

## MINUTES

### MONTANA SENATE 52nd LEGISLATURE - REGULAR SESSION

#### COMMITTEE ON BUSINESS & INDUSTRY

Call to Order: By Chairman J.D. Lynch, on February 7, 1991, at 10:00 a.m.

#### ROLL CALL

##### Members Present:

J.D. Lynch, Chairman (D)  
John Jr. Kennedy, Vice Chairman (D)  
Betty Bruski (D)  
Delwyn Gage (R)  
Thomas Hager (R)  
Jerry Noble (R)  
Gene Thayer (R)  
Bob Williams (D)

Members Excused: Betty Bruski (D)

Staff Present: Bart Campbell (Legislative Council).

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

Announcements/Discussion: None

#### HEARING ON SENATE BILL 256

##### Presentation and Opening Statement by Sponsor:

Senator Gage, sponsor of the bill, stated that this bill is the remains from a house keeping measure. As sponsor of the bill, he has made no commitments at this point in regards to the bill. It is very unusual that the sponsor of the bill make a recommendation that a bill do not pass, but at this point that is just as possible as the bill passing.

##### Proponents' Testimony:

Larry McGovern, director of Montana association of physicians, spoke in favor of the bill. If Montana's economy was healthy and bubbling over with good health, his interest in this subject may not be what it is. Competition is healthy for all and exclusions from PPO programs should competitively based only. (See Exhibit 6). He urged the committee to endorse this bill and don't tamper with the one part of our economy that is enjoying some success at this time.

Jim Paquette, president of st. vincent hospital in Billings, spoke in favor of the bill (See Exhibit 3).

Jim Harrington, president Montana hospital association, spoke in favor of the bill. He stated that are 56 hospital members in Montana, 54 are rural hospitals by the federal definition. PPO's may work in another state, they are not for Montana. He likes the idea of a willing provider and an equal playing field.

Carl Hanson, administrator of pondera medical center, spoke in favor of the bill. This bill attempts to maintain access of healthcare in rural communities. If all hospitals have the same opportunity to meet negotiated prices for any group of insurers within their area, rural facilities would be able to keep their market share. Without out this piece of legislation Montana residents will experience less access to healthcare. This bill would allow all hospitals, physicians to participate in more preferred provider agreements thus keeping more of our healthcare resources distributed through the state. He asked that the committee consider the importance of access to healthcare, choice of providers, and distribution of healthcare resources.

Tony Hamm, family physician in Choteau, spoke in favor of the bill. He stated that he is not against PPO's, but he is not in favor of giving insurance companies the right to decide who's going to provide their healthcare. That decision should be made by the physician and their patients. Unless SB 256 passes, Blue Cross has the ability to pick and choose physicians at will. Physicians that practice in small communities run the risk of being cut out completely. It is very difficult to try to recruit physicians to the state, he has been trying for two years. Blue Cross's ability to carve up the market discourages physicians to come to Montana.

David Cunningham, director of rimrock foundation, spoke in favor of the bill (See Exhibit 1).

Pat Melby, representing rimrock foundation, spoke in favor of the bill. He submitted a personal letter written by Paul Gatzemeier (See Exhibit 2). A PPO is a fine concept. It works well in urban areas where there are many healthcare providers, and in areas where one insurance company doesn't have a near monopoly. It works well in areas where most of the hospitals are private or profit facilities. It works in areas where large urban hospitals aren't competing with one another and not with small rural hospitals located near by in small rural communities. A PPO concept will not work in Montana without some restrictions. He then submitted a list of 26 premiums written in Montana (See Exhibit 2A). He stated that blue cross blue shield has a near monopoly. This bill would insure the consumers that need healthcare would have the freedom to choose a provider without having to pay the penalty.

Mona Jamison, representing rocky mountain treatment center, spoke in favor of the bill. As a matter of public policy for this state to what extent does the state wish to support or not support a monopolistic arrangement of the primary health insurers in the state. To what extent as a matter of public policy does this state wish to limit access to healthcare providers being the

individual providers for the facilities which provide the services. This bill gives the legislature the an opportunity to speak out on those two issues. She submitted some amendments (See Exhibit 4).

Dave Barnhill, deputy insurance commissioner testifying on behalf of the insurance department, spoke in favor of the bill. He stated that senate bill 258 would encourage competition, and he urged a do pass.

Ann Bellwood, director of the rocky mountain treatment center in Great Falls, spoke in favor of the bill. She stated how do you define a system of healthcare where there is total control by one institution. This bill is an important measure for us to be able to take our right of freedom of choice for healthcare providers through out the state.

Jerry Lyndorf, representing the Montana medical association, spoke in favor of the bill. He stated that he supports this bill because of the concern of access to physician healthcare throughout the state. There are 18 counties in the state that do not have physician services, and are finding difficulty in finding replacements.

