating health care claims for publicly funded benefit plans including the State Employee Benefit Plan (Department of Administration), Children’s Health Insurance Plan-CHIP (Department of Public Health and Human Services), and the Montana University System Benefit Plan-CHOICES (Office of the Commissioner of Higher Education).

2. Background:

State Employee Benefit Plan and MUS CHOICES

The State Employee Group Benefits Advisory Council (SEGBAC) has asked staff about the possibility of developing networks and processing claims in-house. In 2001 the Employee Benefits Bureau and the MUS Benefits Office, in conjunction with the Montana Association of Health Care Purchasers (MAHCP), a large employer purchasing pool, developed a direct hospital contracting network known as Montana Direct. These hospital discounts were more advantageous than the network arrangements available through the third-party arrangement with the State Plan’s indemnity health care plan processor, Blue Cross and Blue Shield of Montana (BCBSMT). Subsequently, BCBSMT assumed these contracts and they became a part of the Montana HealthLink preferred provider organization (PPO) network. The MUS Plan moved from BCBSMT as an administrator for their indemnity health care plan to working with Allegiance Benefit Management Plan.

In addition, since 2002 the State and MUS Plans have used the competition afforded by having two health insurers based in Montana, BCBSMT and New West Health, to leverage additional competition between these

The MUS CHOICES plan is leveraging the difference in the plans to the greatest extent beginning with the July

Children’s Health Insurance Plan - CHIP

The Department of Public Health and Human Services is responsible for operation of the state Children’s Health

Federal regulations permit CHIP to be delivered in various ways. Very broadly a state may buy a fully-insured h

Additional Considerations Supporting Legislation

In March 2006, BCBSMT and New West signed a letter of intent for BCBSMT to acquire New West. In the ever

The State and MUS plans have seen a deterioration of discounts offered by third party administrators (TPAs)

due to reluctance of providers and facilities to empower the TPA with what is considered to be a revenue enhancement activity for the TPA itself. Providers have indicated that they are willing to work directly with large employers who are able to direct market share and are transparent in passing through savings to employees and retirees. The potential to create direct provider network discounts that exceed those currently available to us through our third-party arrangements is substantial.

3. Fiscal Impact by Fund Type: *This impact should be as specific as possible.*

Through 2005, the State Employee Benefit Plan expended approximately \$81 million in medical, pharmacy and dental claims. This was an increase of approximately 8.7% in cost and usage combined over the prior year period. In comparison, the BCBSMT employee plan increase was reported to be approximately 15-18%. The difference is due primarily to leveraging in the network discounts between plan offerings (BCBSMT offerings vs. New West) and management of large claims costs in the State Plan.

Development of significant network discounts would be necessary to keep plan costs down. If the State Plan trend were to increase from 8.7% to 15%, the cost would be \$5.1 million during that first year and increasing afterwards.

As of February 2006, there were over 12,000 children enrolled in the CHIP program. In federal fiscal year 2005 (ending September 30th) the CHIP program expended \$17.1 million for benefits. During the SFY06-07 biennium the program is slated to receive total funds of \$6.7 million to expand and serve additional children. To the extent that self-insuring the CHIP program provides for maximum use of funding toward delivery of bene

For the MUS Plan, currently the cost trend exhibited by the plan is much higher than projected, in large part due to the deterioration of the discounts described above. If we were able to reduce overall costs by increasing network discounts below those currently available to the MUS plan, savings would mimic the expectations for the State plan and would be in the range of \$1.8 million to \$2.2 million during the first year.

4. Summary Checklist [Check & complete all that apply]--

<input type="checkbox"/> Housekeeping Only	<input type="checkbox"/> Federal Requirement	<input type="checkbox"/> Audit Recommendation (Audit No.)	<input type="checkbox"/> Major Legislation
<input checked="" type="checkbox"/> Anticipated to be Controversial Legislation	<input type="checkbox"/> Bill Draft has been included in Legislation Submittal (if available)		
<input checked="" type="checkbox"/> Supports Submitted EPP Item Number	<input type="checkbox"/> Local Government Fiscal Impact		
<input checked="" type="checkbox"/> Increases FTE, or	<input type="checkbox"/> Decreases FTE by	List FTE amount and program	<input type="text" value="To be determined"/>
<input type="checkbox"/> Increases Existing Revenue	<input type="radio"/> Tax	<input type="radio"/> Fee	<input type="radio"/> Penalty [amount in #3]
<input type="checkbox"/> Decreases Existing Revenue	<input type="radio"/> Tax	<input type="radio"/> Fee	<input type="radio"/> Penalty [amount in #3]
<input type="checkbox"/> Establishes New Revenue	<input type="radio"/> Tax	<input type="radio"/> Fee	<input type="radio"/> Penalty [amount in #3]
<input type="checkbox"/> Leg. has been Submitted in Previous Legislative Sessions (list priority no, LC no, or bill no): <input type="text"/>			
<input checked="" type="checkbox"/> Legislation would affect other state agencies (list): <input type="text" value="DPHHS (CHIP), Montana University System(Benefits Plan)"/>			
<input checked="" type="checkbox"/> Special Interest Groups Affected (list): <input type="text" value="Third-party administrators (BCBSMT, Allegiance, New West, ACS);"/>			
<input checked="" type="checkbox"/> Other: <input type="text" value="Recommend discussions w/ DPHHS (CHIP) and OCHE Montana Univ System (Benefits Program) to a"/>			