

MINUTES

MONTANA SENATE  
54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON PUBLIC HEALTH, WELFARE & SAFETY

Call to Order: By CHAIRMAN JIM BURNETT, on February 10, 1995, at  
1:08 PM

ROLL CALL

**Members Present:**

Sen. James H. "Jim" Burnett, Chairman (R)  
Sen. Steve Benedict, Vice Chairman (R)  
Sen. Larry L. Baer (R)  
Sen. Sharon Estrada (R)  
Sen. Arnie A. Mohl (R)  
Sen. Mike Sprague (R)  
Sen. Dorothy Eck (D)  
Sen. Eve Franklin (D)  
Sen. Terry Klampe (D)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Susan Fox, Legislative Council  
Karolyn Simpson, Committee Secretary

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

**Committee Business Summary:**

Hearing: SB 194  
Executive Action: None

*{Tape: 1; Side: 1; Comments: some portions of testimony unclear due to echo &  
other noise}*

**SENATOR CHRIS CHRISTIAENS, SD 23, Great Falls,** asked for committee approval to work with the drafter to develop a bill to notify morticians of the cause of death of bodies, on which they work. A couple of sections of law, accepting and working with bodies and not knowing the cause of death, were repealed in the last session of the legislature. This situation puts the morticians at great risk. He referred to the sections of law 50-15-403 and 50-15-405.

**Motion/Vote: SENATOR BENEDICT** moved to support SENATOR CHRISTIAENS request to develop a committee bill, on which he will work with the drafter. The motion to develop the bill CARRIED UNANIMOUSLY.

HEARING ON SB 194Opening Statement by Sponsor:

SENATOR LARRY BAER, SD 38, Flathead Valley, said SB 285, which passed in the last legislative session, was supported by many legislators, but a great majority of the Legislators were told, and thought, they were supporting simply a study bill. They did not know the content of the so-called amendment, which was the Small Employer Health Insurance Availability Act. Apparently, it was attached to the bill at the time of writing, and the legislators did not know it. The result was a draconian attempt to ration health care to Montanans, incorporating a global budget system, resulting in arbitrary cutbacks in health care and services which could be offered in order to match the arbitrary government-imposed limits on resources and spending. This government takeover of the most important thing in our lives, our health, originated from the Clinton health care debacle, introduced into Montana through a group formed and known as the Montana Citizens Health Group, spearheaded by U.S. Senator Max Baucus, with frightening similarities to SB 285. SB 285 authorized the Health Care Authority to develop a system for cutting off care and services to a sick person, when continued efforts were considered no longer worthwhile by the bureaucracy, making life and death of some people, a political decision. They offered 2 choices. First a government-run single payer system, then a government-run multiple payer system. Anything government-run is no choice at all and Montanans have balked at prospects.

He attended most of the Health Care Authority district meetings and was appalled by the many violations of the open-meeting law and public participation laws. There seems to be an attitude problem among the Health Care Authority people, although many of them were friendly, cooperative and acted like real ladies and gentlemen. All of them should have acted that way, but that wasn't the case. This costly and frightening new bureaucracy was the reason for the sweeping changes made by the November 1994 elections. It simply did not work and over \$1.5 million were expended, after Legislators were misled in voting for it in the 1993 session.

The intent of SB 194 is to accomplish what well-meaning, but confused legislators originally intended, but did not receive in 1993. It renders the Health Care Authority an advisory study group for the purpose of scrutinizing and seeking solutions for health care problems in Montana, and making subsequent advisory reports to the legislature. Under it, solutions to the problems of inadequate availability, excessive cost, and quality enhancement of health care in Montana will be addressed in a reasonable and modest way, without any unwanted government control. As for the Small Employer Insurance Availability Act, the 1993 Legislature tried to address the problem of uninsurability and pre-existing conditions. In addressing this problem, it delegated responsibility to Mark O'Keefe, Commissioner of Insurance, to seek solutions to the problem. Unfortunately, directive guidelines were apparently unclear, and

the intended purpose of the Legislature was not carried out. Many feel it was Mark O'Keefe's rules that violated the true intent of the Legislature. He deferred detailed explanation of this matter to far-better proponents of SB 194. The fiscal note included with this bill is erroneous because it does not reflect the amendments added to this bill. Director Dave Lewis said the amendments render the fiscal note practically nil. **EXHIBIT 1.**

Proponents' Testimony:

**Ed Grogan, representing the Montana Medical Benefit Plan, of which he is the Administrator, and the Montana Medical Trust, Montana Business and Health Alliance,** said he supports SB 194. Montana Benefit Plan has withdrawn from Small Group Reform because they felt their existing block of business, about 9,000 small business employees in the state of Montana, would be adversely affected. All of these employees are in the Montana Medical Benefit Trust, which is a fully insured MEWA (Montana Employers Welfare Assistance). The Montana Medical Benefit Plan Inc, which insures the trust is subject to all the rules and regulations of the state of Montana that are applicable to it.

They got into the business 6 years ago because they wanted to provide good, low cost health insurance for small employers in Montana. 18 months ago, when they decided to work to repeal this, they considered repealing the entire bill. But politically, they found out this was not feasible, so they are supporting SB 194, which greatly amends the Health Care Authority and makes it the Health Care Advisory Committee, with a small budget. He said he doesn't support the total repeal without putting something in its place.

The biggest problem he has with the Small Employer Insurance Availability Act is the guaranteed issue, because the guaranteed issue simply guarantees the price is going to go up, and go up considerably some time along the way. The second problem is, it places the monkey on the back of the small businessman in Montana, groups of 3 to 25 employees. Insurance is spreading the risk, but the guaranteed issue doesn't do it. If there must be the guaranteed issue, then it should be guaranteed to everyone, then the risk is spread to everyone.

He said the Amendment (Small Employer Health Insurance Availability Act) needs to be repealed, backup and find another way for health care reform, but make it health care reform for everyone, not just for a small segment of the population.

**Arlette Randash, representing Eagle Forum,** said they solidly support SB 194 because it makes the Montana Health Care Authority an advisory board, which is what most legislators thought they were voting for when they passed SB 285 in the 1993 session. SB 194 repeals the dangerous portions of SB 285 that would have socialized medicine in Montana through global budget, caps on rural expenditures, and created mandated benefits. Families across Montana do not trust the Montana Health Care Authority or any other state agency to create "a system for limiting demand of health care services and controlling unnecessary and

inappropriate health care, which may include privatization of services that allows for consideration of an individual patient's prognosis. They know that means the government rationing of health care and they don't want any part of it. They also oppose abortion on demand, in both the Small Employer Reform and any benefit package recommended by the Montana Health Care Authority. They were ignored on all counts, despite continued utterances by the Montana Health Care Authority that its deliberations were being driven by citizen input.

We are not in a health care crisis, but in the grip of too much government interference in health care delivery and it's slowly strangling us. Chairperson Dorothy Bradley points out that in 1965, 6% of our GDP (gross domestic product) went for health care and today it's 15%. She, and the Montana Health Care Authority, failed to address the correlation between the entry of big government, Medicare and Medicaid in the 60's, and the upward spiral of health care costs. With 40% of current health care consumption being purchased with tax dollars, it should be obvious that it is government driving up the cost and more government is not the solution.

Dorothy Bradley and the Montana Health Care Authority were asked to do a job that cannot be solved on the state level alone. Solutions must be broad-based between us and the Federal Government. Unless the role of third-party payers is diminished, and people who consume health care are directly responsible for paying for it, either through their own insurance policy or out-of-pocket, there will be no solutions. SB 194 deserves favorable consideration because it recognizes the \$1.3 million Montana has invested, has realistically delivered. Socializing medicine will not solve our problems, and will endanger our health and our lives. Pass this bill and incrementally reform health insurance. It is encouraging that progress has been made toward MSA's, establishing insurance purchasing pools, giving deductibility for private insurance, purchases of health insurance, and addressing portability and pre-existing conditions.

**Susan Good, representing HEAL Montana,** testified in support of SB 194. She said, in the baffling role of health care reform, there are two global issues that override all the others: accessibility and affordability. SB 285, from the 1993 session, and particularly the Small Employer Health Insurance Availability Act, dealt with only one of these areas. The accessibility or availability was effectively addressed in SB 285. For those businesses employing 3 to 25 employees, the problem of accessibility has been solved, but at what price? At the other end of the equation, affordability was exacerbated by the fix that was applied to the accessibility issue.

According to the Insurance Commissioners, in a study recently concluded, with 4,949 small businesses responding, 89 reported they had been turned down for coverage in the previous 5 years because one or more of their group was uninsurable. Information from national studies and the Montana Health Care Authority indicate the reason most businesses do not have health insurance is they can't afford it, not that they can't get it.

Accessibility is not the main problem, but affordability is. The guaranteed issue solves the problem of accessibility, no one can be denied coverage because of their health status, but it is certain to drive up the cost of premiums, with only insurance pools could stabilize rising costs. Some insurers have stated their rates will factor in an age-percent increase because of the guaranteed issue provision. Health Affairs magazine stated there is a 5% increase in premiums resulted in a 13% decline in the number of people of covered. When the premium goes up, that's the number of people, usually healthy, who drop out.

**Dean Randash, NAPA Auto Parts, in Helena,** read his written testimony in support of SB 194. **EXHIBIT 2.**

**Greg Van Horssen, representing State Farm Insurance,** spoke in support of SB 194 and specifically addressed Section 14. State Farm supports SB 194 as a result of some problems perceived in the current Small Employer Health Insurance Availability Act. The problem is the language is primarily one of funding any shortfalls in the program. Under the program, a carrier can choose to stay in Montana in the group health market and operate under the Small Employer Health Insurance Availability Act and the rules created under that law, but State Farm believes, if a carrier chooses to stay in the group health market in Montana, that insurer should share the burden of any shortfalls in the program. If an insurer chooses not to participate in the program, they should not be required to fund any shortfalls that exist in the program. Under the current language, even an insurer who chooses not to participate in the group health market in Montana could be required to fund any shortfalls in the program. An insurer who only offers individual policies, derives no profit from a group market, could still be responsible for funding shortfalls. State Farm views this as unfair to those who hold individual policies because the increased costs, in premiums, will be passed along to the policy holders.

**Ron Kunik,** said he founded Montana Medical Benefit Plan in 1989 with the small employers in mind. He is in favor of insurance reform. This is not true insurance reform, and it is not true spreading the risk. For true insurance reform, it would have to be available and accessible to the people in Montana, and all people in Montana must pay for it. Under the current scenario of the re-insurance board and other entities, this is not the case. There are people who will pay into it, for instance, individual policy holders who will be assessed at the end of the year for premium shortfalls that the re-insurance board would get, and they have no access to this. This is not fair. He recommended true portability, which means a person can carry his insurance from his previous employer to another, and the right to carry on with affordable premiums for everybody. There should be true insurance reform with a true spreading of risk, accessible and available for every Montanan.

**Laurie Koutnik, Executive Director, Christian Coalition of Montana,** spoke briefly in support of SB 194. **EXHIBIT 3.**

**John Vandenaere,** spoke in favor of SB 194. He said, leaving the present legislation intact would have the reverse effect, which is getting more people insured.

**Opponents' Testimony:**

**Maureen Cleary-Schwinden, representing Women Involved in Farm Economics,** a group of hard-working agricultural women across the state, said she disagreed with the testimony by Susan Good and Arlette Randash, that there is no health care crisis in the state and no problem with accessibility. She said these two women must not be familiar with the Eastern part of the state or lived in a rural community. There is a crisis and there is a problem with accessibility in Eastern Montana because people there have to travel six hours to receive health care.

She sees no need to repeal something that has been in existence for such a short period of time. The Small Group Health Insurance Availability Act provides the option to many farmers and ranchers to provide insurance for their ranch hands. It's affordable and accessible, and want it to stay before pulling the rug out from under the agriculture community.

**Jean McDonald, a Public Policy Intern with the Mental Health Association of Montana,** said they oppose SB 194. The Mental Health Association feels the Small Employers Insurance Availability Act provides the assurance that people employed by small businesses have the same opportunity for health care coverage as those employed by large companies. Therefore, they are supporting other legislation related to the Small Employers Insurance Availability Act. The Mental Health Association supports the Health Care Authority and the work it has done on health care reform in Montana. They feel the members of the Authority, and their staff, already have the expertise and interest in health care that SB 194 requires in Section 4. The time, money and expertise that has been expended should not be wasted. The Mental Health Association is concerned that SB 194 will erode the Health Care Authority's autonomy by combining it with the Department of Health and Environmental Science. They think Montanans are best served by an authority not encumbered by departmental expectations.