#### Opponents' Testimony:

Steve Brown, representing blue cross blue shield of Montana, spoke in opposition of the bill. His concern if this bill passes, is will it make healthcare insurance more or less expensive, will it force some insurers to go without insurance. A PPO is an agreement by services on a discounted fee for service basis for a returned or guaranteed volume of patients. He continued by explaining the handouts (See Exhibit 5 and 5A). Blue cross blue shield's only competitor is no insurance at all.

Randy Cline, vice president for the securities division of blue cross blue shield, spoke in opposition of the bill. He stated that the issue of access is really truly not an issue. The physician and patient ultimately decide what hospital that they are going to use. Blue cross's biggest competitor is no insurance at all. It was mentioned earlier that this is a rural issue, that there is a possibility that rural hospitals will refuse business to PPO. This isn't a rural issue.

Tom Hopgood, representing the health insurance association of America, spoke in opposition of the bill. He stated that neither himself nor Steve Brown represent the biggest insurer in Montana which is no insurance. He then went on to say that the issue that PPO's are adversely affecting rural hospitals is simply not true.

Bob Doolen, senior vice president of administration finance for deaconess medical center in Billings, spoke in opposition of the bill. He stated that the basic economics are that healthcare is a very complex system. The idea that the PPO law will reduce costs to more people is simply not true. These programs are difficult and expensive to put together and difficult and expensive to disassemble. It is in the interest of the healthcare community in total that you can recognize the stability of the PPO.

David Hartman, representing the Montana education association, spoke in opposition the bill (See Exhibit 6).

Ziggy Ziegler, newly elected county commissioner representing yellowstone county, stated that he is neither for nor against the able provider. In his case the PPO allows yellowstone county to realize an estimated yearly savings in excess of one hundred thousand dollars. This is substantial cause to secure the best medical service available, or the best rate available. So as to not only meet the criteria of their establishment of the county health program, but also save tax payers money.

Dale Hoffman, an independent insurance agent in Billings, spoke in opposition of the bill. He is here representing his clients who are generally small businessmen who oppose this legislation. This piece of legislation is designed to neutralize price competition amongst federal care providers. It will level the playing field for the medical care providers.

Larry Williams, superintendent of schools in Great Falls, Montana, spoke in opposition of the bill. He stated that they oppose this piece of legislation because it would strain their purgatives as a major consumer of healthcare insurance.

Bruce Moerer, representing the school board association, spoke in opposition of the bill. This piece of legislation will reduce their ability to negotiate the best buy in healthcare.

Jim Carlson, district marketing manager for blue cross blue shield in Billings, spoke in opposition of the bill. Major employers have purchased this program with significant savings in healthcare plans.

Larry Akey, representing the Montana association of life underwriters, spoke in opposition of the bill. This bill will level the playing field upwards. This is not a bill that is a question of the insurance industry on one hand and the healthcare service provider on the other. This is the healthcare service provider that insures consumers. It is that simple.

#### Questions From Committee Members:

Senator Noble asked because Carl Hanson's costs are a lot lower, wouldn't this PPO plan put him in a perfect place to be a low bidder.

Carl Hanson responded by saying that his hospitals cost for admission was substantially lower than what was mentioned here today.

Senator Noble stated that one of the biggest concerns is the rural hospitals. Wouldn't preferred provider put him in a better position.

Carl Hanson replied by saying in certain instances yes.

Senator Noble asked because preferred providers is optional, what percentage are PPO's.

Randy Cline responded by saying that the percentage in the Billings area since the PPO has started is probably around 60%. As a total, the total percentage all over the state is very small.

Senator Noble stated that you say the PPO is only going to

be a worthwhile venture in an urban area, when what other areas will come on line.

Randy Cline stated that they would like to see it in 1991, however this is a excellent question that demonstrates the impact of this bill. We have offered in Missoula the PPO contract with both hospitals rather than negotiating with just one hospital.

Senator Williams asked David Cunningham that in his testimony he stated that St. Vincent's rates were previously 10% lower than Deaconess. Is that the way it happens in the towns with two hospitals, what would cause St. Vincent's to be 10% lower.

David Cunningham stated that he could not speak for St. Vincents, but as a consumer that was the general knowledge.

Senator Williams asked if Yellowstone county is self insured or are they involved in the PPO.

Steve Brown stated that they are involved in the PPO.

Senator Williams asked why Yellowstone county wouldn't be self insured.

Steve Brown stated that they are self insured but what they have done is committed their self insurance plan to part of the PPO agreement.

Senator Lynch asked what say does he have as a consumer on the school districts plan to which hospital gets it.

Larry Akey responded the choice that exists there is that once the provider is suggested to you, you can select whatever provider you want.

Senator Gage asked would they support the provision in the bill that says that any insurer including self insurers, must request negotiations from all providers of what ever service it happens to be in the area, and if none are willing to negotiate, then the insurer may negotiate individually with any provider.

Jim Paquette replied that the language is acceptable.

Senator Thayer asked since Tom Hopgood represents the private insurers and is also testifying for this bill does he think that his members will come in and offer similar PPO arrangements with these people that have a great fear of this.

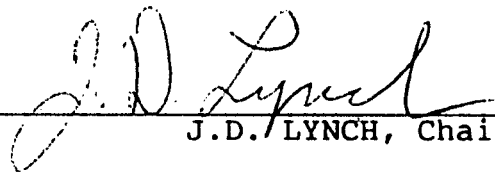
Tom Hopgood stated that there will be movement from the non blue cross blue shield carriers in the state.

### Closing by Sponsor:

Senator Gage closed by saying that he is not sure that he is any closer to a decision than he was before the testimony. He would like to visit with the folks on both sides outside the committee. He will try to get any responses back to the committee.

### ADJOURNMENT

Adjournment At: 12:15 a.m.

  
\_\_\_\_\_  
J.D. LYNCH, Chairman

  
\_\_\_\_\_  
DARA ANDERSON, Secretary

JDL/dia

ROLL CALL

Business & Industry COMMITTEE

DATE 2/7/91

LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
Senator Bruski			X
Senator Franklin	X		
Senator Gage	X		
Senator Hager	X		
Senator Noble	X		
Senator Thayer	X		
Senator Williams	X		
Senator Kennedy	X		
Senator Lynch	X		

Each day attach to minutes.

DATE 2/7/91

COMMITTEE ON

BUSINESS & INDUSTRY

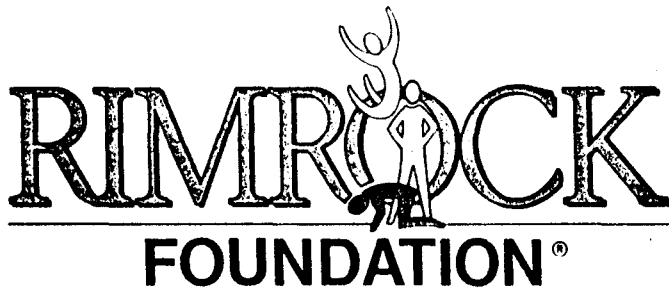
## VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Pat Melby	Pimrock Foundation	SB256	✓	
<del>Mark</del>	<del>Pimrock Fdn</del>	<del>SB256</del>	✓	
<del>Jim Paquette</del>	<del>SAINT VINCENT HOSP</del>	<del>SB 256</del>	✓	
MARK A. BURZYNSKI	SAINT VINCENT HOSP	SB 256	✓	
BOB B. DOOLEN	DONOR SWISS MOB CONTR	SB256	<del>✓</del>	✓
LARRY D. WILLIAMS	GT FALLS S.D. #1 & A	SB 256	<del>✓</del>	X
Steve Brown	Blue Cross - Blue Shield	SB 256		✓
Tom Z. Hornby	Private Rural Practice	SB 256	✓	
LARRY W. GOVERN	Mount Assoc. Phys.	SB 256	✓	
Jerry Hoffman	St Vincent Hospital	SB 256	✓	
Judy Ham		SB 256	✓	
Bennie Warwood	Leadership Great Falls			
Doug Olson	" "			
Red Robinson	Leadership of Falls	SB 256	<del>✓</del>	
Robin Castle	" " "	SB 256	✓	
DALE HOFFMAN	HOFFMAN ASSOC.			✓
Jim Carlson	BC/BS of MT	SB 256		✓
Tom Hopyard	Health Ins Assoc. Mont.	SB 256		✓
Ziggy Ziegler	Yellowstone CO	SB 256		✓
DAVID HARTMAN	MEA	SB 256		✓
Jean T. Zandberg	Mont. Med. Assoc.	SB 256	✓	
LARRY AKEY	MT ASSOC OF LIFE UNDERWRITERS	SB 256		X
CARL HANSON	Adm. Pondera Medical Center	SB 256	✓	
Dave Barnhill	Insurance dept	SB 256	✓	
Mona Jansson	Rocky Mt. Transit Center	SB 256	✓	
Ann Kellwood	Rocky Mt. Transit Center	SB 256	✓	









Leading Quality Addiction Treatment in the Northern Rockies

TESTIMONY IN SUPPORT OF SENATE BILL 256

DAVID W. CUNNINGHAM

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 1

DATE 2/7/91

BILL NO. SR256

There has been considerable misunderstanding generated about this proposed bill. Opponents have been busy telling folks that existing state law related to Preferred Provider arrangements should not be changed if you want to lower health costs. Let me describe what they appear to mean by such a statement.

Last May, Blue Cross/Blue Shield entered into a Preferred Provider agreement with one of our two local hospitals-- an agreement that directs members to this hospital for a reduction of 10% in charges for medical services. If a member does not use Deaconess Medical Center, but rather chooses Saint Vincent, a 25% penalty is imposed by Blue Cross. Now, on the surface it sounds like a savings--10%. However, the excluded hospital, Saint Vincent's rates were previously 10% lower than Deaconess. An informed consumer could already purchase services from Saint Vincent for 10% less than Deaconess. Now, however, due to this Preferred Provider contract, the original lower cost provider is penalized. And the PPO member is merely getting the same price at one hospital he could have had at the other.