**Jim Ahrens, President, Montana Hospital Association,** spoke briefly from his written testimony. He said they don't agree with everything the Health Care Authority did, but they did study the issues. He thinks SB 194 leads to another study. **EXHIBIT 4.**

**Peter Blouke, Director of SRS,** said he opposes SB 194. He thinks the state owes a debt of gratitude to the Health Care Authority because they did exactly what the Legislature asked them to do. They came forth with two very large, complex multi-payer and single-payer plans, and did a considerable amount of research on

health care issues in Montana. He said there is other legislation that addresses many of the concerns raised by the proponents of the bill. He urged the committee to reject SB 194 and wait for other legislation.

**Mark O'Keefe, State Auditor and Commissioner of Insurance and Securities in Montana,** said he opposes SB 194 for a number of reasons, but focused on the repeal of the Small Business Health Insurance reform passed in 1993. He said, many people don't realize that insurance reform is not health care reform or fix the problems in the health care system. No matter what is done to insurance, it will not affect the overall cost of health care, unless something is done with cost containment. He supports the data collecting portion of SB 194, but must be adequately funded. There needs to be some kind of coordinating entity for health care reform so efforts are not duplicated.

He presented background information on the Small Employer Health Insurance Availability Act. **EXHIBIT 5.** He said Montana developed its act and plans, not in secret, but in 21 public and open meetings, held since spring 1993. The health reforms contained in SB 285 are industry and consumer supported solutions to problems faced by small businesses that could not get insurance. He said the act is a private sector solution to a private sector problem, and it's not government taking over insurance, but is private sector changing the way it does business to solve a private sector problem. The Act also contains an innovative free-market approach to marketing of lower cost basic plans, which was developed by the Health Benefit Plan Committee, a group of 5 citizens.

He said, to repeal this law seems to go against the trend in this country, in terms of incremental health care reform. Should SB 285 be repealed, there may need to be a special session of the Legislature to re-enact it, within the next 12 months.

**Tanya Ask, representing Blue Cross and Blue Shield of Montana,** said the insurance industry has been criticized for a number of practices, including cancelling or non-renewing health insurance at the times people need it, taking their money until they get sick, then getting rid of them. They have also been criticized for refusing to insure people who have a medical problem and for requiring new waiting periods each time a person moves from one insurance company or contract to another. The Small Group Availability Act was designed to address those criticisms of the insurance industry. This particular act was not one which was crafted in secret. Former Governor Stan Stephens and Health Care for Montanans worked on this issue for 18 months prior to the 1993 session. These proposals were drafted by Rep. Tom Nelson as a bill he was going to introduce to the 1993 Legislative Session.

They agree with the proponents who identify health care costs as a major concern and have said that the Health Care Availability Act was not the only answer, but only part of the equation. In addition to looking at access, it is necessary to look at health care costs. The time has come to focus on health care costs, delivery and utilization of services.

{Tape: 1; Side: B}

**Bob Benson, Glacier Insurance in Kalispell,** read his testimony in opposition to SB 194. EXHIBIT 6.

**Tom Bilodean, Research Director, Montana Education Association,** said the MEA opposes SB 194. The MEA participated previous health care reform discussions, which were not conducted in secret or hidden from the public. They thought the adoption of SB 285 was good, the work of the Health Care Authority was successfully completed, and the Health Care Authority should be continued. Cost containment should be addressed and SB 194 does not address it. Without cost containment, school budgets will be consumed at an increasing rate for health care benefits, leaving less money for the schools and school employees. He said the small employer reforms previously enacted.

**Jack Molloy, M.D., Great Falls, member of the Health Care Authority,** said he opposes SB 194. He said his contingency was present at the 1993 Session, and wanted SB 285 be a study bill, but indications were, that it was not to be a study bill, but instead to be a bill that would do something for a change. Possibly, what was outlined for the Health Care Authority and what was conceived to be possible, at that time, was unrealistic, and members of the Health Care Authority knew, early on, those two plans were unrealistic, in terms of implementing them. While developing them, a lot of information was accumulated that they identified as being pertinent to improving the health care of Montana's citizens, by making it more affordable. The cost of health care is escalating and consuming a great deal of personal income. He sees many people who do not have access to health care and are willing to pay for it, were it accessible, and the problem has to be solved by some agency that has some teeth to it. Health care costs have gone down twice in the last 30 years, and both of those times were when government showed interest in health care costs being brought under control. SB 194, eliminating the Health Care Authority and making another advisory committee is another indication that government is backing away and will no longer be involved, and will cause an escalation in health care costs. He is concerned about people who do not have insurance. He read a quote from Dr. Hugh Reinhart regarding the void between government involvement, direction and developing a health care system for this country.

He said guaranteeing access to health care to all Montana citizens is a legitimate function of government and it will not be done guaranteeing affordable access and high quality health care to all those people who are willing to purchase it. That is a legitimate function of government and does not intrude into anybody's right or tread on anybody's rights, and is a responsibility of the state of Montana. It can only be done under the direction of SB 285, with the improvements being made continuously made from public input.

**Candace Torgeson, representing the Montana Cattlewomen's Association,** testified in opposition to SB 194 and said repeal of the entire Small Employers Insurance Act is excessive. She advocated amending SB 285 and continue to provide insurance availability to those who employ people.

**Milly Gutkoski, representing Montana Nurses' Association,** spoke briefly in opposition to SB 194. She said the Regional Board had not been addressed and urged retention of the Regional Board.  
**EXHIBIT 7.**

**Sharon Hoff, representing Montana Catholic Conference,** said they don't totally agree with the Health Care Authority but SB 194 is not the solution.

**Don Judge, representing Montana AFL-CIO,** said they oppose the repeal of the Health Care Authority and the Small Business Insurance Act.

**Kate Chobeaut, representing the Montana Women's Lobby,** said the money and energy that went into the Health Care Authority should not be wasted.

**Tom Hopgood, representing the Montana Health Insurance Association of American,** said **Larry Akey, representing Montana Underwriters and Independent Insurance Agents of Montana,** oppose SB 194.

**Kay Fox, representing Montana Low Income Coalition,** said they oppose SB 194.

**Lloyd Bender, representing Montana Association of Retired Persons,** said they think SB 194 would be a backwards move.

**Chris Imhoff, representing the League of Women Voters of Montana,** said her written testimony addresses the Regional Boards.  
**EXHIBIT 8.**

**Ed Caplis, representing Montana Senior Citizens Associations,** urged SB 194 be tabled.

**Russell Hill, representing the Montana Trial Lawyers Association,** oppose SB 194 because it disrupts and weakens the data collection effort.

**SENATOR EVE FRANKLIN, SD 21, Great Falls,** said she was the chief sponsor of SB 285 and opposes SB 194. She thinks it's revisionist history presented in **SENATOR BAER's** opening statements.

**Gloria Hermanson, representing the Montana Psychological Association,** testified in opposition to SB 194.

**Mary Alice Cook, representing Advocate for Montana's Children,** testified in opposition to SB 194.

Questions From Committee Members and Responses:

**SENATOR ECK** referred to page 6, saying it appears to her that the Authority has been changed to an advisory committee, and expect it to be an advisory committee. Yet, there is a rule-making process.

**SENATOR BAER** said their intent was to take most of the draconian authority of the Montana Health Care Authority and replace it with an advisory committee that could serve by addressing the health concerns and problems of the State of Montana. There needs to be some rule-making procedure within the advisory, so they can proceed in a uniform and controlled manner.

**SENATOR ECK** asked about the process and authority of an advisory committee.

**Mike Craig, Health Care Authority,** said it's his understanding, advisory committees do not write rules, but make recommendations for rules to be written, and do need a state agency.

**SENATOR KLAMPE** asked about increases in premiums resulting from carriers who choose not to stay in group health in Montana and about short falls.

**Greg Van Horssen** said his concern, on behalf of State Farm, an individual carrier and marketer of individual policies required to make up any funding shortfalls in the Small Employer Health Insurance Availability program. Because that carrier of individual policies has to fund shortfalls, the costs would be passed on to the policy holders.

**SENATOR KLAMPE** asked if there were going to be any shortfalls.

**Greg Van Horssen** said he didn't know.

**SENATOR KLAMPE** asked if participating in the shortfalls is an incentive for carriers to participate in the group health program.

**Greg Van Horssen** said he did not know if it would be an incentive.

**SENATOR BENEDICT** asked about the repealers in SB 194 and whether one of the repealers is to repeal the amendment.

**SENATOR BAER** said "Yes it is."

**SENATOR BENEDICT** referred to page 10, line 26, and asked about the January 1, 1994 date.

**SENATOR BAER** said that date was an oversight and was not correct.

**SENATOR FRANKLIN** referred to page 5, line 9, and asked if the current appointees terms were to be limited.

**SENATOR BAER** said it appears they are.

**SENATOR FRANKLIN** asked about the waste of money expended by removing members from the board before their terms had expired.

**SENATOR BAER** said he didn't think it was intended to remove people from the board before their terms had expired, but once they are expired, they would be replaced because there is a constant need for new blood and input. Furthermore, there are a lot of people who are unhappy with the current members of the board.

**SENATOR KLAMPE** asked **Mark O'Keefe** about the provision in SB 285 mandating abortion on demand, and asked for his comment.

**Mark O'Keefe** said there is a requirement for coverage under the standard plan, which is the plan for small group marketplace, and sets a ceiling on benefits. There's a requirement in that plan for coverage of pregnancy-related services. When the health benefit planning committee designed the plan, abortion services were included. His office approved the standard and basic plan. The standard plan, available voluntarily by employers, can choose a plan that has mandatory abortion coverage. The vast majority, 99%, of the small group policies do not have mandated abortion services in the plans.

**SENATOR FRANKLIN** referred to the Fiscal note and asked about the amendments.

**SENATOR BAER** said the amendments negate the fiscal note and almost all of the spending part.

**SENATOR FRANKLIN** asked if SB 194 was going to be a very different bill with the amendments.

**SENATOR BAER** said it was not, but mainly deletes section 1 of the bill, referring to the Department of Health and Environmental Sciences. It does not fall under their jurisdiction.

**SENATOR FRANKLIN** referred to section 1 deletes the provision for comprehensive state planning.

**SENATOR BAER** said the bill, itself, deletes the requirements for the organization to create a comprehensive health plan for the state, that would be imposed on the people of Montana.

**SENATOR FRANKLIN** asked for clarification, that the bill doesn't require there be specific health planning be done, but the amendment further removes the function from the advisory board to administer any state program for comprehensive health planning.

**SENATOR BAER** said the bill removes the requirement of mandating a comprehensive health plan that would be enforced without the approval of the Legislature and the people of the State of Montana. The people of Montana do not want a health care mandate from its government.

**SENATOR ECK** referred to page 2, lines 3-5, the definition of the "comprehensive state health plan" but doesn't say who develops it or who approves it, and health care department authority was stricken. The amendments on page 1, line 12, were stricken, but not amending 50-1-201. That section remains intact by not amending it. She asked **SENATOR BAER** if that was the intent.

**SENATOR BURNETT** said the amendments wouldn't be discussed until executive action on the bill.

**SENATOR ECK** asked if his intent was to remove the department from the responsibility and authority to do a comprehensive health plan.

**SENATOR BAER** replied that it is the intent to remove a mandatory required health plan as was prescribed in the Montana Health Care Authority and changed the Montana Health Care Authority into a strictly advisory body. There would be no health plan dictated to the people of Montana by the Health Care Advisory.

**SENATOR FRANKLIN** asked for clarification that there would be no mandate for health care planning as under SB 285.

**SENATOR BAER** said this is an advisory body. There will be no imposition of anything that this body comes up with. They will make suggestions to the legislature for solutions to our many health care problems for legislative action.

**SENATOR KLAMPE** asked **SENATOR BAER** if he sees small group reform as incremental health care reform.

**SENATOR BAER** said the reason he addressed the Small Employer Health Insurance Availability Act in a repealed fashion in SB 194, is because, as legislators, they run across legislation that they would like to amend or change. Sometimes it's easier to repeal the bill, rather than amend the bill, and start over, because it's a more arduous and more complicated process. At the time the bill was created, he had no information of any other propositions that were put forward in regard to this amendment. Now there are some suggestions for repealing the Small Employer Act. It is his intent not to simply abolish it, then leave it as it stands, but to repeal it, start over, and come up with a new product in an incremental process.

**SENATOR KLAMPE** asked **SENATOR BAER** if he considers the Small Employer Act as incremental health care.

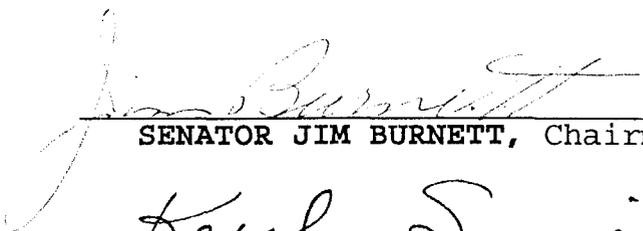
SENATOR BAER replied said he doesn't know a lot about the Small Employer Act, but doesn't see much incremental enforcement in that bill.

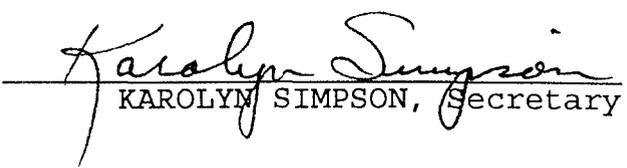
Closing by Sponsor:

SENATOR BAER said the main reason for introducing SB 194 was, in his district, the thought of government control of the most important thing in our lives, our health care, frightens people badly and they have made this a major issue in the 1994 election. These people do not want government intrusion into their lives, any more than has progressed and want to roll back government control in our lives. This, the Montana Health Care Authority, was the trigger for most of that thinking, because it is the most substantial and frightening intrusion into our lives. This couldn't even get through congress with the Democratically-controlled House and Senate, and a Democrat President. It is the intention, with this bill, to alleviate those fears by taking the mandatory requirements out of SB 285 and relegating the Montana Health Care Authority to the study group that it was originally intended to be by the Legislature. At last count, there were 41 legislators interested in repealing the Small Employer Health Insurance Act. Many of these legislators had the understanding that SB 285 would be a study, and a study only. They were shocked that it turned out to be something else. There is a need to solve the health care problems in Montana, and the best way to do it is by an unbiased and intelligent body that will make recommendations to the Legislature for action. The Legislature should be the body to make the decisions.

ADJOURNMENT

Adjournment: 2:40 PM

  
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SENATOR JIM BURNETT, Chairman

  
\_\_\_\_\_  
KAROLYN SIMPSON, Secretary

JB/ks



Amendments to Senate Bill No. 194  
First Reading Copy

Requested by Senator Baer  
For the Committee on Public Health

Prepared by Greg Petesch  
January 28, 1995

1. Title, lines 5 and 6.  
Following: ";" on line 5  
Strike: remainder of line 5 through ";" on line 6
  
2. Title, line 12.  
Strike: "50-1-201,"
  
3. Page 1, line 22 through page 2, line 14.  
Strike: section 1 in its entirety  
Renumber: subsequent sections
  
4. Page 12, lines 24 and 26.  
Strike: "12 and 13"  
Insert: "11 and 12"

February 9, 1995

SB-194- Repeal Small Employer Insurance Availability Act 33-22-1801 thru 33-22-1822

Dean M. Randash - NAPA Auto Parts

I believe that it will take insurance credentials coupled with business sense and a genuine concern for small business employees to forge small employer reform that is **affordable and accessible**. As a small businessman for over 25 years who believes and is committed to addressing the concerns of small employer reform, I can assure you that the profit margins do not exist in the small family owned businesses of Montana to absorb the unfairly, unfunded mandate of "Guaranteed Issue." Unless we fund this reform equitably we will never achieve a goal of empowering more small business employee families to be insured.

The way this program is presently structured will simply fund the medical expenses of people that never chose to have health insurance but now find themselves having huge medical care liabilities. While, the small business wage earner and his family striving to provide for his family's medical needs can't afford the additional cost of the premiums.

The rules and law That have been imposed on the small business employee are deceptive, oppressive, and financially unfair to the hard working small business employee. Let me explain:

1. Commissioner O'Keefe has mandated in his rules very deceptively but verified by him that abortion on demand is a mandated benefit in the standard plan. In his own literature he states that he used only what was in code. Where is abortion on demand specifically demanded to be a government mandated directive to be included in private insurance policies?
2. Insurance policies with a lower value than the Standard Plan can not be an underwritten. They have to be a "guaranteed Issue" plan with all of the government and department mandated benefits. The agent is forced to only sell a "guaranteed issue" policy in this price range of policies or lose his license. The employee either buys this government mandated policy or goes without insurance. For the group that can afford a more expensive policy than the Standard Plan policy, that policy can be an underwritten policy. Thereby, not be contributing to the cost of the "Guaranteed Issue" mandate. It is this very group that can most afford the extra cost of covering "guaranteed Issue".

Lets look at the financial impact.

3. The Definition of "Small Employer" 33-22-1803 (25) MCA states "Small employer means a person, firm corporation, partnership or association that is actively engaged in business and that, on at least 50% of its working days during the preceding calendar quarter, employed at least 3 but not more than 25 eligible employees, the majority of whom were employed within this state or were residents of this state." The ease of entry into this health insurance pool virtually would allow anyone In. One doesn't have to be a resident of Montana or even live in the state. If three uninsurable people form a partnership for a council business even if they don't have any clients, as long as they were in business 45 days of the last quarter, they would be eligible to get "Guaranteed Issue" health insurance in the 3 to 25 pool.

4. There are three levels of funding this government mandated "Guaranteed Issue" 3 to 25 employee health insurance pool: (1.) The regular premiums (2.) The reinsurance Premiums (3.)

Assessing "assessable carriers" for any cost that are not covered by the first two. The insurance companies have full discretion to expense their "Guaranteed Issue" cost, at least 50% of the cost directly, against the 3 to 25 employee pool or they can assess the "Guaranteed Issue" cost to all their policies. I assure you that to assess the "guaranteed Issues cost" to all policy holders could render them to not be competitive in other markets. To assess the cost against the 3 to 25 pool would drive premiums up substantially especially considering that the 3 to 25 pool has substantially fewer policies. However, this premium increase in the 3 to 25 employee market isn't all bad because in this market the insurance company doesn't want to have the lowest premium price. The lowest priced company would have to write a disproportionately great number of high risk business than the competition.

Note: ERISA and MEWAs and government employee health insurance carriers can not be charged any of the "Guaranteed Issue" cost.

5. Discuss "Leveling the Playing Field". Companies pulling out of the market. Where does competitive pricing go when this happens.

6. The impact on 3 to 25 employee employer group.

7. National Retail Federation.

8. This law and Commissioner O'Keefe's rules establish three more bureaucratic entities. They are (1.) a Health Benefit Plan Committee (2.) a Reinsurance Board (3.) Program Plan of Operation Committee. This has to cost hundreds of thousands of dollars to maintain.

Small business and their employees are vital to Montana's economic system. If we are being asked to bear our portion of the burden that is fine, but then permit us to have an equal portion of input into the crafting of a workable solution. Our first function is to provide goods and services to our communities from which we earn a profit. From that, we can equitably pay our employees who in turn sustain their families well being. Unless, this legislation is well crafted *keeping that delicate balance in mind* not only will it **result in main street unemployment**, but in the end, the cost factors already evident in small employer insurance will drive many into **dropping coverage and creating yet more uninsured**.

Big business and big government dominated and directed the crafting of The Small Employer Health Insurance Availability Act, at the expense of the small business employee. Senator Baer's bill, SB-194, acknowledges that to regain credibility with all the players it is necessary to start fresh. This new beginning will allow all players to start on equal ground. Then, by using the information and knowledge that was learned from the previous work, we can start to build a fair, new, and viable partnership. Thousands of small business wage earner families depend on a **"Do Pass" of SB 194**.

# LEVELING THE PLAYING FIELD

**BLUE Cross Blue Shield wants to "level the playing field."** They say that all the other competitors are "cherry picking" (not taking on known high risk medical patients). BC/BS is backing the Montana Health Care Authority and O'Keefe's government control program. **It also appears that Governor Racicot wants the "PLAYING FIELD LEVELED."** His silence speaks volumes for socialized health.

## ONLY SIX PLAYERS ARE LEFT SELLING 3 TO 25 EMPLOYEE SMALL BUS. HEALTH INSURANCE

96 companies have either in writing declined coverage, aren't approved or have never submitted policies.

O'Keefe's RULES became law Dec. 7, 1994

SALES RANK 11/2/94	REMAINING INSURERS offering coverage to the 3 to 25 small business group as of 1/4/95 (96 co. have left the market) (Mt. Ins. Dept.)	DIRECT A & H PREMIUMS WRITTEN	% OF INS. MKT.
1st	Blue Cross Blue Shield	\$193,029,655.00	56.0%
5th	Travelers Insurance Co. (Life Dept.)	\$ 11,886,964.00	3.5%
6th	John Alden Life Ins. Co.	\$ 9,455,822.00	2.8%
9th	Federal Home Life Ins.	\$ 7,910,621.00	2.3%
22nd	Time Ins. Co.	\$ 2,408,879.00	.7%
	New York Life	don't know	-----
1 to 25	THAT DECLINED TO PARTICIPATE (A total of 96 have left) (figures for top 25)	\$118,742,367.00	34.7%

How is Commissioner O'Keefe doing so far in "leveling the playing field?" "very good - only 5 left!"

**Remember - no competition - no check on premium prices!**

In New York State after one year of state wide participation Health Care Reform Week reports that BC/BS has dropped 400,000 high risk people to competing companys' with subsidized lower premiums. **The result is that BC/BS had a \$110,000,000.00 profit last year while the previous 2 years had losses of \$230,000,000.00 and \$181,000,000.00.**[NY Insurance Dept.,212/602-0423; HIAA 202/223-7787]

### CONCLUSION:

In my opinion for any company in a very competitive business, like the health insurance business, to acquire control of over 55% of the statewide industry, it has to have bought a lot of business over the years. This is accomplished through under pricing premiums while providing very attractive benefit offerings. Offerings like "Guaranteed Issue" to very large groups. Now that the business is "bought up" it is time to sell the idea that other companies aren't playing fair. There has to be a premium subsidized "Guaranteed Issue" offering for all of society. If this can't be implemented across the board, then start with a small segment of employer employees. The small business employee subsidizing the premiums guarantee the dumping of the companies bad policies.

If the company is not able to dump its unprofitable policies because of withdrawing players it will not be a problem. The new one company monopoly dictates its own price tag. This monopoly created by Montana top level government administrators and officials will then micro manage Montana's health care and health insurance. The "chosen company" can then continue to "Level the playing field" with out any further opposition.

It is a WIN--WIN SITUATION FOR BIG GOVERNMENT AND ONE INSURANCE CO.