PAGE 2.

Last Fall, November, I listened to a Blue Cross official describe their plans for Preferred Providers in Montana. Exclusivity, he stated, is what makes these agreements work--there can only be a few providers under this scheme. Thus, we plan to use only three hospitals, one in Billings, one in Great Falls and one in the Western part of the state. We will do likewise with chemical dependency and psychiatric services."

Exclusivity, we would argue, in a rural state like ours, does not make sense. Perhaps this is why Wyoming has willing provider legislation. With the large market share enjoyed by Blue Cross, permitting them an exclusive PPO, will surely mean the demise of other facilities. What, for example will be the impact in Great Falls of one and only one such exclusive arrangement? How is exclusivity in the best interest of Montanan's? Is'nt exclusivity actually anti-competitive? Should'nt any healthcare provider willing to meet the terms of these agreements, thus lowering costs for patients, be allowed to be a party? We think so, and in so doing, we can all benefit, by reduced costs to patients, and by having the opportunity to stay in business. Lower cost residential facilities such as Rimrock Foundation deserve to continue to be an option for patients--that is what this bill is seeking and we urge you to support it.

PAUL GATZEMEIER  
7220 CHAROLAIS  
BILLINGS, MONTANA 59106

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 2

DATE 2/7/91

BILL NO. SB 352

January 30, 1991

Senator J.D. Lynch, Chairman  
Business and Industry Committee  
State Capitol  
Capitol Station  
Helena, MT 59620

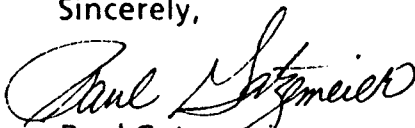
Dear Mr. Lynch:

As a Board member of the Rimrock Foundation, I have a vital interest in Senate Bill 16. At Rimrock we have analyzed the impact on us of a negotiation currently underway between a major health insurance company and facilities here in Billings regarding Preferred Provider Status. It is our conclusion that should these negotiations conclude in a way that it excludes Rimrock Foundation from supplying services to patients covered by this company, it could have such a brutal impact on revenues that it may be the demise of the Rimrock Foundation.

In Montana, and particularly in this part of the state, it is critical that low cost residential facilities such as Rimrock Foundation be afforded every opportunity to provide services and receive third-party reimbursement.

I would support the Willing Provider provision which I understand is to be included in this Legislation.

Sincerely,

  
Paul Gatzemeier

If

## ACCIDENT AND HEALTH

1989 DIRECT A & H  
PREMIUMS WRITTEN IN MONTANA

ANK

INSURER

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9	JOHN ALDEN LIFE INS. CO.	\$4,600,358	1.38%
10	AETNA LIFE INS. CO.	\$4,429,966	1.33%
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13	UNION BANKERS INS. CO.	\$3,324,206	1.00%
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23	PIONEER LIFE INS. CO. OF ILLINOIS	\$2,258,121	0.68%
24	NORTH CENTRAL LIFE INS. CO.	\$1,984,760	0.60%
25	NORTH AMERICAN LIFE AND CASUALTY	\$1,984,129	0.60%
26	UNIVERSE LIFE INS. CO.	\$1,963,762	0.59%

TOTAL: \$270,364,267 81.20%

TOTAL PREMIUMS PAID IN MT. IN 1989: \$332,940,480

SOURCE: MONTANA STATE AUDITOR'S OFFICE

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

JIM  
PAQUETTE

SENATE BUSINESS & INDUSTRY  
EXHIBIT NO. 3  
DATE 2/7/91  
BILL NO. SB 256

SAINT VINCENT HOSPITAL AND HEALTH CENTER  
TESTIMONY IN FAVOR  
OF THE  
ANTI-DISCRIMINATION ACT

Saint Vincent Hospital and Health Center supports the PPO Anti-discrimination Act, SB 256. We want to emphasise that this legislation does not "outlaw" preferred provider arrangements or PPOs, but rather, insures that consumers, patients and businesses purchasing health care have access to hospitals, physicians, dentists, etc. who are willing to meet the terms and conditions set forth by either the purchaser or the insurance company representing the employer. The main point I want to make here is that the issue of maintaining access between consumers and those willing and able to contract with them to provide service is maintained. We would all agree that our objective is to keep health care costs down. There is nothing to insure that insurance companies are basing their contracting decisions on cost or quality under the current situation.

SB 256 could actually improve current preferred provider arrangements inasmuch as it will insure that health care consumers and providers such as physicians and hospitals, have

access to one another. A middleman such as Blue Cross cannot arbitrarily redirect business to the detriment of the consumer and/or employer. SB 256 will improve access for consumers and insure employers receive competitive rates.

The second point I want to make is that this type of law is necessary in a rural state such as Montana. Based on some of the testimony presented on January 9th, there seemed to be a focus on Billings and Yellowstone County, and in particular, hospitals. This issue affects all providers of health care and is even more important to the smaller communities in the state. In conversations with Senator Gary Yordy of Wyoming, the principal supporter of their Willing Provider legislation passed last year, he indicated that the bill passed easily in Wyoming - primarily because it is a rural state. As you know, it is very often difficult to recruit health professionals such as physicians, optometrists, dentists, etc. to practice in rural communities. With the potential threat of exclusive physician agreements, that recruitment will become even more difficult. As in Wyoming, because of Blue Cross/Blue Shield's sheer size, it maintains the ability to carve out physicians. Those excluded, unfortunately,



will be forced to abandon their practice in already under served rural areas. Senator Yordy said that Preferred Provider Arrangements are here to stay, so it is important that legislators focus on who they serve - and that is the consumer. By this legislation, we will insure that more Montanans may participate. In Wyoming, this legislation was essentially unopposed except by Blue Cross/Blue Shield.

Wyoming is not alone. Eleven (11) states have enacted "Anti-discrimination" or "Willing Provider" legislation, seven of which are rural in nature:

- Indiana
- New Hampshire
- Nebraska
- North Dakota
- New Mexico
- Utah
- Wyoming.

Why so many? In urban states or areas, there are many providers such as hospitals, physicians, dentists, etc., none of which dominate the market. The same is true of health insurance companies. In a state like Washington or Illinois, no insurance company dominates the market. Any provider can maintain exclusive agreements without threat to their continued existence.

Unfortunately, as the State of Wyoming recognized, that is not the make up of rural states such as Montana. Here, Blue Cross/Blue Shield, in figures released by the States Insurance Department for 1989, wrote commercial premiums totalling \$163 million out of a possible \$333 million, or approximately 50%. The second largest company wrote only \$12 million. A handout is included in my testimony which illustrates this point.

The third issue is cost. Opponents have argued that this legislation will cause costs to increase. As you heard on January 9, 1991, and will hear shortly by Blue Cross/Blue Shield and its allies, this legislation will cause health care costs to rise. This simply has not occurred in rural states with Anti-discrimination/Willing Provider statutes. Four out of the five rural states with Willing Provider laws, rank 41st, 46th, 47th and 48th in terms of per capita health care costs, easily among the lowest in the country. Even Indiana, with some large metropolitan areas, ranked 32nd. The point is that these laws do not drive up health care costs. In fact, health care spending in these states is very low compared to the remainder of the United States:

RANK

	<u>1980</u>	<u>1990</u>
Indiana	32	32
New Hampshire	43	41
New Mexico	49	46
Utah	47	47
Wyoming	48	48

Another argument heard over the last several weeks is that if this legislation is enacted, physicians and hospitals would have little incentive to enter into preferred arrangements and give discounts because other providers will be able to meet these conditions. The point being made is, what incentive do hospitals have to control their costs? Currently there are only nine states in the country with health care costs on a per capita basis lower than the State of Montana. We would submit to you that, through safeguards such as voluntary rate review, health care costs can be contained. The issue of providers not willing to participate in contracting is simply not true. Yellowstone County has two very good examples of that. Both the Billings School District #2 and the Indian Health Services have been able to secure favorable rates from both Billings hospitals.

Yellowstone County is a good example of two employers, Billings

School District #2 and the Indian Health Services, securing favorable rates from both Billings hospitals. These preferred provider arrangements have saved each of these organizations significant amounts on their health insurance costs. Both Indian Health Services and Billings School District #2 asked for and received discounted rates from both Billings hospitals. Neither were satisfied with just discounted rates; they wanted to preserve freedom of choice for their beneficiaries as well. That was a much more significant benefit: Savings coupled with choice. If approached on a reasonable basis, providers will willingly participate with employers to help them contain their health costs.

At the January 9, 1991 hearing, Randy Cline of Blue Cross/Blue Shield, said that the Deaconess Medical Center/Blue Cross/Blue Shield arrangement was made because Saint Vincent Hospital had an arrangement with Computer Claims Administration (d/b/a Employee Benefit Management Services). I am not sure what he meant by "arrangement", but I would like to clarify the situation. Yellowstone County requested bids from third party administrators for rates on hospital services. Saint Vincent was asked by two

different TPA firms, Family Health Plan of Seattle and Consumer Claims Administration of Billings, for hospital rates for their respective bids. Saint Vincent Hospital allowed these TPA competitors to use its rates. At the outset, if Blue Cross/Blue Shield of Montana had asked for a Saint Vincent quote, the Hospital would have obliged them with the same rates.

A couple points need to be highlighted concerning Yellowstone County's bid. This was intended to be a response to one particular employer. This was not intended to be an ongoing, large, managed care program. The rates quoted were strictly for Yellowstone County - no one else. Second, Blue Cross/Blue Shield and Deaconess Medical Center teamed together for the same bid and, in fact, obtained the Yellowstone County employee contract. Mr. Cline's testimony that the Deaconess/Blue Cross managed care alliance, resulted from Saint Vincent's "arrangement" with Computer Claims Administration to bid for the Yellowstone County Contract, is erroneous. Family Health Plan also received rates from Saint Vincent Hospital to bid on Yellowstone County.