Dean M. Randash - NAPA Auto Parts - Helena, Montana

*Art J. Y. ...*

Federal Life Insurance Company (Mutual)	8-23-94	N/A
Life Insurance Company of Illinois	8-21-94	N/A
North Central Life Insurance Company	8-23-94	N/A
American Western Life Insurance Company	8-23-94	N/A
Primerica Life Insurance Company	8-23-94	11-18-94
Old United Life Insurance Company	8-23-94	11-18-94
Union Security Life Insurance Company	8-23-94	N/A
Horace Mann Companies	8-24-94	11-18-94
Transport Life Insurance Company	8-24-94	11-18-94
World Service Life Insurance Company	8-24-94	11-18-94
Continental Life Insurance Company	8-24-94	11-18-94
Providers Fidelity Life Insurance Company	8-25-94	N/A
Connecticut National Life Insurance Company	8-25-94	N/A
Winterthur Life Re Insurance Company	8-26-94	N/A
Republic-Vanguard Life Insurance Company	8-26-94	N/A
Individual Assurance Company	8-31-94	N/A
Bradford National Life Insurance Company	9-1-94	N/A
Monticello Life Insurance Company	9-1-94	N/A
PWL Pension Insurance Company	9-2-94	N/A
WFL Bay State Life Insurance Company	9-2-94	N/A
Fidelity Security Life Insurance Company	9-7-94	N/A
Wausau Underwriters Insurance Company	9-7-94	N/A
Employers Life Insurance Co of Wausau	9-7-94	N/A
Employers Insurance of Wausau	9-7-94	N/A
Consumer Benefit Life Insurance Co	9-7-94	11-18-94
Keyport Life Insurance Company	9-8-94	11-18-94
O-Care Insurance Company	9-23-94	11-18-94

Colonial Life Insurance Co of America	9-23-94	N/A
Ohio National Life Insurance Company	9-27-94	11-18-94
Security Benefit Life Insurance Company	10-12-94	N/A
Pacific Mutual Life Insurance Company	10-20-94	11-18-94
PM Group Life Insurance Company	10-20-94	11-18-94
Farmland Life Insurance Company	11-1-94	11-18-94
Mutual of Omaha Insurance Company	11-15-94	11-23-94
Advance Insurance Company	11-21-94	N/A
Colonial Penn Life Insurance Company	11-18-94	12-1-94
Allstate Life Insurance Company	11-21-94	12-1-94
Northbrook Life Insurance Company	11-21-94	12-1-94
Glenbrook Life Insurance Company	11-21-94	12-1-94
Glenbrook Life and Annuity Company	11-21-94	12-1-94
Physicians Mutual Insurance Company	11-22-94	12-1-94
Physicians Life Insurance Company	11-22-94	12-1-94
Old United Insurance Companies	11-28-94	N/A
Woodmen Accident and Life Company	11-29-94	N/A
Bankers Life & Casualty Company	12-8-94	12-13-94
Washington National Insurance Company	12-5-94	12-15-94
Metropolitan Life Insurance Company	12-6-94	N/A

*Art J. Y. ...*

*WFL Bay State Life Insurance Company*

*WFL Bay State Life Insurance Company*

*WFL Bay State Life Insurance Company*

# INSURANCE COMPANIES DEC 1993 TO B. IN SMALL GROUP MARKET

These are the insurers dec 93 to be participating in the small business health insurance market. These companies are certified as small group carriers for only one other insurance plan to small businesses. These companies that are not certified may not have submitted policies to the Missouri Insurance Department or their policies are being reviewed.

Company (31 companies to date)  
 Certified as Small Group  
 Carrier as of 1/4/95

Aetna Life Insurance Co.			
American Chambers Life Insurance Co.			
American National Insurance Co.			
Bankers United Life Assurance Co.			
Best Life Assurance Company of California			
Blue Cross Blue Shield of Montana & HMO			X
Celtic Life Insurance Co.			
Centennial Life Insurance Co.			
Continental Life and Accident			
CUNA Mutual Insurance Society			
Ford-Benefits Insurance Co.			
Glacier Community Health Plan Inc.			
Golden Rule Insurance Co.			
Home Life Financial Assurance Corp.			X
John Alden Life Insurance Co.			X
John Hancock Mutual Life Insurance			
Life Investors Insurance Co of America			
Monumental Life Insurance Co.			
National Group Life Insurance Co.			
New York Life Insurance Co.			X
PFL Life Insurance Co.			
Pioneer Life Insurance Company of Illinois			
Principal Mutual Life Insurance Co.			
Security Life Insurance Company of America			
Time Insurance Co.			X
Travelers Insurance Co.			X
United of Omaha Life Insurance Co.			
United World Life Insurance Co.			
Universe Life Insurance Co.			
Western Mutual Insurance Co.			
Yellowstone Community Health Plan			

Postnet brand fax transmittal memo 7871 of pages 4

To: <u>John Randall</u>	From:
Co:	Co:
Dept:	Phone: <u>4406</u>
Fax: <u>766 443-0870</u>	Fax: <u>4406</u>

## DECLARED OUT OF SMALL GROUP MARKET 71 companies to date

Company	Letter from Company	Letter from Company
Great-West Life & Annuity Ins. Co.	4-6-94	N/A
Nationwide Life Insurance Company	4-28-94	N/A
Phoenix American Life Insurance Company	6-27-94	N/A
Phoenix Home Life Mutual Insurance Company	6-27-94	N/A
Central Reserve Life Insurance Company	7-8-94	N/A
Commercial Travelers Mutual Ins. Company	8-15-94	N/A
Monitor Life Insurance Company of New York	8-15-94	N/A
IDS Life Insurance Company	8-15-94	N/A
United Services Life Company	8-16-94	N/A
Bankers Security Life Insurance Society	8-16-94	N/A
State Life Insurance Company	8-16-94	11-18-94
Central Security Life Insurance Company	8-17-94	11-18-94
ITT Lyndon Life Insurance Company	8-17-94	N/A
Western Reinsurance Company	8-17-94	11-18-94
First UNUM Life Insurance Company	8-17-94	N/A
Family Heritage Life Insurance Company of America	8-18-94	N/A
Continental General Insurance Company	8-18-94	N/A
The Franklin Life Insurance Company	8-18-94	N/A
Metric Life Insurance Company	8-18-94	N/A
Delta Life and Annuity Company	8-19-94	N/A
United Presidential Life Insurance Company	8-19-94	N/A
EMC Insurance Companies	8-19-94	N/A
BGS Life Insurance Company	8-23-94	11-18-94

Golden Rule®

FROM  
SUZY  
KATT

Ms. Louise Ford  
State of Montana  
Department of Insurance  
Sam W. Mitchell Building  
P.O. Box 4009  
Helena, MT 59604-4009

January 23, 1995

RE: Statutory Plan Filing

Dear Ms. Ford:

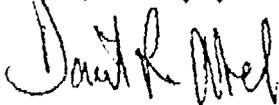
Thank you for spending your time to help us with our statutory plan filing. It was very helpful to us. I hope our comments about statutory plans and small group reform were helpful to you.

I have discussed the "pregnancy-related expense" and elective abortion exclusion issue with management at Golden Rule. Even though Bob Whiting has refiled the statutory plans with the pregnancy-related expense language as you suggested, management does not wish to risk providing coverage for elective abortion. Therefore, we are withdrawing our filing of the statutory plans.

I have also heard that our filing of the statutory plans has been perceived by the Department of Insurance that Golden Rule supports a guarantee issue product. This perception is inaccurate. Our filing of the statutory plans simply coincided with Golden Rule's objective of obtaining approval of policy forms that can be used with Medical Savings Accounts in as many states as possible.

Thank you again for the time you spent with us.

Very truly yours,



David R. Abel  
Senior Attorney

DRA/clb

cc: Suzy Katt  
Bob Whiting

c:\dra\letters\208

Golden Rule Insurance Company

Home Office  
Golden Rule Building  
712 Eleventh Street  
Lawrenceville, Illinois 62439  
Telephone (618) 943-8000

RECEIVED

JAN 23 1995

Govt Rel.

Golden Rule Insurance Company

Golden Rule Building  
7440 Woodland Drive  
Indianapolis, Indiana 46278-1719  
Telephone (317) 297-4123



EMPLOYERS HEALTH INSURANCE

**EMPHESYS**

FINANCIAL GROUP, INC.

1100 EMPLOYERS BLVD. GREEN BAY, WI 54344  
TOLL FREE: 800-558-4444

January 24, 1995

*AGENT*  
Dear John A Vandenaere:

*Company Name*  
Over the past few years, we have brought Employers Health brand of first rate products and service to the state of Montana. We are fortunate in having developed a mutually beneficial business relationship with the fine agents and brokers of Montana. Our reputation for stability and our commitment to the markets we serve is well demonstrated nationally.

I do, however, regret to inform you that effective February 28, 1995, Employers Health Insurance will no longer be distributing products in the state of Montana. This includes all Medical, Dental, Life and Short Term disability plans. Existing Long Term disability plans will continue to be administered through Employers Health Insurance.

Home Life Financial Insurance Corporation, a member of the family of companies led by Community Mutual Insurance Company of Cincinnati, Ohio, is offering to provide your groups future insurance needs. Please review their enclosed letter and proposal.

All existing quotes will be honored through January 31, 1995. Our decision to exit the state was influenced by several issues, the largest being the current legislation and the impact on small group rating and underwriting practices.

For your reference and review, we have enclosed a report of your current groups affected and a copy of the Employer letter and Employee notice.

We have appreciated the opportunity to work with you and your groups. If you have any questions regarding this notice, please feel free to contact the Employers Health Insurance Regional Sales Office in Denver, CO at 303-694-1044.

Sincerely,

Employers Health Insurance

Kenneth J. Fasola  
Vice President - Sales

Enclosures

November 28, 1994

RE: Small Employer Health Insurance Availability Act(Also called the "Amendment" to SB-285)

Dear Small Business Employer/Employee:

December 7, 1994, the small business insurance "reform" will be in force. This reform was specifically designed by Health Ins. Assoc. of America, Nat'l Assoc. of Ins. Commissioners, Commissioner O'Keefe and his staff, The Directors of Mt. Assoc. of Life Underwriters whose intent results in social engineering and government control of society. This legislation supported by Montana's largest health insurance provider/underwriter will yield great profits for some. Let us look at who will gain and who will lose.

This "reform" has initially targeted the 3 to 25 employee small business group. This employee insurance pool is mandated to have "guaranteed issue," "modified community rating," funding for "abortion on demand," "sex therapy benefits," and employs coercive measures which limit individual options and prevents mobility to other insurance pools. The provisions within the rules demand conformity to the dictated mandates, while forcing those very same participants to perhaps subsidize all the uninsurable and high medical cost patients in society. The bureaucrats have succeeded in generating more government control and mandating social behaviors and norms.

Insurance agents may earn big commissions by policing and rewriting millions of dollars of high risk high priced policies, in effect prior to December 7, 1994, to lower priced subsidized policies mandated by O'Keefe's rules and the new law. The rewritten policies may virtually eliminate Montana's largest health insurance company's portfolio of high risk unprofitable policies that have accumulated over the years. The high risk policies rewritten into the 3 to 25 employee insurance pool will be subsidized by the healthy employees; thereby, providing bargain rate premiums for the sick. Also, there is no consideration as to the high risk policy holder's ability to pay their own premiums. The 3 to 25 employee wage earner will be subsidizing millions of dollars in premiums that the policy holder might well afford. There are no limitations or restrictions, 3 AIDS patients from out of state could pay \$10.00 for a business license and get subsidized medical care forever. Some agents, insurance companies, and bureaucrats all profit in big ways, at the expense of legitimate small business employees.

This 3 to 25 employee small business group is the least able wage earner to afford this "reform". This group of wage earners earn an average of \$17,848.00, 30% less than the larger firms employing 25 or more employees which earn on the average \$23,189.00. The current number of insurance policies in this 3 to 25 employee pool is 12% (36,000) of Montana's 278,249 labor force. 242,000 of Montana wage earners are exempted from compulsory participation. The reinsurance rates that are charged insurance carriers to cover the once uninsurable and high cost medical patients is very substantial. These increases start at \$58.61 and go up to \$573.69 per month for every policy(see the reinsurance rate chart). The carriers will pass the additional expenses on to this lowest paid wage earner group. These employees and their families will be forced to drop health insurance as the government mandated charade continues to escalate in cost. Meanwhile, insurance agents, insurance companies and government bureaucrats profit handsomely. The 242,000 exempted employees are not effected. The 3 to 25 employee and his family is sacrificed for the benefit of O'Keefe's "Sick People's Pool".

Our society should help in meeting the medical needs of the "uninsurable;" who are truly unable to pay the full premium, however, this entitlement needs to be funded by taxing **unearned and earned income**. Deceptively mandating this entitlement cost to one very small group of wage earners is unforgivable. Montana's hard working employees do not deserve being treated with a deception that hides what is truly an employer/employee mandate to finance a huge new entitlement program.(see O'Keefe's "FACT SHEET")

**\*\* Please protest this injustice by calling or writing Governor Racicot and your legislators\*\***

Dean M. Randash - National Delegate 1995 White House Conference on Small Business

# **SMALL BUSINESS HEALTH INSURANCE REFORM**

STATE AUDITOR MARK O'Keefe

Small business insurance reform is designed to make health insurance more available to Montana's small businesses (with 3 to 25 employees working full time or 30 or more hours a week).

The plans will be available to small businesses some time after December 7th this year. Business can't be refused a policy if they apply for one.

This Myth/Fact sheet is designed to help you learn more about the reforms and to refute any misinformation that is circulating. Call Dept. at 1-800-332-6148.

**CORRECTED**

## MYTH

## FACT

## REALITY

(O'Keefe says statements are myth)

(O'Keefe says these are the facts)

(O'Keefe forgot a few facts)

Employers must buy this health insurance (this is an employer mandate)

This is a complete voluntary program for small business.

Employers and employees that are covered by health insurance are compelled to purchase a "Basic Plan" or a "Standard Plan" (at renewal time) or not have health insurance.

The only plans for sale are mandated "Guaranteed Issue" with "Modified Community Rating"

This new entitlement is mostly funded by employees of the 3 to 25 employee businesses who currently have health insurance. Excluded are federal rules health plans, all state employee plans and those that don't have health insurance. This leaves you and I which are only 12% of the Montana labor force to pay for O'Keefe's "Sick People's Pool". If you want affordable insurance contact the Governor & Legislature.

This plan creates a so called "Sick People's Pool."

There is no "Sick People's Pool" currently, if you have insurance, you're pooled with sick and healthy people. The same is true with this insurance reform.

With no restrictions on preexisting conditions the uninsurable sick people will stampede to sign up for "Gauranteed Issue" health insurance. (More sick people than healthy)

The state insurance department is using rulemaking authority as an unrestricted license to dictate employer/employee mandates.

The insurance department held 10 months of public meetings on the rules that have been implemented. The rules are a result of those meetings.

The citizens draft committee and the public input are mere suggestions. The Insurance Commissioner is the final decision. NO ONE overrules his decisions (Benefits or Rules)

The plans create new "mandated benefits" that insurers must offer to small businesses and their employees.

No new "mandated benefits" are created. The health plans include all mandated benefits, passed previously by the Montana Legislature.

Benefits not legislatively mandated but mandated by Commissioner:

- Abortion on Demand
- Contraceptive Counseling
- Sexual Counseling

People opposed to financing abortion are forced to be second class citizens. They can't purchase the "Standard Plan" they have to purchase the "Basic Plan" because of mandated abortion on demand and mandated contraception and sex counseling benefits in every premium for anyone.

Small businesses and their employees must pay the cost of providing reinsurance under these plans.

No business or worker pays for reinsurance, insurers will pay for reinsurance, if they choose to buy it.

The insured doesn't directly pay the reinsurance premium - he pays a new regular premium price that has the reinsurance amount add to it

# MYTH

(Continued)

Employees can't opt out of this insurance if the employer participates.

Employers can't opt out or buy less-expensive underwritten insurance.

**O'Keefe's new meaning of "Voluntary" is: The only policies offered for sale to you are "Guaranteed Issue," "Modified Community Rating," and "Department Mandated" policies or you voluntarily have no insurance. Insurance agents will loose their license if they sell anything but "Government Mandated" policies.**

The state insurance Department said all "uninsurable" persons can buy insurance.

**There is no restrictions or limitations as to the severity of illness or consideration to the cost of permanent care. Three AIDS patients can pay \$10.00 for a business license and get unlimited health care from this insurance pool.**

Small business health insurance reform will drive up the premiums for everyone.

This 3-25 employee ins. pool (12% of the Montana wage earners-36,000 policies) will be subsidizing high risk medical patients that are able to pay their own insurance premiums and those that aren't. The 3-25 pool wage earners earn 30% less wages than the 242,000 employees that are exempt. O'Keefe says he has 5000 more people to sign up Dec. 7. (High Risk)

# FACT

(Continued)

Workers can refuse coverage if, for instance, they have comparable or better coverage under another plan or they show the new plan imposes high cost.

Employers can choose: They can voluntarily purchase this insurance, buy other underwritten plans on the market or not buy any insurance at all.

The Montana Legislature established that all applicants can buy a policy.

Some participants' premiums might go up and other participants' premiums might go down. The goal: To reduce rate disparities and control premium hikes.

# REALITY

(Continued)

## EMPLOYER OPTIONS:

- Mandated: guaranteed issue-modified community rated-other mandates- reinsurance charges
- NO insurance at all

## EMPLOYEE OPTIONS:

- Mandated: guaranteed issue-modified community rated-other mandates- reinsurance charges
- NO insurance at all

The legislature said "to establish limitations on the use of preexisting condition exclusions," [MCA 33-22-1802(e)].

O'Keefe has rules with no limitations what so ever, not even state residency.

With the modified community rating - the healthy insured premium will increase disproportionate to the decrease of the old or sick. The young healthy will drop coverage because of expense, the rest of the premiums will go ballistic because of the ever building

**"SICK PEOPLE'S POOL."**

**LEGISLATIVE ALERT:** At a meeting Nov. 22nd with Governor Racicot, I understood that he wants to think about it. If the Governor doesn't hear from you, you and I will be paying for O'Keefe's "Sick People's Pool". Federal law prevents the state from forcing the other 242,000 employees into compulsory participation.

Nobody is standing up in our defense because we are too small a group, we don't matter.

*Your health insurance will soon be unaffordable if you don't call or write*

**your state Senator and Representative and**

**Governor Racicot - Capitol Station - Helena, MT. 59624 406-444-3111 FAX 406-444-4151**

**USE YOUR VOICE OR LOSE YOUR INSURANCE \*\* STAND AGAINST TYRANNY**

Dean M. Randash - NAPA Auto Parts - Helena, Montana 59601

# 2ND EMPLOYEE HEALTH INSURANCE NOTICE

**DEPARTMENT RULES:** The department has RULED, without limitations, the right to "Guaranteed Issue", "Modified Community Rating" and "Department Mandated Benefits" for a person that is uninsurable. The cost is passed on to the currently insured small employer and the employees. No one in this employment group escapes the cost. There is no opting out of this department mandated RULES or getting less expensive underwritten insurance except to go without insurance.

## SMALL EMPLOYER HEALTH INSURANCE AVAILABILITY ACT -- Referred to as the "Amendment"

These are the rates that your present insurance company will be charged as a fee to pay for this new entitlement that has been forced on us by Commissioner O'Keefe's rules and Governor Racicot. (He signed the original bill.) The 3-25 employee pool is only 12% (36,000) wage earners of Montana that will be paying for most of this entitlement. The rest of the 242,000 Montana workers are exempted from paying. The department mandated wage earners earn 30% less wages than the 242,000 that are exempt.

### USE YOUR VOICE OR LOSE YOUR INSURANCE

#### Reinsurance Premium Rates-Prem. charged each insurance co. for each policy to pay for High Risk & Uninsured

MONTANA STANDARD PLAN REINSURANCE RATES						
December 7, 1994	MONTHLY GROUP RATES			MONTHLY INDIVIDUAL RATES		
	INDEMNITY PLAN		HMO PLAN	INDEMNITY PLAN		HMO PLAN
AGE PER ADULT	WITH PPO	NO PPO		WITH PPO	NO PPO	
UNDER 30	\$58.61	\$65.12	\$62.75	\$195.37	\$217.07	\$209.16
30 - 34	\$66.98	\$74.43	\$71.71	\$223.28	\$248.08	\$248.08
35 - 39	\$75.36	\$83.73	\$80.68	\$251.18	\$279.09	\$268.92
40 - 44	\$83.73	\$93.03	\$89.64	\$279.09	\$310.1	\$298.8
45 - 49	\$92.10	\$102.33	\$98.61	\$307.00	\$341.11	\$328.68
50 - 54	\$104.66	\$116.29	\$112.05	\$348.87	\$387.63	\$373.50
55 - 59	\$129.78	\$144.20	\$138.94	\$432.60	\$480.66	\$463.15
60 +	\$154.90	\$172.11	\$165.84	\$516.32	\$573.69	\$552.79
PER CHILD	\$25.06	\$27.84	\$26.83	\$83.53	\$92.81	\$89.43

Duplicate this and pass it out to employees and other business-

## STOP THIS ENTITLEMENT FOR BIG INSURANCE CO. & BIG GOV'T

Contact Governor Racicot and your Representative and Senator.

Ask them to please stop this from going into effect and then to repeal it in its entirety.--

1. It discriminates against small business employees(3-25 small business group) only 12% of Montana labor..
2. It will render health insurance unaffordable for presently insured wage earners and their families.
3. O'Keefe has exceeded his authority in mandating this entitlement.

**LET US FUND THIS WITH UNEARNED & EARNED INCOME - NOT INSURANCE PREMIUMS**

**GOVERNOR RACICOT -- Capitol Station - Helena, Montana 59620 -- PHONE: 406-444-3111 FAX: 406-444-4152**

Dean M. Randash  
 NAPA AUTO PARTS  
 2530 No. Montana Avenue  
 Helena, Montana 59601

**BULK RATE  
 U.S. POSTAGE  
 PAID  
 HELENA, MT  
 PERMIT NO. 174**



Retailing is highly labor-intensive and competitive. Its profit margins are very thin, and can be as low as 1 to 3 cents on the dollar. Since 1990, over 50,000 retailers have filed for bankruptcy. Forty-three of the top 100 department stores operating in 1980 are no longer in business.

**Any Form Of An Employer Mandate Disproportionately Impacts the Retail Industry**

Because a mandate requiring employers to pay their employees' health insurance premiums translates directly into increased labor costs, its impact will be felt most strongly in labor-intensive industries with high concentrations of lower-wage workers such as the retail industry. The continued ability of Montgomery Ward and other U.S. retailers to create jobs and to contribute to national economic prosperity would be threatened by the massive new costs that such a mandate would impose on employers.

Productivity data underscores why an employer mandate would have disastrous consequences for the retail industry. On an annual basis, a full-time equivalent retail employee produces \$1740 in corporate earnings while a full-time manufacturing employee produces \$6447 in corporate earnings. Thus, on average, it takes over 3.7 retail employees to equal the productivity of a single manufacturing employee. According to the Employment Policies Institute, the retail sector ranks lowest in per-worker contribution to company earnings.

PRODUCTIVITY AND HEALTH CARE COSTS IN RETAILING COMPARED WITH MANUFACTURING					
	Annual Corporate Earnings Per FTE <sup>1</sup>	Employer Cost of Individual Health Care <sup>2</sup>	Cost of Individual Coverage as % of Earnings <sup>3</sup>	Employer Cost of Family Coverage as % of Earnings <sup>4</sup>	Cost of Family Coverage as % of Earnings <sup>5</sup>
Retailing	\$1,740	\$1,656	95.2%	\$3,864	222.1%
Manufacturing	\$6,447	\$1,656	25.7%	\$3,864	59.9%

As detailed in the chart above, a mandate requiring employers to pay 80 percent of their employees' health insurance premiums would cost retailers \$1,656 per year for single coverage. This is 95.2% of what a full-time retail employee produces in earnings. Eighty percent of family coverage, would cost \$3,864 or 222.1% of what a full-time retail employee produces in earnings. The cost-earnings difference for part-time workers

5 Source: "Survey of Current Business," Aug. 1993, Bur. of Economic Analysis, U.S. Dept of Commerce. \$6,447 company earnings per full-time equivalent manufacturing employee/\$1,740 company earnings per full-time equivalent retail employee = 3.7:1.

6 Employers mandated to pay 80% of the cost of individual coverage of the \$2070 per year (1.5% above the Administration's estimate per estimate by the CBO), or \$1656.

7 \$1656 employer cost/\$1740 company earnings per full-time equivalent = 95.2%  
\$1656 employer cost/\$6447 company earnings per full-time equivalent = 25.7%

8 Family coverage would cost 80% of \$4830 per year (per CBO), or \$3864.

9 Retail: \$3864 employer cost/\$1740 company earnings per full-time equivalent = 222.1%. Manufacturing: \$3864 employer cost/\$6447 company earnings per full-time equivalent = 59.9%.

**NATIONAL RETAIL FEDERATION**

701 PENNSYLVANIA AVENUE, N.W. • SUITE 710 • WASHINGTON, D.C. 20004 • (202) 783-7971

STATEMENT OF BERNARD F. BRENNAN

ON BEHALF OF THE

NATIONAL RETAIL FEDERATION

CHAIRMAN OF THE BOARD AND CEO,

MONTGOMERY WARD AND CO.

BEFORE THE

SENATE FINANCE COMMITTEE

MARCH 17, 1994

## *Job Losses Under An Employer Mandate*

Because many retail employees are at or near minimum wage, their cash compensation cannot be altered. Thus, retailers cannot, as can higher-wage employers, shift the increased costs resulting from an employer mandate back on to wages. Nor can retailers simply pass these cost increases onto customers through price increases. Many retail purchases are discretionary in nature and deferrable. Also, due to intense competition, major segments of the retail industry are experiencing price deflation in many merchandise categories. During the 1980's, retail square footage grew by over 50% while the population increased by only 10%. This resulted in extensive pricing pressure on all retailers causing price decreases in many products. Bureau of Labor Statistics data disclose that the 75 billion dollar consumer electronic industry has experienced significant deflation since 1989. This is true at Montgomery Ward as well since our products are priced very competitively in the market. As an example, industry figures show that the average price of a camcorder in 1989 was \$1014 compared to \$777 in 1993. The average price for VCR's in 1989 was \$329 which has decreased to \$239 in 1993. It is obvious that in the current low-margin retail industry, we simply cannot pass higher prices on to consumers.