Once again, Saint Vincent Hospital recognizes the value of

Preferred Provider Arrangements, but, also recognizes the destructive capability of exclusive arrangements in rural states, particularly when one health service corporation is so large and so dominant. Such ability to direct health care through a PPO can be destructive to hospitals, physicians, both urban and rural, unless other willing providers are allowed to meet the PPO's terms and conditions.

Please support the Anti-discrimination legislation. It will protect Montana citizens' ability to choose the provider with which they are most comfortable, the provider in which their confidence has been well placed in the past. This legislation focuses on the "little guy" - not the insurance company that is so dominant within Montana that it can effectively direct patient care - direction that should be coming from the patient and the patient's physician. As a state, we need to recognize the wisdom in Wyoming's legislation which was designed to keep physicians in a rural state.

Thank you.

ACCIDENT AND HEALTH

1989 DIRECT A & H  
PREMIUMS WRITTEN IN MONTANA

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1	BLUE CROSS/BLUE SHIELD OF MT.	\$162,957,526	48.94%
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SOURCE: MONTANA STATE AUDITOR'S OFFICE  
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

# RATE CONTROLS / SUPPLEMENT

an economic analysis service for healthcare management

VOLUME 14, NUMBER 12A

DECEMBER 15, 1990

Last month we discussed the report presented by two consumer groups, Families USA and Citizen Action. While the reports focused on a proposal for National Health Insurance, some of the supporting data was interesting and useful. Pages 5-7 are self-explanatory.

## PER CAPITA HEALTH SPENDING

	<u>1980</u> <u>Amount</u>	<u>1980</u> <u>Rank</u>	<u>1990</u> <u>Amount</u>	<u>1990</u> <u>Rank</u>	<u>2000</u> <u>Amount</u>
Massachusetts	1,284	1	3,031	1	6,890
California	1,186	4	2,894	2	6,584
New York	1,257	2	2,818	3	6,408
Nevada	1,109	8	2,757	4	6,272
Rhode Island	1,184	5	2,707	5	6,153
Connecticut	1,148	6	2,699	6	6,136
North Dakota	1,066	12	2,661	7	6,051
Illinois	1,093	11	2,619	8	5,953
D.C.	1,241	3	2,586	9	5,882
Michigan	1,097	10	2,569	10	5,840
Missouri	1,033	16	2,568	11	5,837
Kansas	1,057	13	2,548	12	5,792
Pennsylvania	1,021	17	2,536	13	5,763
Ohio	1,039	15	2,493	14	5,667
Minnesota	1,110	7	2,480	15	5,641
Hawaii	993	20	2,469	16	5,619
Nebraska	1,016	18	2,452	17	5,576
Wisconsin	1,097	9	2,449	18	5,567
Maryland	1,041	14	2,436	19	5,541
Florida	962	22	2,427	20	5,520
Colorado	996	19	2,415	21	5,496
Alaska	921	31	2,367	22	5,390
Iowa	993	21	2,351	23	5,343
South Dakota	952	24	2,322	23	5,278
Oregon	940	26	2,312	25	5,260
Washington	929	29	2,311	26	5,258
Alabama	924	30	2,286	27	5,201
Delaware	960	23	2,268	28	5,160
Tennessee	952	25	2,262	29	5,145
New Jersey	930	28	2,224	30	5,056
Arizona	848	39	2,211	31	5,031
Indiana	919	32	2,201	32	5,004
Texas	915	33	2,192	33	4,987
Louisiana	940	27	2,185	34	4,972
Maine	870	36	2,175	35	4,945
Oklahoma	906	34	2,139	36	4,867
West Virginia	843	41	2,088	37	4,752
Virginia	863	37	2,076	38	4,724
Georgia	883	35	2,072	39	4,714
Montana	859	38	2,059	40	4,686
New Hampshire	813	43	1,981	41	4,505
Vermont	815	42	1,956	42	4,448
Arkansas	844	40	1,944	43	4,423
Kentucky	806	44	1,875	44	4,266
North Carolina	773	45	1,833	45	4,170
New Mexico	711	49	1,792	46	4,078
Utah	741	47	1,784	47	4,062
Wyoming	714	48	1,756	48	3,996
Mississippi	759	46	1,751	49	3,984
Idaho	708	50	1,726	50	3,928
TOTAL	\$1,016		\$2,425		\$5,515



Amendments to Senate Bill No. 256  
First Reading Copy

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 4

DATE 2/7/91

BILL NO. SB256

Requested by Senator Lynch  
For the Committee on Business and Industry

Prepared by Bart Campbell  
February 5, 1991

1. Title, line 8.

Following: "AMENDING"

Strike: "SECTION"

Insert: "SECTIONS 33-22-1702 AND"

2. Page 2, line 24.

Following: line 23

Insert: "Section 2. Section 33-22-1702, MCA, is amended to read:

"33-22-1702. Purpose -- legislative finding. (1) The legislature finds that the health and welfare of all Montanans is significantly influenced by the availability of affordable health care services and the delivery of those services. The legislature further finds that the state has compelling interests in preventing preferred provider agreements from discriminating against other willing providers and in assuring that willing providers be given the opportunity to meet the terms and conditions of established preferred provider agreements.