Since we are unable to recoup costs through price increases, cannot shift increases in labor costs to low-wage employees and cannot operate at a loss and remain a viable business, we are left with but one choice under a health care employer mandate: to reduce labor costs through a reduction of jobs and wages. Basic economics require that an essential relationship must exist between the compensation provided an employee (wages and benefits) and the economic value received by the employer.

As the author of one study on employer mandates notes, "[w]hen industries cannot shift [increased labor costs] the inevitable result is the loss of jobs, with the job loss increasing with the unshiftable cost."<sup>14</sup> This statement is consistent with mainstream economic thought.

For example:

- Leading Democratic economist Lester C. Thurow of MIT's Sloan School of Management stated that "The Europeans have taught us that mandated benefits end up pricing labor out".<sup>15</sup>
- A survey of leading American economists conducted by the University of New Hampshire revealed that 80 percent believe that imposition of an employer mandate will result in the loss of lower-wage jobs.
- The Joint Committee on Taxation, in its analysis of the Health Security Act's employer mandate, noted that "[e]conomists generally believe that payroll taxes are borne by employees."
- Robert Shapiro, Vice President of the Progressive Policy Institute, wrote in the New Democrat that "[f]ar from guaranteeing benefits to low-skilled workers, a rigid employer mandate, by the economics of it, would probably cost many of them their jobs."

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<sup>14</sup> O'Neill et al.

<sup>15</sup> Business Week, January 24, 1994.

Mr. Chairman, members of the Senate Public Health, Welfare and Safety:

For the record, my name is Laurie Koutnik, Executive Director of Christian Coalition of Montana, our state's largest family advocacy organization, and I rise in support of Sen. Baer's proposed SB 194.

From the beginning of the Health Care debate, Christian Coalition has been involved at all levels of participation. We have not only attended city, regional, and MHCA hearings, but we also held a joint press conference on our concerns with six other grassroots organizations for Gov. Marc Racicot. We also sent mailings to legislators with information and concerns we held. It was in this process that we heard repeatedly from legislators that their intention in SB 285 was to create the Montana Health Care Authority as a fact finding commission on health care in Montana. All were surprised to see that the amendment they agreed to without knowing, had set in place Commissioner O'Keefe to implement the small employers' health care reform. None had intended that the newly constructed \$1.3 million MHCA would become an ongoing new bureaucracy. All had expressed that the purpose of the Authority was to develop proposals for the single payer and multi-payer plans to be presented to the next legislative session.

In following these proceedings, much has been learned about health care in this state. And though the Authority has become a so-called expert in these findings, their intended work has been done.

Individuals across this state as well as across America have had every opportunity to address their concerns, and they have made a profound statement. They alone want the right to choose their health care, not government. They join the 72% of Americans who are satisfied with the quality of their health care plan. Sixty-nine percent are satisfied with the availability. In fact, they do not believe we have a health care crisis at all.

One-seventh of the entire American population lacks health insurance -- but not health care. This is not a crisis as Pres. Clinton would have us to believe. The crisis would be in trying to fund any of these proposals with tax dollars of the citizens of this country.

While availability seems a major concern, affordability is really the issue. In fact "guaranteed issue" is the real problem. Although this sounds like a good idea to cover everyone, what we are doing is really creating a huge unfunded mandate to cover the care of people already sick. As premiums rise to cover these individuals, the already insured will be priced out of the plan, drop their coverage, and the plan's premiums will rise again. And this vicious cycle is doomed to keep repeating.

It would seem better solutions could be found in medical IRAs, portability, guaranteed renewability, and establishing a high risk pool by the state for all those who cannot get insurance.

We simply cannot afford funding socialized programs for all, not only because of financial considerations, but more importantly for health considerations.

There are grave implications in establishing a health care data base and allowing some arbitrary

source the right to make decisions that have life and death consequences. This is too dear to play politics with, yet many times politics was the real issue in the health care debate. Nowhere was this more evident than in the proposed Small Employer Health Insurance Plan. Repeatedly our organization along with the Catholic Conference, and the Montana Right to Life organization requested that abortion coverage be dropped from the pregnancy related services section of this plan. Even the governor asked Mr. O'Keefe to remove this elective surgery. He has repeatedly refused to because of the political ramifications. Even the MHCA in their electronic forums substantiated that the majority of Montanans did not want abortion included in the health plan at all. But still abortion is in the plan and recommendations of the one to subsume by MHCA.

People of Montana deserve better. To establish the MHCA as an advisory board is more appropriate since they have a handle on the issue. But to continue to fund them at the current or ever-rising level would be to turn a deaf ear to the taxpayers of this state. And to allow the Small Employer Plan to continue is discriminating against small employers, especially those who hold life dear.

Let's not be caught like the patient in the hospital with a gown not of his own choosing, never quite covering the gaps, extremely costly, and leaving him feeling a bit uneasy. Pull the plug on the current provisions of the MHCA, revise it's purpose, and repeal this unfair small payer health insurance mandate. Support SB 194.

Respectfully submitted:  
Laurie Koutnik, Executive Director  
Christian Coalition of Montana  
2/10/95



SENATE HEALTH & WELFARE  
EXHIBIT NO. 4  
DATE 2/10/95  
BILL NO SB 194

**Testimony by the  
Montana Hospital Association  
before the  
Senate Public Health, Welfare & Safety Committee  
February 10, 1995  
SB 194**

Mr. Chairman, members of the Committee, my name is Jim Ahrens, I am president of the Montana Hospital Association.

The Montana Hospital Association represents 55 community hospitals and medical assistance facilities. Forty-five of these also have long-term care facilities.

Two years ago, the Legislature recognized that there are problems with the health care system in our state. The Legislature recognized that too many people are uninsured or underinsured, that for too many Montanans, the cost of health care treatment is too high, and that for too many Montanans, access to health care services is limited.

In enacting S 285, the Legislature affirmed that every Montanan should have access to affordable and high quality health care services and laid out a process for achieving these goals.

MHA doesn't agree with every proposal included in the Authority's two statewide universal access plans, or its Sequential, Market-Based Plan. But we applaud the Health Care Authority for the job it has done in analyzing the health care system and evaluating the options for addressing the problems facing the health care system.

The problems that led to passage of S 285 have not gone away. And, failure to address these problems now will only make them worse in the future.

Our concern with this bill is that it proposes to do nothing more than study the issue some more.

The Health Care Authority has already conducted that study. Now we need to move forward and start working on solutions to these problems. To do that we need a health care policy voice in state government, not an advisory committee.

Let me make it clear that MHA is not wedded to the notion of a health care authority. But we do believe it is essential that there be a clearinghouse for health care policy. We don't care if the Authority fulfills this role or an agency in the Department of Health—but we do believe there must be a place where health care policy is coordinated.

Second, we are opposed to elimination of the process for obtaining Certificates of

## Public Advantage.

The Certificate of Public Advantage section was designed to enable hospitals to collaborate without running afoul of federal anti-trust laws. This law is based on the idea that competition in health care—unlike the rest of the economy—leads to increased costs.

By working together—by sharing equipment, services, and personnel—hospitals can cut their costs. We are seeing examples of this kind of collaboration all over the state. Hospitals in the far eastern section of the state have for some time operated as a network. The 10 hospitals in northwest Montana are establishing a network, and hospitals in the golden triangle will soon begin a similar process. In Missoula, the two hospitals have a long record of collaboration. And, of course, the two hospitals in Great Falls are proposing a merger.

These efforts just scratch the surface. They provide significant savings, but even more savings will come when hospitals, their medical staffs and insurers work together to develop coordinated systems for providing care.

Up to now, the threat of federal anti-trust action against hospitals that want to collaborate has been a barrier to many potential collaborative ventures. Establishing the Certificate of Public Advantage process removes that fear. We believe this process needs to be retained and expanded to cover hospital mergers. Moreover, in the future, we believe this process should probably be expanded to include integrated delivery systems.

Finally, we are opposed to repeal of the small group insurance reforms.

The Legislature in 1993 took a giant step forward in enacting the small group insurance reforms. They alone will not solve the health care problems facing our state. But these problems cannot be solved unless we address health insurance reforms.

These reforms were backed by providers, insurers and consumers. To repeal them now would be a major step backward.

Thank you.

# Small Business Health Insurance Reform

## Small Employer Health Insurance Availability Act

The Small Employer Health Insurance Availability Act, passed by the 1993 Montana Legislature, is based on a model act designed by the National Association of Insurance Commissioners and adopted in similar form by 33 other states.

The NAIC developed the model act in consultation with insurers and agent associations, consumer groups and small business representatives.

Small business health insurance reforms, contained in Senate Bill 285, were tailored to the Montana market by state lawmakers. The small business health insurance reforms were, in essence, an industry solution to problems faced by small businesses that couldn't, for one reason or another, get health

insurance. The act is a private-sector solution to a private-sector problem.

*"I'm no insurance expert," Bozeman businesswoman Sunny Mavor told the Bozeman Daily Chronicle, "but it looks to me like it's a step in a good direction."*

The reforms are backed by such groups as the Health Insurance Association of America, Blue Cross Blue Shield of Montana, National Federation of Independent Business/Montana, Independent Insurance Agents Association of Montana, Montana Association of Life Underwriters, National Association of Independent Insurers, Montanans for Universal Health Care and the Montana Hospital Association.

### Elements of Reform

Small business health insurance reform is designed to make health insurance more available to Montana's small businesses (with between 3 and 25 employees working 30 or more hours a week).

The legislation authorized State Auditor Mark O'Keefe, as insurance commissioner, to appoint the five-member Health Benefit Plan Committee. The committee, with input from the public, health-care providers, insurance industry, small business representatives and consumer groups, was charged with designing standard and basic health benefit packages that can be marketed on a *voluntary* basis to the state's small businesses. (*Businesses are not required to participate in this program.*)

Goals of reform include:

Promoting availability of health insurance, regardless of a business' health status or claims experience;

Preventing abusive rating practices and requiring disclosure

of rating practices to purchasers;

Providing for renewability of coverage;

Limiting use of preexisting condition exclusions; and

Improving the overall fairness and efficiency of the small employer health insurance market.

#### Standard and Basic Plans

The Health Benefit Plan Committee designed two health benefit plans: a basic (lower-cost) plan and a standard plan. Both plans include all state-mandated benefits and maternity coverage.

#### Portability and Guaranteed Issue

The plans provide for *portability* of coverage and *guaranteed issue*. That means that people aren't subject to preexisting condition waiting periods if they have had previous coverage and sign up for a small business health insurance plan (*portability*); and insurers can't reject a group or any eligible individual for coverage because of health history or for any other reason (*guaranteed issue*).

Insurers offering basic and standard plans are required to accept all groups, including groups that formerly couldn't get health insurance for their employees. Companies can still underwrite other health plans.

#### Free Market Approach

The committee designed specific benefits to be in every standard plan sold by insurers. The committee recommended a free-market approach to basic plans, allowing insurers to offer a variety of products. The Montana basic plans would allow many current policies to serve as basic plans, thereby ensuring portability of coverage and guaranteed issue.

The committee also devised a package of preventive-care benefits based on medical knowledge and common sense. This package, contained in the standard plan, includes well-child care beyond the age of two, age-appropriate checkups, appropriate care linked to family medical history and maternity care reimbursed as a preventive care item rather than as an illness.

## How the Plans Work

Since December 1994, all small business insurance carriers offer the single standard plan and at least one basic plan. Policies are not sold by the state; they are sold by private insurers that participate in this market. Businesses are not required to buy this insurance.

Businesses can continue their current policies, which may qualify as basic plans, or apply for other plans. The new law provides more choices.

Notice of cancellation of policies must be given at least 180 days prior to termination of coverage. The insurance commissioner will assist small employers whose policies have been cancelled under certain conditions in finding replacement coverage.

## Standard Plan Provisions

The standard plan must offer maternity benefits and all state-mandated benefits.