(2) The purpose of this part is to allow a health care insurer providing disability insurance benefits to negotiate and contract with health care providers to:

(1)(a) provide health care services to its insureds or subscribers at a reduction in the fees customarily charged by the provider; or

(2)(b) enter into agreements in which the participating providers accept negotiated fees as payment in full for health care services the health care insurer is obligated to provide or pay for under the health benefit plan."

Renumber: subsequent section

## SENATE BUSINESS &amp; INDUSTRY

EXHIBIT NO. 5DATE 2/7/91BILL NO. SB 256

## Blue Cross and Blue Shield of Montana

1988	Form 13 Blue Cross and Blue Shield of Montana Total Premium Earned	\$141,809,972	
	Less Administrative Service Contracts	(\$ 28,132,206)	
	National Accounts	(\$ 868,274)	
		<u>\$112,809,492</u>	43.1%

1988	Total Commercial Insurers Premium Earned	\$148,717,396	56.8%
		<u>\$261,526,888</u>	

339 Commercial Carriers wrote business during 1988 in Montana.

1989	Form 13 Blue Cross and Blue Shield of Montana Total Premium Written	\$162,957,526	
	Less Administrative Service Contracts	(\$ 29,535,117)	
	National Accounts	(\$ 386,871)	
		<u>\$133,035,538</u>	44%

1989	Total Commercial Insurers Premium Written	\$169,982,954	56%
		<u>\$303,018,492</u>	

The 1988 figures were derived from the Montana Comprehensive Health Care Association assessment calculation. The last assessment made was December 1989 based on 1988 premium volume information from the offices of the State Auditor and the Commissioner of Insurance.

Premium volume reflected on Blue Cross and Blue Shield annual statements filed with the Insurance Department reflects underwritten business and self-funded groups for which we provide claims administration (administrative service contracts). Premium volume for commercial insurers does not reflect administrative service contract groups.

The 1989 total commercial insurance premium written figure was received from the Montana Insurance Department.

*Acme Danner*

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 5A

DATE 2/7/91

BILL NO. SB 256

BLUE CROSS AND BLUE SHIELD OF MONTANA

MEMORANDUM

February 6, 1991

Some TPA and Self-Insured Groups Identified by District:

Missoula

St. Patrick Hospital  
Washington Corporation  
City of Missoula  
Missoula County  
Zip Beverage  
Missoula Electric

Butte

Western Energy  
Twin Bridges School  
Dillon School District  
St. James Hospital  
Montana Resources  
Madison County  
Butte/Silver Bow  
AASCO Foundry

Great Falls

Deaconess Medical Center  
Columbus Hospital  
Lewistown Hospital  
MAIDS  
Hill County  
Blaine County  
Choteau Schools  
Sun River Schools  
Pacific Hide and Fur  
Great Falls Gas Co.  
D.A. Davidson  
Havre Clinic

Miles City

Colstrip Schools  
First Security Bank Miles  
Custer County  
Glendive Memorial Hospital  
Francis Mahon Hospital  
Plevna Schools  
Bainville School

Miles City (cont.)

Rosebud County  
Rosebud County Hospital  
Glasgow School District  
Wolf Point School District  
Plentywood School District

Billings

Conlins Furniture  
Molerway Freight Lines  
Beal Mfg.  
MAIDS  
IBEW Electricians Trust  
Montana Contractors, Statewide  
Henry's Safety Supply  
Bighorn County  
Musselshell County  
Melstone Schools  
Roundup Schools  
Columbus Schools  
Bob's Supermarkets  
St. John's Nursing Home  
Cenex Refinery  
City of Billings  
Billings School District  
Montana BancSystems  
Rocky Mountain BancSystems  
Roscoe Steel  
Coke West  
Deaconess Medical Center  
Billings Medical Center  
Waggoner Trucking

Bozeman

Bozeman Deaconess Hospital  
Gallatin County  
Sweet Grass County  
Belgrade Schools  
Bozeman Schools

Helena

State of Montana  
Montana Power Co.  
Lewis and Clark County  
Broadwater County  
Jefferson County

Helena (cont.)

IBM

Helena School District

Townsend School District

Clancy School District

Kalispell

Kalispell Regional Hospital

Semitoool, Inc.

St. John's Lutheran Hospital

Flathead County

Pacific Power

N.W. Telephone

Columbia Falls Schools

Libby School District

Noxon Schools

Sanders County

Lincoln County High School

Salish and Kootenai College

Outlaw Inn

Arlee School Charlo School

Timber Trust Oregon

TA/smp

D051P

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 6

DATE 2/7/91

BILL NO. SB 256

February 7, 1991

SENATE BILL 256  
BEFORE SENATE BUSINESS & INDUSTRY

Testimony of David Hartman  
Montana Education Association

Senate Bill 256 would effectively eliminate preferred provider (PPO) agreements in Montana between employers/employees and health care providers. It would eliminate the "preferred" in PPO's by requiring that the terms of these agreements be open to all health care providers willing to meet the terms of the agreement as to charges for services.

PPO's have become increasingly popular because they may help to control escalating costs of health care services. Health care providers are willing to discount the cost of their services because they are being guaranteed a block of business from an identified employee group.

By giving other health care providers equal access to this block of business, the incentive for discounted rates has been destroyed. SB 256 will see the end of PPO's in Montana and add to the inflationary spiral in health care costs. It will unfairly restrain efforts by employers and employee groups to control health care costs and their expenditures for health care services.

School districts and school employees in both Missoula and Billings currently participate in PPO arrangements with selected health care providers. The group health insurance programs in these two school districts are self-insured. Neither Blue Cross-Blue Shield nor any other insurance company has a stake in these programs.

PPO's are one approach which employers and employees have used in efforts to control escalating health care costs and the costs of health insurance premiums or contributions.

The cost of health care and insurance for health care is the result of three forces: Cost of services x quantity of service x type or quality of service. PPO arrangements give employers and employee groups the opportunity to address the first force: Cost of service.

Hundreds of PPO's now operate nationwide, including several in Montana. I urge the Committee to continue permitting employers and employee groups to explore ways of controlling health care costs and the costs of health insurance premiums or contributions. I urge your "Do Not Pass" action on SB 256.

## ACCIDENT AND HEALTH

Rank	Insurer	1989 Direct A & H Premiums Written in MT
1.	Blue Cross/Blue Shield of MT	\$162,957,526
2.	Prudential Ins. Co. of America	12,481,653
3.	Principal Mutual Life Ins. Co.	11,470,157
4.	Continental Assurance Co.	7,866,843
5.	Bankers Life and Casualty Co.	7,828,448
6.	Mutual of Omaha Ins. Co.	5,675,593
7.	Federal Home Life Ins. Co.	4,933,507
8.	State Farm Mutual Auto Ins. Co.	4,662,290
9.	John Alden Life Ins. Co.	4,600,358
10.	AETna Life Ins. Co.	4,429,966
11.	United of Omaha Life Ins. Co.	4,271,658
12.	Travelers Insurance Co.	3,349,172
13.	Union Bankers Ins. Co.	3,324,206
14.	Life Investors Ins. Co. of America	3,021,522
15.	Combined Insurance Co. of America	2,793,424
16.	United American Ins. Co.	2,758,867
17.	John Hancock Mutual Life Ins. Co.	2,612,540
18.	Provident Life & Accident Ins. Co.	2,538,414
19.	Lincoln National Life Ins. Co.	2,394,641
20.	Cuna Mutual Ins. Society	2,324,780
21.	Washington National Ins. Co.	2,265,449
22.	Pioneer Life Ins. Co. of Illinois	2,258,121
23.	North Central Life Ins. Co.	1,984,760
24.	North American Life and Casualty	1,984,129
25.	Universe Life Insurance Co.	1,963,762

PIERCE

FLOORING & DESIGN CENTER

February 7, 1991

Senator Betty Bruski  
Committee on Business and Industry  
Montana Senate  
Capitol Station  
Helena, Montana 59620

Senate Business & Industry  
Exhibit 7  
Date 2/7/91  
Bill no. SB256

Dear Ms. Bruski:

For the record, I am part owner of Pierce Flooring, Pierce Mobile Homes, and the Carpet Barn. I manage the two floor covering operations. We provide health insurance benefits to ninety-one (91) employees plus many of their dependants.

In July of 1990, we elected to participate in the HealthLink program provided by Blue Cross/Blue Shield in order to contain the ever-increasing costs of providing health insurance benefits. Yes, we were able to contain some of our health care costs but there were problems incurred that were not foreseen. The doctor/patient relationship is very important. By requiring our employees to do business with one provider, we have disrupted some of those relationships; or have made them pay a higher rate. Some employees have never been to, nor have they received care by the Deaconess Hospital. Because of our decision, we have forced them to change hospitals. In some cases it required the transfer of medical records from one hospital to the other. These are a few of the problems we didn't think of when we made our decision. Employees understand our rationale but some are unhappy.

Ms. Bruski, presently the HealthLink program affects only those employees our Billings stores. I am certain in the near future we will be addressing the Preferred Provider Organizations in our other outlets in Bozeman, Missoula and Great Falls. Ms. Bruski, I urge you to support SB256 to revise PPO agreements so that they are available to willing providers. It would provide Pierce employees the opportunity to choose the hospital of their choice.

Sincerely,  
PIERCE FLOORING & DESIGN CENTER

*G. Ron Pierce*  
G. Ron Pierce  
President

GRP/ps