It will include:

- An annual deductible of \$250 for an individual, \$500 for family coverage;
- Coinsurance payments, after the deductible is met, of 20 percent for the insured;
- Maximum out-of-pocket expenses of \$1,250 a year for individuals and \$2,500 per family;
- Maximum lifetime benefits of \$1 million;
- 20-percent coinsurance payments for the insured for prescription drugs;
- First-dollar coverage (no deductible or copayment) for a package of preventive-care services, such as well-child care from birth to age 20, prenatal care, mammographies, pap smears, health exams, health counseling, and age-appropriate physical exams;
- Four visits a year to a practitioner of choice, with patient copayment limited to \$25 per visit; and
- Policies issued to any group that applies.

## Special Features

☞ Employers and consumers can renew their coverage -- renewability is guaranteed -- unless they fail to pay premiums, commit fraud, or make misrepresentations.

☞ Premium rate increases will be capped, and premium variations limited. Rates no longer will be based on the health status of employees, or dependents, in the group.

☞ Pre-existing condition exclusions will be limited: Pre-existing conditions will be covered after 12 months, and if an individual is transferring from another health insurance policy, no pre-existing condition exclusion period will apply.

## Basic Plan Provisions

Any health benefit plan that has benefits that cost less than the benefits of a standard plan will qualify as a basic health benefit plan.

All basic (lower-cost) plans must include maternity benefits and all state-mandated benefits.

Under this approach, employers and consumers can select from a variety of basic plans and shop for the deductible, coinsurance, and maximum out-of-pocket levels that meet their particular needs.

The theory behind the basic plan is to allow the free market to dictate the components of the policies.

All basic plans will be issued to any group that applies for one.

## Other Plans for Small Businesses

Insurers still can underwrite some plans, meaning they can accept or reject applicants based on a person's or group's health status.

These plans must be richer in benefits than the standard plan.

## Montana Small Employer Health Reinsurance Program

Because small business health insurance reform requires insurance carriers to provide coverage (guaranteed issue) to all eligible employees and dependents, a program was established to guarantee insurers a source of reinsurance. (Reinsurance is an agreement between two or more insurance companies by which the risk of loss is proportioned.)

The Montana Small Employer Health Reinsurance Program consists of a nine-member board with representatives from the five insurance companies that write the most small business health insurance in Montana. A sixth insurance company is represented along with a small employer, a consumer, and a health care provider.

This board sets premium rates for reinsurance. If

premiums do not cover program costs, the board can assess all health insurance carriers doing business in Montana. Assessments are based on a carrier's line of business for large-group, small-group and individual health insurance coverage. Exempt from assessment are health plans for state employees and the university system, and self-funded health insurance plans provided by a political subdivision of the state. (Connecticut, which had one of the first reinsurance programs in the nation, has assessed carriers a fraction of 1 percent of the \$515 million base in the last 3.5 years.)

Administrative work for the reinsurance program is handled by Travelers Insurance Co., which performs similar duties for reinsurance programs in 18 other states.

# Montana Business Health Coverage Survey

## Small Business Health Insurance Reform on Target, Survey Reveals

A survey conducted in the summer of 1994 confirmed what the 1993 Legislature and Montana Insurance Department only presumed to know -- that small businesses are less likely to provide health insurance coverage to employees than large businesses.

The statewide survey, conducted by the State Auditor's Office in conjunction with the state Department of Labor and Industry, found that less than half -- 47 percent -- of small businesses (between 3 and 25 employees) surveyed said they provided health insurance coverage to their workers. Meanwhile, 83 percent of large businesses (26 or more employees) reported they provided health insurance coverage to their workers.

The survey also revealed that health insurance costs are higher for small businesses.

fused group health insurance coverage by insurance companies in the last five years (employees working for small firms were almost four times more likely to be denied coverage by insurers than those working for large firms);  
 Health insurance premiums for all businesses surveyed rose 8.5 percent faster than the rate of inflation over the last five years;  
 38.4 percent of small firms reported making some type of coverage contribution for

<i>Highlights</i>	
<b>Percent of Large and Small Businesses Offering Health Insurance Coverage</b>	
Small Employers	47%
Large employers	83%
<b>Percent of Each Class of Firms That Offer Insurance Coverage</b>	
500 employees or more	88.9%
100 to 499 employees	90.6%
26 to 100 employees	81.1%
3 to 25 employees	47%

Other survey highlights:  
 The lack of health insurance generally is more concentrated in lower-wage, seasonal industries that employ part-time workers;  
 Eighty-nine small firms and 40 large firms reported being re-

employees, compared with 73.7 percent of large firms reporting making some type of coverage contribution; and  
 Small firms pay more in premiums than large firms, with the average monthly insurance premium for individual health employee coverage for 1994 at \$176.15 for small businesses, compared with \$149.85 for large businesses.

### Small Business Insurance Reform in Other States

Small business health insurance reform is not an effort unique to Montana. About 34 states have adapted the National Association of Insurance Commissioner's model small group act to their particular circumstances.

As the National Underwriter magazine noted in a November 14, 1994 report on U.S. health care, "For the past several years small group insurance reform has been at the forefront of states' efforts to expand access to health insurance coverage." The Intergovernmental Health Policy Project at the George Washington University notes that almost every state has enacted some form of small business health insurance reform. And, as experts point out, the reform is intended to remedy problems with insurance coverage availability, not affordability.

Since May 1991, Connecticut has been working with small business health insurance reform. 8,963 Connecticut small businesses, previously uninsured, had purchased small group plans as of June 1994, and sales remained strong among 44 of 48 small group carriers surveyed.

The surrounding states of Idaho, North Dakota, South Dakota and Wyoming all have instituted some sort of small business health insurance reforms similar to Montana's.

The survey was conducted by the state labor department's Research and Analysis Bureau, which handles statistical research for Montana and the U.S. Bureau of Labor Statistics. The survey has a margin of error of 1.5 percent.

Surveys were sent to 7,807 of the 25,166 private industry employers in Montana. Two mailings of the survey were sent. Phone follow-up was done to clarify some of the data items.

5,919 responses were received, including duplicate responses. After duplicates were deleted, usable responses totaled 4,949.

## Commonly Asked Questions About Small Business Health Insurance Reform

- Q.** Will this reform cause rates to skyrocket and prompt healthy individuals to drop coverage?
- A.** Hopefully, not. This legislation was designed by the National Association of Insurance Commissioners, in close consultation with insurance companies and agent groups, as a way to help more small businesses get health insurance coverage. Rates in this market will no longer be based on the health status of individuals in the group, so some groups will see rates go down. Overall, rates may go up slightly to cover the costs of guaranteed issue. One major Montana insurer estimates the cost of guaranteed issue to be eight percent of premium.
- Q.** The law allows basic plans to be exempt from any or all of the mandated benefits. Why were all the mandated benefits left in basic plans?
- A.** In designing the basic plan, the Health Benefit Plan Committee carefully considered the issue of exempting the basic plan from the mandated benefits. The committee's actuary estimated the cost of the mandated benefits to be eight percent of premium. The committee felt that the Legislature had passed the mandated benefit laws for good reason. Basic and standard plans were designed with the flexibility that if the Legislature repeals or adds a mandated benefit, it will automatically change the plans.
- Q.** Can a small employer offer individual policies to employees?
- A.** No, a small business must buy a small group policy. The practice of companies selling individual policies through an employer has been stopped to prevent insurance companies from "cherry-picking" the healthy individuals. However, individuals who work for small businesses can always directly buy an individual policy.
- Q.** Is an employer required to offer coverage to every employee if a small group plan is purchased?
- A.** No. Coverage must be offered to employees who work 30 hours or more a week and the dependents of these employees. Employers decide whether to make the insurance available to anyone else. Some insurance companies have their own restrictions on coverage for part-time employees.
- Q.** Are dependents guaranteed coverage through small group plans?
- A.** Yes, the dependents of employees who work 30 hours or more a week will not be turned down for insurance. If they have previous coverage when changing to a small group plan, no waiting periods for preexisting conditions will apply.
- Q.** Will only a small portion of Montana employees have to pay the costs related to the reinsurance program?
- A.** No. The costs of the reinsurance program are paid through premiums from insurance companies that choose to buy the reinsurance coverage. Assessments on insurance companies pay for costs not covered by premiums. Insurance carriers are assessed based on their total premiums from individual, large and small group health insurance sales, which is a broad assessment base.

- Q. Can a small business buy health insurance plans other than the standard and basic policies?
- A. Yes. Insurance carriers can offer health plans that they continue to "underwrite." Applicants can be refused coverage for these plans, but must be offered basic and standard plans as an alternative.
- Q. Does this reform make insurance coverage of abortion a new mandated benefit?
- A. No. Mandated benefits are separate laws that affect all policies sold in the state. Coverage of abortion is part of the standard plan, but it is the only plan that must include this benefit. Consumers who object to this benefit can purchase a policy without the benefit.
- Q. How does a small business qualify?
- A. Any business with between three and 25 employees who work 30 hours or more a week qualifies for a small group health insurance policy and cannot be refused. Not every employee must enroll, but insurance companies are allowed to have minimum participation requirements set by the carrier.
- Q. Do mandatory maternity benefits have anything to do with this reform?
- A. No. The Montana Supreme Court ruled 7-0 in December 1993 that under the state's nongender insurance law it is discriminatory to exclude maternity benefits or have a separate rider policy for that coverage under a major medical insurance policy. Like all policies sold in Montana, maternity benefits are included in the basic and standard plans.
- Q. Is there a minimum amount employers must contribute to paying the premium for small group plans?
- A. The law does not require a minimum contribution from employers, but some insurance companies do, which is permissible.
- Q. Can a small group stay on the health insurance plan acquired before the reform went into effect?
- A. Yes. The law does not require small businesses to buy the new basic and standard plans.

**For more information, call the Montana Insurance Department  
at 444-2040 in Helena, or 1-800-332-6148.**

# INSURANCE COMPANIES DECLARED TO BE IN SMALL GROUP MARKET

These are the insurers declared to be participating in the small business health insurance market in Montana. Those certified as small group carriers currently can offer insurance plans to small businesses. Those companies that are not yet certified may not have submitted policies to the Montana Insurance Department or their policies are being reviewed.

**Company (31 companies to date)**

**Certified as Small Group  
Carrier as of 1/31/95**

Aetna Life Insurance Co.	
American Chambers Life Insurance Co.	
American National Insurance Co.	
Bankers United Life Assurance Co. ....	X
Best Life Assurance Company of California	
Blue Cross Blue Shield of Montana & HMO .....	X
Celtic Life Insurance Co.	
Centennial Life Insurance Co.	
Continental Life and Accident	
CUNA Mutual Insurance Society	
Fortis Benefits Insurance Co. ....	X
Glacier Community Health Plan Inc.	
Golden Rule Insurance Co.	
Home Life Financial Assurance Corp. ....	X
John Alden Life Insurance Co. ....	X
John Hancock Mutual Life Insurance .....	X
Life Investors Insurance Co of America .....	X
Monumental Life Insurance Co	
National Group Life Insurance Co.	
New York Life Insurance Co. ....	X
PFL Life Insurance Co.	
Pioneer Life Insurance Company of Illinois	
Principal Mutual Life Insurance Co. ....	X
Security Life Insurance Company of America	
Time Insurance Co. ....	X
Travelers Insurance Co. ....	X
United of Omaha Life Insurance Co. ....	X
United World Life Insurance Co. ....	X
Universe Life Insurance Co. ....	X
Western Mutual Insurance Co.	
Yellowstone Community Health Plan	

SENATE HEALTH & WELFARE

EXHIBIT NO. 6

DATE 2/10/95

BILL NO. SB 194

Glacier  
Insurance



& Financial Strategies

TO: SENATE COMMITTEE  
ON HEALTH, WELFARE  
AND SAFETY

FROM: BOB BENSON 17 First Avenue East • Kalispell, Montana 59901 • 406 752-8693 • FAX 406 756-8897

SUBJECT: SB 194 *Bob*

Mr. Chairman, members of the committee, I am Bob Benson with Glacier Insurance and Financial Strategies. I stand in opposition to this bill, particularly the part which repeals the Small Employer Health Insurance Act.

House Bill 155, submitted by Rep. Liz Smith, was intended to the same. Recently in the House Health Care Committee, the decision was made to set this bill aside pending the results of a bill that is being drafted by Rep. Tom Nelson.

I have studied his draft, dated 12/19/95 and have found it to be well thought out. It is indeed the remedy, to modify, not repeal.

In light of the changes in small group underwriting, I was told today by a Blue Cross and Blue Shield District Manager that his district has sold 2/3 as many small group plans in January and February of this year as were sold in the entire year of 1994. Is this bad? I think not. We have made insurance accessible to more people at a price that has little to do with their medical conditions.

I have attached a letter from a group that I represent that experienced a rate reduction as a result of the new underwriting regulations. Please take the time to read the comments. Pay particular attention to the part that refers to assuring them of the ability to change carriers in the future regardless of the medical conditions of the employees.

I have also attached a copy of an article which appeared recently in the Great Falls Tribune. This article was written after the reporter obtained a copy of my written testimony which was submitted to the House Health Care Committee. I faxed a copy to each of you on February 6th. It explains the history of rating health insurance in a brief fashion. I encourage you to read it.

In summary, I suggest that you at least wait to see the results of Tom Nelson's bill before you act on it.

Thank you for the opportunity to voice my opinion.

February 10th, 1995



**RONAN TELEPHONE COMPANY**

312 MAIN STREET SOUTHWEST • RONAN, MONTANA 59864  
(406) 676-2751 • FAX NO. (406) 676-8889

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February 8, 1995

Re: Small Group health insurance reform

To whom it may concern:

We write in support of the real benefits that the small employer health insurance act has provided to our company. We have realized a decrease in our group health insurance premium that was both unexpected and unheard of no matter how much we shopped around. We are in full support of the new criteria used to rate a group of our size and feel it will, in part, allow us to continue to offer a benefit package to our employees.

This act also assures us of the ability to change carriers and coverage regardless of individual medical conditions and this security is very important to us and our employees. We fully support the benefits offered by the adoption of this act.

Sincerely,

Judith G. Preston  
Vice-President

# LEGISLATURE

News tips? Call Tribune Capitol Bureau Chief Mike Dennison; office 442-9493, fax 442-9413 or at the Cap

## 'Small-group' health reforms subject of hearing in House

By MIKE DENNISON  
Tribune Capitol Bureau

HELENA, Mont. — Several weeks before Montana's "small-group" health insurance reforms took effect, Kalispell insurance agent Bob Benson ran a price for a small accounting firm that wanted to cover its employees.

The cost to insure one person working for the company was \$213 a month; an employee with a family would cost \$554 a month.

Then, Benson ran a price under new rating standards that took effect Jan. 1 as part of the "small-group" reforms.

The results were dramatic: The single employee's health insurance had dropped to \$139 a month; the cost for a worker with a family had dropped to \$363 a month.

The accounting firm, which employs 11 full-time people, bought the new policy.

"I see it as a return to how health insurance ought to be written," Benson said Monday.

These are the type of changes that will be defended today, as a House committee hears a bill that would repeal Montana's small-group health insurance reforms.

Rep. Liz Smith, R-Deer Lodge, is sponsoring House Bill 155, which would repeal the reforms ordered by the 1993 Legislature. Most of the changes took effect within the last month.

Smith said Monday she's heard complaints about the reforms, from business people and others who see the changes as too restrictive.

The reforms will drive up insurance rates for some, she said, and may force some employers to offer insurance to more people than they can afford.

But state Insurance Commissioner Mark O'Keefe, whose office administers the reforms, said he'll

### Essentials

- What health insurance reforms for small businesses will be before House committee.
- Who: Rep. Liz Smith, R-Deer Lodge, sponsor of bill to repeal reforms enacted in 1993 Legislature.
- When: Hearing begins 3 p.m. today in room 437 before the House Select Committee on Health Care.
- What's next: Committee will consider Smith's bill and other proposals, and may come up with compromise proposal.

testify against the bill when it's heard before the House Select Committee on Health Care.

He thinks the reforms will make health insurance more available — and more affordable — to small businesses that want to offer insurance to employees.

He also said he'd prefer the reforms be given a chance to work before they are substantially changed or repealed.

"At this point it's difficult to say what type of fine-tuning is necessary," he said Monday. "We think it's time to sit back and see how the reforms work ..."

"The proposals on the table are detrimental to the consumer, and I'm going to oppose them."

While Smith's bill would repeal the reforms, she said Monday she's open to compromise. She said she hopes the House committee will consider her bill and other proposals and come up with a single bill to address some potential problems with the reforms passed in 1993.

Under the reforms, participating health insurers must offer a "standard" and "basic" health-

insurance policy if they want to be in the small-group market in Montana.

The small-group market is defined as companies that employ between three and 25 people, which is a large percentage of Montana businesses.

The "standard" plan contains more benefits than the "basic," and each contains a basic package of benefits mandated by the state.

Insurers offering the policy cannot deny anyone who wants to buy it. However, the law does not require anyone to buy the policy.

The reforms also contain new standards on determining health insurance rates.

Benson explained that the new standards require companies to give more weight to the positive health factors of a certain employee group, such as age of employees and type of industry.

Negative factors, such as whether an employee has a poor health history, carry less weight, he said. These changes make it more difficult for companies to pick and choose among groups that may be better health risks, he said.

Benson said this practice, often known as "cherry-picking," developed over the last 25 years as insurers determined they could make more money by focusing on low-risk groups and denying coverage to higher-risk groups.

Early policies didn't have exclusions for "pre-existing conditions," or other items, he said.

"If you could breathe, if you could walk in the door, you could buy health insurance," he said. "(The reforms) do away with discretionary rate setting."

Benson said he sees some areas where the reforms could be fine-tuned, but that he supports the move toward more inclusive health insurance.

EXHIBIT 6  
DATE 2-10-95  
31 SB 194

SENATE HEALTH & WELFARE

EXHIBIT NO. 7

DATE 2/10/95

BILL NO. SB 194

February 9, 1995

*Representing Montana*

*Nurses' Assoc*

*(MNA)*

To: Chair Jim Burnett  
Public Health, Welfare & Safety Committee

Re: SB 194 sponsored by Senator Larry Baer  
Title: "An Act revising the provisions relating to the  
Montana Health Care Authority . . . "

Testimony in **opposition**:

Chair of Region 4 Health Care Planning Board and represent Gallatin County.

Oppose based on:

a. The Regional Boards have not been in existence long enough to demonstrate their effectiveness and value.

The numerous mandates with specific dates required to carry out SB285 resulted in priority given by staff to the Health Care Authority Board and mandates associated with the Authority.

b. The Regional Boards are an excellent resource with one representative for every county and grouped into 5 separate Regional Boards. A superior system to obtain the diverse information required to develop a usable data base that is inclusive of the total state.

c. The Regional Boards are a suitable resource to assess and coordinate health education for the county and Region.

d. The Regional Boards are most "cost effective"; the highly motivated members volunteering their time and efforts should be utilized to continue working with health care reform in Montana.

Regarding repealing the Small Employer Health Insurance Availability Act:

Oppose repeal: the insurance plans have only been available for about two (2) months - not long enough to determine effectiveness. Look at this as a "beginning" and work from these initial efforts but do not "reinvent the wheel".

Thank you

Milly Gutkoski  
304 N 18th  
Bozeman, MT 59715  
Phone: 587-3242

copy: Senators Eck and Franklin

# League of Women Voters of Montana



SENATE HEALTH & WELFARE

EXHIBIT NO. 8

DATE 2/10/95

BILL NO. SB 194

## WRITTEN TESTIMONY PRESENTED BY THE LEAGUE OF WOMEN VOTERS OF MONTANA

Senate Public Health Committee  
1:00 p.m., Friday, February 10, 1995  
Senate Bill 194 by Baer

This testimony in opposition to S.B. 194 on behalf of the League of Women Voters of Montana focuses on two areas of the bill, the repeal of the Small Business Employer Health Insurance Availability Act and the removal of the Regional Boards from the process.

The League believes that a basic level of quality health care of an affordable cost should be available to all Montana residents. The Small Employer Health Insurance Availability Act moves towards universal coverage by guaranteeing policy issue to all small business employees who apply, and furthermore, provides for guaranteed renewal as well. Another laudable feature of the Act is portability; previous insurance coverage precludes small business employees from the traditional waiting period for coverage of pre-existing conditions. The Act also begins to address cost containment by compressing rates and offering basic coverage at less cost than many previous small business health insurance policies. Insurance through the Act has only been available for two months; a longer trial period is, at the very least, appropriate to ascertain how well the insurance is accepted by the small business employees of Montana.

In regard to the removal of the Regional Boards from the process, the League believes that due to the very different nature and conditions of Montana's many counties, data collection reflecting accurate and meaningful information can most effectively and efficiently be accomplished at the local level. Furthermore the successful use of this data for health care planning and reform, must involve the education of local citizens and interested groups as to the information the collection of data provides, and the options for action indicated. This education process can best be carried out through an entity such as the Regional Boards. To date the emphasis of the Health Care Authority has been mostly focused on statewide health care planning. The Regional Boards have barely begun to function. They deserve an opportunity to show their potential for positively affecting health care reform on a local level.

The League of Women Voters of Montana opposes Senate Bill 194 and urges a do not pass recommendation on this measure. Thankyou.

Chris Imhoff  
Legislative Chair LWVMT

DATE Feb. 10, 1995

SENATE COMMITTEE ON Public Hearing

BILLS BEING HEARD TODAY: SB 194

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Check One

Name	Representing	Bill No.	Support	Oppose
<i>Chris Thompson</i>	MT Psychological Assn	194		<input checked="" type="checkbox"/>
<i>Mark O'Keefe</i>	S. A. O.		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<i>Mauraen O'Leary-Schwinden</i>	WIFE	SB194		<input checked="" type="checkbox"/>
<i>Ed Caplis</i>	MSCA			<input checked="" type="checkbox"/>
<i>Tom W. Moore</i>	MHA	SB194		<input checked="" type="checkbox"/>
<i>Tom Eitzen</i>	Saint Vincent Hospital <sup>Bill 1125</sup> MT ASSOC OF LIFE	SB194		<input checked="" type="checkbox"/>
LARRY AXEY	UNDERWRITERS	SB 194		<input checked="" type="checkbox"/>
LARRY AXEY	INDEPENDENT INSURANCE AGENTS OF MONTANA	SB 194		<input checked="" type="checkbox"/>
<i>Kate Crockett</i>	MT Women's Lobby	SB 194		<input checked="" type="checkbox"/>
<i>Milly Gutkoski</i>	MUWA	SB 194		<input checked="" type="checkbox"/>
<i>Kay Fox</i>	MLIC	SB 194	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE February 10, 1995

SENATE COMMITTEE ON Public Health

BILLS BEING HEARD TODAY: SB 194

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Check One

Name	Representing	Bill No.	Support	Oppose
Jean McDonald	MHAM	SB 194		X
Bob Benson	GLACIER INS	SB 194		X
Leod Bendon	AARP	SB 194		X
Dean Randash	NAPA Auto Parts	SB 194	✓	
Ed Grogan	MMBP	SB 194	✓	
Kon Kunk	Self	SB 194	✓	
Candace Torgerson	Montana Cattlemen	SB 194		X
Arlette Randash	Eagle Forum	"	X	
Milly Gunkoski	MNA - LWV	194		X
Herva Simpson	HARP MNA	194		X
Peter Blonke	SRS			✓
Tom Hopgood	Health Ins Assoc. Amns	194		✓
Greg Van Housen	State Farm Ins	194	✓	

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DATE Feb. 10, 1995

SENATE COMMITTEE ON Public Health

BILLS BEING HEARD TODAY: SB 194

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Check One

Name	Representing	Bill No.	Support	Oppose
JOHN VANDENAGRE	SELF	194	X	
TANYA ASK	Blue Cross & Blue Shield	194		X
TOM BILODEAU	MEA	194		X
Russell B Hill	Mont Tinal Lawyers	194		X
JEAN T. OFFER			X	
Laure Koutik	Christian Coalition of MT	194	X	
JACK (John T.) Mollon	SELF: MHA	194		X
MARY ALICE COOK	ADV for MT's Children	194		X
Susan Good	HEAL MT	194	X	
SHARON HOFF	MT CATH CONF	194		X
Chris Imhoff	MT League of Women Voters	194		X
Don Judge	MT STATE AFL-CIO	SB 194		X

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DATE 2-10-95

SENATE COMMITTEE ON Public Health

BILLS BEING HEARD TODAY: SB 194

< ■ > PLEASE PRINT < ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
Milly Gutkoski	MNA - LWV	SB194		X
Herva Simpson	AARP MNA	SB194		X
JEAN PFEFFER	AARP			X

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY