MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON BUSINESS AND INDUSTRY

Call to Order: By Chairman Gene Thayer, on February 8, 1989, at 10:00 a.m.

ROLL CALL

Members Present: Chairman Thayer, Vice Chairman Meyer, Senator Boylan, Senator Noble, Senator Williams, Senator Hager, Senator McLane, Senator Weeding, Senator Lynch

Members Excused: None

Members Absent: None

Staff Present: Mary McCue, Legislative Council

Announcements/Discussion: None

HEARING ON HOUSE BILL 279

Presentation and Opening Statement by Sponsor: Senator Jacobson, Senate District 36, said SB 279 "Would require insurance companies and health service corporation to provide coverate for well child health services from the child's birth through the fifth year. Whenever we try something new in health care, there is always a great deeal of resistance...I think the emphasis on health care today is to reduce medical costs, now is in prevention. In healthy living, diet and other things."

"I believe, also, the Federal Government has acknowledged preventive health care needs by expanding medicaid coverage for both pregnant women and optional services, up to age five. For children and well baby care, up to 150% of poverty level. I think there are some prescedents for looking at preventive care for children. I think what we are looking at, in this bill, is equity for children. Children have verry different health care needs from adults, and the standdard health careplans don't cover the services of babies...but not for immunizations and other preventive care that are appropriate for children's care. I

think, in treating childrens health needs the same as adults, we're probably discriminating against the children. They are not covered for the services they need despite the premiums their parents are paying for their coverage."

I would also say to you, we have been discussing with Blue Cross and Blue Shield coverage. Mainly, I think our disagreement on this bill, at this point has to with whether or not we are going to allow c-payments and deductibles. I think, at this point, we are willing to go along with the co-payment, but we still have some real concerns about the deductible. Because these costs for children really aren't a high cost item. They may end up not ever getting to the deductible in a single year."

She briefly explained the sections of SB 279.

List of Testifying Proponents and What Group They Represent:

Representative Fred Thomas - House District 62
Karen Landers - Montana Council for Maternal and Child Health
Dennis McCarthy - Pediatrician from Butte
Bob Johnson - Montana Public Health Association
Cindy Hinrich - Self
Barb Booker - Montana Nurses Association
Jerry Loendorf - Montana Medical Association
Brenda Nordlund - Montana Womens Lobby
Judy Carlson - Montana Association of Social Worker

List of Testifying Opponents and What Group They Represent:

Chuck Bulter - Blue Cross Blue Shield of Montana
Tom Hopgood - Health Insurance Association of America
Tom Harrison - Montana Autodealers Association
Larry Akey - Association of Montana Life Underwriters
Ken Hassler - LIfe and Health Insurance Agent, Helena, Montana

Testimony: Representative Fred Thomas said, "This bill simply provides excellent state policy in this area. What we are saying in this bill is that a health insurance policy must cover well baby care, preventative health care, if they are going to sell insurance in Montana...Not only do I favor this idea as a consumer and a citizen of the state, but as an insurance agent. My observation is that it seems the better carriers, the companies that are really here to stay...are generally coming along with this coverage."

Karen Landers said "I speak to urge your support of SB 279, requiring insurance coverage of well child care from birth through five years of age." (See Exhibit #1) She also spoke on an acturaial study that she submitted to the committee. (See Exhibit #2)

Doctor Dennis McCarthy had written testimony which he read. (See Exhibit #3)

Bob Johnson said, "It has always been a puzzle to me, why insurance companies have opposed paying for preventive health services for children. It would seem it would be the best business decision of all to invest a little bit of money in preventing a much more expensive problem from occurring in the future. That is exactly what these well child services do...I think the argument cannot be stated strongly enough that it would certainly improve the situation in Montana." He read her written testimony.

Cindy Hinrich said, "I feel that it would be a great benefit to my family and others in similar circumstances." (See Exhibit #4)

Barbara Brooker said, "The reasons the Nurses Association supports this piece of legislation are obvious for the professional reasons, of promoting willingness, to include immunizations, the long term benefits, and the cost effectivenss of this kind of sacrifice. The other reasons are presonal ones. Our association is predominately female, we have a number of single heads of households within our association. So from a professional and personal standpoint the Registered Nurses of Montana would like to ask your support of this leglislation."

Jerry Loendorf said, "We want to second the testimony given by Doctors McCarthy and Landers. Even if this were not a cost effective approach to well child care this is the way we should be treating young children of the state."

Brenda Nordlund said, "We advocate access, and improving access to affordable health care throughout Montana for well children and their families. We believe it is good public policy to spend dollars at the front end, for preventative care rather than later for acute and cronic care. Prevention pays and the costs of prevention are reasonable and affordable when included in private health care policies. We urge a Do Pass on SB 279."

Judy Carlson said, "We would like to associate ourselves with the previous testimony. I don't see how this could help but save the state money."

Chuck Butler said, "I personally would rather be a proponent, had some type of agreement been worked out with Senator Jacobson and the advocates of the legislation. Blue Cross & Blue Shield are still open to working out an arrangement."

"Blue Cross & Blue Shield is a non-profit corporation, and provices health care coverage for more Montanans than any other insurer doing business in our state. Health insurance is one of the most important benefits an employer can offer his employees. It is also one of the most expensive benefits provided. Why, very simple, the cost of health care has been rising at a dramatic rate, and the utilization of health care mandates that all health care continues to increase. SB 279 would mandate that all health benefit programs in Montana include twelve well child visits, including the cost of immunizations. This is unlike the vast majority of health benefit programs sold in our state, that include deductibles and co-payments. This bill would require that the cost of the doctors services for history, physical examinations, developmental assessment and anticipatory guidance, appropriate immunizations and lab tests at each of these twelve visits be paid in full."

"When the consuming public, including local, state and federal governments are calling for cost containment in the area of health care, this legislation will only add further to the rising costs. We estimate the annual cost, of these benefits to the Blue Cross and Blue Shield members, to be approximately $2,400,000 in the first year...From experience, we know that each year the cost of services in this bill will rise, and the overall cost to our members and the people of Montana will also increase."

"We don't take issue with the need for the services. In fact, we recognize the value to the health and well being of our children. That is one reason we started HMO Montana. (See Exhibit #5) Our HMO Montana probram includes all of the services that are mentioned in this legislation."

"In 1985 the Supreme Court of our country upheld the rights of the state to mandate benefits. It also upheld the ARISA preemption that said any mandates that this or any other legislature passes, do not affect any

of those groups that self insure. Society has determined that we need these services, and we have been willing to pay for them. For example, in Cascade County, well child clinics are prmoted and advertised for children of all county residents. (See Exhibit #6) You and I, as tax payers, are already paying for this service."

"Blue Cross and Blue Shield has spoken with the proponents of the legislation on several occasions over the last several weeks. We recommended that they drop the provisions in the bill calling for the exemption on co-payments and deductibles. This legislation is open ended. Here is another article that appeared in the Missoulian. (See Exhibit #7) It is tough enough for the people of this state to buy their health insurance. I hate to stand here and oppose this legislation. Yet unfortunately, because we have been unable to work anything out, that is the position I have been put in today."

Tom Hopgood, of The Health Insurance Association of America said, "The Associatin stands in strong opposition to this bill. It requires first dollar coverage for well child health services, first dollar coverage for well child health services to every individual and group policy covering a Montana resident and his or her family members. It is a straight forward mandatory coverage. The only thing it doesn't say, in so many words, that if it is passed it will increase the cost of health insurance."

"This bill would require that an insurance company pay for well child health care services. That means, the coverage which is now optional, and I might add available, will be mandatory. Even if you don't want well child coverage, even if you don't need well child coverage, even if you can't afford well child coverage, you are going to have it. You can rest assured it is not going to be free. The only choice you will have, if you don't want well child care coverage, is to go without health insurance."

"There is a peculiarity in this bill that Mr. Butler touched on...I would refer you to Section 1, Page 1, Lines 19-21. `These services are exempt from any deductible or co-payment provisions that may be in force in the policy or certificate.' That is what we call first dollar coverage. The usual situation in insurance, is that you can select certain deductible dollar amounts. The lower the deductible, the more the insurance is going to pay, and the higher your premium

will be. Under this bill, you do not have that choice with the co-payment provision either. With this bill, in addition to madating the coverage, this bill would provide for things which I, as a layman, wouldn't ordinarily consider as being in health insurance. You are getting cadillac coverage whether you want it or not, and whether you need it or not."

"I have had an actuary do some work on this. Assuming there is going to be about a $100 charge per visit, with all of the things that are included in this bill, he feels that is a conservative estimate. Under an individual policy, the increased cost for family unit is $109 a year. Under a small group policy, covering twenty units or less, the increased cost for family unit would be $170 per year. Under a large group policy, covering twenty or more units, the increased cost per family will be $140 per year. These are the costs increases you and every other person, in Montana with a health insurance policy, can expect to pay if you pass this bill."

"I think you also have to consider, is there really a need for this bill? If you want this type of coverage, it's avaiable. It is out there on the market. There is no need to make it mandatory."

Tom Harrison said, "I represent a group that wants to have you consider their position, which is that of employers supplying health insurance benefits. The problems this legislature has caused, and is causing...this bill exacerbates, as you continue to mandate coverage, and drive those costs up. You in affect, take away from any bargaining unit, any union contract, from any negotiating unit, the ability to determine what...represents fairness for that unit...which can be handled by the employer and employee, in that bargaining process...as the mandated portion increases, then the discretionary portion has to decrease...I think you are driving these people out of a fair market, and driving out of discretionary coverage, which as reasonable people would not be able to consider for themselves."

Larry Akey said, "The Association of Life Underwriters wants to go on the record in opposition to the bill, because we believe it reduces choices to consumers. For our members, any proposal that drives up premium rates ought to be good. It drives up our agents'commissions, but in this instance we've got a situation where marginal consumers, if they're forced to buy policies that include this mandated first dollar coverage, may

be forced out of the market. We think that is not good for health insurance in general, not good for the people who sell health insurance, and most importantly not good for the people who consume health insurance... I urge your Do Not Pass recommendation on SB 279."

Ken Hassler said, "The problem I have with the bill is the word `mandated'. Anytime you say that you have to have something, there is going to be a drive up in costs...I tend to disagree with Representative Thomas a little bit. I think competition is good, I think that is what keeps prices down. I see one of my major carriers that I have right now, if this comes in, I won't have them any more. They are a quality carrier, they are a large carrier, if you are going to tell them, you will have to have this benefit available, I am not sure...they are going to be interested in doing business in Montana...if you want to tell the insurance industry, tell them yes, they have to have the benefit available. Don't make them have to sell it, give the people a choice."

Questions From Committee Members: Senator Lynch asked, "Dr. McCarthy the figure they are using at, a $100 per visit, is that in the ball park?" Dr. McCarthy said, "I think that is one of the legtimate concerns that any insurance company would have with a no cap deductible. ..no, $100, I think that would be outlandish."

Senator Williams asked, "Dr. McCarthy to elaborate on his statement that, there was $500,000 being spent by the department on vaccines." Dr. McCarthy said, "Most of the vaccines go to public health clinics, some go to the Indian Health Service. And that is the figure from last year."

Senator Williams asked, "Would a child be denied treatment, on the policies that you write, if this bill did not pass?" Representative Thomas said, "In some cases, yes. I mean it would not be denied treatment, I mean the family would not be able to pay their share of the cost."

Senator Lynch said, "I am curious about these figures. $2,400,000, how did you get that?" Chuck Butler said, "We underwrite business for about 180,000 Montanan's. We administer coverage for another 35,000 to 40,000 people. $2,400,000 is calculated, based on the number of children who would be receiving these services each year."

Senator Lynch asked, "Under five?" Mr. Butler answered,

"Yes, sir."

Senator Lynch stated, "Some place there is something wrong with somebody's figures. Dr. McCarthy stated that a recent study, that revealed to provide coverage through age 21 years...would be $5.88 per month, per family. If you go down to (age) 5, I suggest that would be considerably lower. I'm thinking $36 a year...would provide that coverage. Where are we in error?"

Chuck Butler said, "The heavy costs are truly in the first year and the second year, in terms of the services included in the bill...at least six of the twelve visits are all within the first year. I do have some numbers that we sought out from physicians and peditricians...to try and help clarify this for the committee...in otherwords, about $300 in the first year...Dr. McCarthy's services, over the five years, would be approximately $535.75. In Billings, however the cost over the five years would be $634, but...half of the cost is right there in the first year."

Senator Noble said, "The people that we are really trying to affect...are the ones that probably don't have insurance coverage...I see the federal doesn't cover this, is that right?"

Chuck Butler said, "He could not answer that."

Senator Noble asked, "Do you know the percentage of people that have individual policies and group policies in the state?"

Chuck Butler said, "I do not have that, off the top of my head, but I would gladly get it for the committee. This legislation would affect individuals, two person, and family coverages...you could be a single contract policy holder, and you would still have to have included, the way this bill is drafted, well child health care coverage in the benefits..."

Senator Boylan asked, "How much is this going to cost, the university system, government agencies, to provide this coverage?" Senator Jacobson said, "The state is not affected because the state has their own insurance plan, and are already providing some well baby care. The university system is also providing some well baby care. They did oppose this bill in the last session, but are not opposing it now. As far as who this is going to affect...the federal government has acknowledged the fact that preventive care for pregnant women, and for children up to age five, is cost

effective, and they are providing it as an optional service. For women under...150% poverty level...We are required, in the state, to pick it up to seventy-five percent of poverty level...What we are not picking up, is the young families just starting out...that really can't afford these kinds of extra costs, and we are spreading these costs across the system..."

Chairman Thayer asked, "If you have good companies now that are offering the same kind of coverage anyway, isn't that the best way to eliminate the poor ones? Representative Thomas answered, "I think that what you are asking makes sense, that is the way we would like it to be, unfortunately in a lot of cases I don't think that is the case...I think the thing you have to look at here...what this is, is something that says you are going to prevent problems in the future by having these immunizations and these check-ups."

Chairman Thayer stated, "The bill is requiring that there be no deductibility or no co-payment, isn't that kind of unusual for this type of mandated insurance?" Representative Thomas said, "Somewhat maybe, maybe not. I would just say that the important part in that clause, to me, is not the deductible, but is co-payment. So many families right now are being forced to raise their deductible,...in order to afford the premium. To me, what is important that the co-payment could apply, in my opinion, to these services."

Chairman Thayer stated, "The committee will announce, to both sides, the day that we will take executive action, and I would like to allow Senator Jacobson to close."

Closing by Sponsor: Senator Jacobson said, "I think Representative Thomas has told you why we were unable to come to an agreement with Blue Cross & Blue Shield. I sincerely wish we could, and perhaps we can. We have agreed to the co-payment being dropped off of this, but for the reasons he stated, there is still some concern about the deductible...there has been a lot of conversation about voluntary. Voluntary, that has been tried in other states, just doesn't work...As far as self-insuring,...because of this I would suggest to you, because of the very low cost I would think that would be very negligible...I think in the long run it will probably save the state money, save the people money, that are able to get these services for their children."

DISPOSITION OF SENATE BILL 279

Discussion: None

Amendments and Votes: None

Recommendation and Vote: None

Announcement: Chairman Thayer asked Vice-Chairman Meyer to please take the chair.

HEARING ON SENATE BILL 284

Presentation and Opening Statement by Sponsor: Senator Gene Thayer, Senate District #19 said, "SB 284 was requested by the automobile industry...basically, over the last two years, the legislature has developed a fairly stringent system of set of statutes relating to the sale of new and used motor vehicles to Montana consumers. SB 284 is a continuation of this process...This bill is a clairfication for existing statutes of who, and who cannot sell used motor vehicles to the consumers in Montana. In order to qualify for the privilege of selling new and used cars in Montana, an individual must meet certain statutory and regulatory reqirements. The law specifies that a substantial amount of investment, in business, must be made by our motor vehicle people. Many of these requiements are made to protect the consumer in the purchase of the motor vehicle."

"This bill is designed to address when individuals or businesses purchase several used vehicles, either from individuals or at auctions, they bring them to a city that offers the vehicles for sale. Either the cars are advertised for sale in the newspaper, or they are placed on parking lots...with for sale signs in the window. Many times these individuals even have the ownerships of these cars transferred into their own name, they do not provide warranty or service contracts, or comply with federal used car regulation. This bill doesn't, in any way, prevent any individual from selling his or her own car through newspaper advertising, or sticking a for sale sign in the car window and driving it around town. Basically this bill requires that if someone is going into the business of selling used cars they must comply with the state law, and be licensed under the provisions of state law."

List of Testifying Proponents and What Group They Represent:

Steve Turkiewicz - Executive Vice-President
Montana Auto Dealers Association
Bob DePratu - Montana Auto Dealers Association
Tim Ryan - Auto Dealers, Great Falls, Montana
Mike Grimes - Auto Dealers, Helena, Montana
Jeff Kirkland - Montana Credit Unions League

List of Testifying Opponents and What Group They Represent:

Tex Pate - Montana Auctioneers Association

Testimony: Steve Turkiewicz said, "I would like to quote from a letter that was written in 1986 by the nineteen Missoula County dealers, to the County Attorney `there are numerous cars sold in Missoula an estimate of at least two hundred each month by several people who claim to be wholesalers. They have no dealer license, many of these vehicles are re-builts, undeclared to purchaser...you can drive down the street anytime day or night, and see the vehicles for sale many of these vehicles are parked on city and county right-of-ways, many of these vehicles have no license plates, or the wrong license plates, yet seeing them being moved from one corner to corner to another without any problem."

"There are several people in Missoula County who have no lot, no insurance, no signs or no federal warrant to display their stickers or a dealer license. These people are hurting the legitimate dealers that follow the vehicle sale laws." (See Exhibit #8)

Bob DePratu said, "One of the things that really concerns me, in seeing these vehicles brought in, there are many many of them that are purchased from wrecking yards, purchased from out-of-state, brought in to an area and sold by these individuals who actually are wholesalers becaues they have numerous vehicles for sale. However, they're passed off to the consumer as being a private vehicle transaction, which they are not. The other thing that really concerns me, about it, is the lack of trail. As an automobile dealer, whether you are a new or used automobile dealer licensed by the state, you are required by very stringent laws to provide a tracking system of legal papers to that vehicle and also the odometer mileage and the auto dealers support...the state and county does not collect any taxes on the vehicle."

Tim Ryan said, "I view this as a consumer protection movement, because we have people who are dealing in

deceptive practices. They feel they are buying an automobile from an individual, and they are not. We are in support of this bill."

Mike Grimes said, "I also would like to voice the same concerns, and say I am in favor of passage of this bill. The other potential danager that can occur, is that a person will buy one of these vehicles, and the title would pass hands, and would pay on a cash transaction, and then later on would find that there is a lien filed against that vehicle and the new owner would have to pay."

Jeff Kirkland said, "Typically we would not be appearing here on behalf of a bill having to do with the sales of cars...we support the intent of the bill...but we feel that the language within the bill needs some clarification for this reason. Our credit unions across the state, have an enjoyable history of working with local auto dealers in car promotions in various localities...we... propose an amendment to this bill. That is, essentially, clarifying that financial institutions would be able to continue to...work with the auto dealers in promoting these particular sales. (See Exhibit #9 and #10). We hope that you would take a good look at the amendment and find it acceptable."

Tex Pate said, "The auctioneers are going to have a problem with this, we don't want to all become dealers. The way we read it, to do a farm sale with a titled vehicle, we are not allowed...the problem I have, is on line 20 page 3 `a lot'...section 3, refers to say we cannot solicite the sale...we would like to have this addressed, because we feel that there is a problem here. The auctioneers do sell a lot of cars."

Questions From Committee Members: Senator Williams asked, "What does it take to be an automobile dealer, new or used?" Steve Turkiewicz said, "New, you would have to have a franchise from a new car manufacturer, and for used you would have to have a lot, you would have to have a sign that is readable from one hundred and fifty feet, you have to have certification with the Department of Justice, you have to keep records of the cars that you sell, the current inventory, and that is open to reeview by the Department of Justice, a specific fee and license for that, and you also have the law the committee addressed."

Senator Thayer told Senator Lynch he had an amendment ready, which addressed Jeff Kirkland,s question, and it would clarify the problem. He said the only distinction that

had to be made, was the person recieving the money would be the owner of the auctioned materials. He said he thought the amendments would clarify the langusge to show the auctioneer was acting on that person's behalf, and that should take care of the problem. (Exhibit 11)

Senator Thayer told Senator Weeding a person buying a used vehicle, took title to the vehicle, and would be the sole owner of that vehicle. Under this bill, he would be treated as anyone else, as a private person, and would be exempt and able to resell that vehicle. The bill is only designed to take care of people trying to circumvent the present law.

Vice Chairman Meyer asked if this eliminated an open title? Tim Ryan told him yes, it did.

Bob Robinson told Senator Lynch the Registrar's Office had asked him about the word consigning on page 1, line 13. He said there was a concern as to whether consignment to a sales lot would be a violation. He asked to amend the language to read "taking for consignment".

Senator Noble said he could see where this was a problem, and felt this was a comsumer bill. He said there should be some method of recourse.

Closing by Sponsor: Senator Thayer said, "We tried very hard to desing this bill to be sure that we weren't going to be offending anybody that is legitimately a single owner, and wants to sell their own car. I think the language says that, and I have no problem with changing the consignment that has been offered. I think we can come up with language that takes care of Mr. Pate's problem."

DISPOSITION OF SENATE BILL 284

Discussion: None

Amendments and Votes: None

Recommendation and Vote: None

DISPOSITION OF SENATE BILL 298

Discussion: None

Amendments and Votes: None

Recommendation and Vote: Senator Williams made a motion SB 298 DO PASS. Senator Noble seconded the motion.

Discussion: Mary McCue said she had one technical amendment. She said to look at the applicbility date on page 14, section 18, where it said `this act applies to policies delivered after the effective date of this act'. She said she thought they were referring to was October 1, but section 19 had an effective date mentioned. She suggested changing the effective date language should read `on or after October 1, 1989', just to clarify the date.

Senator Williams withdrew his motion, and Senator Noble withdrew his second.

Amendments and Votes: Senator Meyer made a motion to amend SB 298 as Mary McCue suggested. Senator Hager seconded the motion. The motion Carried Unanimously.

Recommendation and Vote: Senator Williams made a motion SB 298 DO PASS AS AMENDED. Senator Noble seconded the motion. The motion Carried Unanimously.

DISPOSITION OF SENATE BILL 244

Discussion: Chairman Thayer said he thoought the language that referred to `significant economic presence' was a poor definition. He said he had a real concern as to how that was going to be decided, and if it was oppening the door to all kinds of court cases.

Mary McCue said it encompassed a lot of people, because anyone could say they intended to permanently stay, with no specified length of time stated.

Senator Noble said there had to be an easier way to ammomplish this.

Chairman Thayer said he thought they had tried to use a residency requirement on some similar legislation they had last session.

Chairman Thayer asked if others were having a problem with how the bill was writte? He said that out of courtesy to Senator Keating the committee may want to let him try to amend it, but he wanted to know their pleasure on the bill? He stated he could not vote for the bill in it's present form, but he may if it were cleaned up.

Senator Hager stated he did not favor the bill as it was, either.

Mary McCue told Senator Williams a `foreign corporation' was someone who was incorporated in another state, and registered in Montana. She said anyone doing business in Montana was required to register here. She reminded him that the testimony had revealed the people presenting the bill did not want to do that, but there was nothing preventing that option. She said a `foreign corporation' in Montana was not eligible for the prefernce, because a `domestic corporation' was stipulated.

Senator Weeding said he could not vote for the bill in its present form, and wasn't sure if it could be amended to where he was comfortable with it at all.

Senator Boylan said he didn't feel the bill could be corrected either.

Amendments and Votes: None

Recommendation and Vote: Senator Noble made a motion to TABLE SB 244. Senator Boylan seconded the motion. The motion Carried Unanimouly.

ADJOURNMENT

Adjournment At: 11:57

SENATOR GENE THAYER, Chairman

GT/ct

ROLL CALL

BUSINESS & INDUSTRY COMMITTEE

DATE 2/8/89

51st LEGISLATIVE SESSION 1989

NAME	PRESENT	ABSENT	EXCUSED
SENATOR DARRYL MEYER	✓		
SENATOR PAUL BOYLAN	✓		
SENATOR JERRY NOBLE	✓		
SENATOR BOB WILLIAMS	✓		
SENATOR TOM HAGER	✓		
SENATOR HARRY MC LANE	✓		
SENATOR CECIL WEEDING	✓		
SENATOR JOHN"J.D."LYNCH	✓		
SENATOR GENE THAYER	✓		

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

February 8, 1989

MR. PRESIDENT:

We, your committee on Business and Industry, having had under consideration SB 298 (first reading copy -- white), respectfully report that SB 298 be amended and as so amended do pass:

1. Page 14, line 24.
Strike: "the effective date of [this act]"
Insert: "October 1, 1989"

AND AS AMENDED DO PASS

Signed: _____
Gene Thayer, Chairman

Statement of Intent adopted.

2-8

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 1
DATE 2/8/89
BILL NO. SB 279

Landers

TESTIMONY FOR THE SENATE COMMITTEE ON BUSINESS AND INDUSTRY

Support for SB 279 Mandated Insurance Coverage for Well Child Care from birth through five years including immunizations

Name: Karen Landers MD, Pediatrician from Helena

Representing: Montana Council for Maternal and Child Health
Fellow, American Academy of Pediatrics

"On behalf of the Montana Council for Maternal and Child Health which represents a diverse group of health care professionals serving Montana's mothers and children, I speak to urge your support for SB 279 requiring insurance coverage of well child care form birth through age 5 years including immunizations."

Legislation of this type has already been passed in some capacity in six states. Although preventative health services including immunizations make up a large part of children's care, insurance coverage of these services has been excluded by most private health insurance plans. Under age 15 years, one of four office visits is for preventative care, and 37% of visits for children under age 3 is for child health supervision services.

The cost of providing this care is small and the cost/benefit ratio is enormous. Some group health insurers such Union Mutual and Bankers Life have begun to offer child health supervision services at no increase in premiums. National Capital Area Blue Cross Blue Shield recently began covering 12 "well-child visits" for children up to age six years. The coverage is provided as a free of charge benefit based on the belief that the long term benefits will more than offset cost. The actuarial study commissioned by the American Academy of

Ex #1
2/8/89

Pediatrics and published in January of 1989 estimates the average monthly increase in family premiums to cover child health supervision services from birth to 21 years to be $5.88.[1] The total cost for providing child health supervision services from birth to 20 years is less than the cost of one day in a children's hospital.

Montana needs this law. Our state has the highest per capita rate of measles of any state in the U.S., a disease that is entirely preventable with proper immunization. An average of 120 infants die in this state before they reach their first birthday. In addressing our national problem of infant mortality, the National Commission to Prevent Infant Mortality recognizes the need for assistance from the private sector. Their report states and I quote, "All employment-based health insurance should include maternity and well-baby coverage for employees, their spouses and dependents."[2] The public sector has already recognized the cost effectiveness of preventative care and is addressing this issue through expanded Medicaid eligibility and coverage for maternity care, and the Early Periodic Screening and Development Testing Program or EPSDT which provides child health supervision services from birth through five years.

It may argued that we are making a special case for children. Well, children are special and have different health care needs from adults. Give our youngest citizens a healthy start in life. Vote do pass on SB 279.

Premiums for Preventive Pediatric Care Recommended by the American Academy of Pediatricians in Employer Health Insurance Programs

by

Rose C. Chu, M.B.A.

and

Gordon R. Trapnell, Fellow

of the Society of Actuaries

Actuarial Research Corporation
6928 Little River Turnpike
Annandale, Virginia

January 1989

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Premiums for Preventive Pediatric Health Care

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Premiums for Preventive Pediatric Health Care Recommended by the American Academy of Pediatrics In Employer Health Insurance Programs

The American Academy of Pediatrics recommends periodic physician visits for preventive pediatric health care. These visits include physical examinations, height, weight and blood pressure measurements, patient histories, vision and hearing screening, immunizations, laboratory tests, accident prevention information and counselling. The Actuarial Research Corporation was retained by the AAP to develop cost estimates for adding the preventive care recommended by the AAP for children and adolescents to employer sponsored group health insurance plans.

I. Summary of Results

The 1988 average increase in monthly family premiums to cover the AAP recommended preventive health services at projected participation rates were estimated to be $5.88 for children and adolescents from birth to age 21 and $4.51 for children from birth to age 7. With an average demographic composition (55% of the employees choosing family coverage), an employer would have to pay $3.23 per insured employee each month to cover the preventive health package through age 21 and $2.48 through age 7 in 1988. If some employees have coverage from another firm or are married to another employee in the same company, the average premiums would be even lower. The effect of this duplicate coverage reduces the average premiums by 11% to $2.87 for age 0-21 and $2.21 for age 0-7. Table 1 summarizes these results.

Table 1

1988 Monthly Premiums for Preventive Care

Age	Per Family	Per Insured Employee	Per Insured Employee Adjusted for Duplicate Coverage
Age 0-21 years	$5.88	$3.23	$2.87
Age 0-7 years	$4.51	$2.48	$2.21

These estimates were derived from the March 1988 UCR levels for physician visits, immunizations, and laboratory tests of nine Blue Cross and Blue Shield Plans distributed throughout all regions of the U.S. The age distribution for children and adolescents, the number of children per family and the percentage of employees opting for family coverage were obtained from the March 1987 Current Population Survey (CPS) of persons with employer or union sponsored health insurance. Participation rates were derived after reviewing data from a number of sources, but reflect the level that would be adopted by a prudent actuary facing uncertainty and are set accordingly at a conservative level. The estimates include a allowance from the additional administrative expenses that an insurance program would find necessary to add the preventive benefits.

II. Methodology

A. Age Distribution from the Current Population Survey

Each month the U.S. Census Bureau surveys more than 40,000 household concerning labor force participation as part of the Current Population Survey (CPS). Each March supplementary questions are asked about noncash benefits. The results from the survey are weighted and inflated to reflect independent estimates of the total civilian non-institutionalized population by age, race, and sex.

The CPS is the most comprehensive survey of the entire U.S. population which is conducted annually on health insurance coverage. Th CPS includes estimates of persons with

insurance which are separated by age and sex. Compared with independent estimates of other benefits, the CPS has been shown to have problems. The CPS underreports other cash and noncash benefits such as AFDC and food stamp recipients by as much as 25% and slightly overreports the number of households residing in public housing. Since the purpose of this study is to estimate the additional premiums per family that should be charged for preventive care rather than the total premiums in the United States, it is the age distribution of the enrollees rather than the total number of enrollees that is important. As long as there was no systematic underreporting of certain age groups, the CPS should have a representative age distribution.

B. Costs of Preventive Services

March 1988 UCR fee levels were obtained from nine Blue Cross and Blue Shield Plans around the country. There was at least one Plan in each of the Census regions. UCR fees were available separately for six types of preventive care visits: new patient under one year, established patient under one year, new patient age 1-4, established patient age 1-4, new patient aged 5-11 and established patient aged 5-11. Immunizations included DTP (diphtheria and tetanus toxoids with pertussis vaccine), OPV (oral poliovirus vaccine), MMR (live measles, mumps, and rubella viruses in a combined vaccine), Hib conjugate (haemophilus influenza type b) and Td (full dose adult tetanus toxoid and reduced dose diphtheria toxoid). The diagnostic tests were urinalysis, hematocrit and tuberculin tine tests.

Although the identities of the plans were not revealed, the census region in which the plan was located was reported. When there were more than one plan per region, the UCR fees were averaged for the region. The UCR fees for each visit or procedure in the six regions were weighted by the number of insured persons according to the Current Population Survey for that census region.

The weighted mean UCR fee for all Blue Shield pediatric visits was $44. The UCR fees varied significantly by region. For instance, for preventive care visits for established patients aged 5 to 11, UCR fees ranged from $26 to $60.

The Blue Shield UCR fees can be compared to two other surveys. The AMA Survey of Socioeconomic Characteristics of Medical Practice reported a mean charge of $27 for pediatricians in 1986, which would have risen to $31 in 1988, assuming inflation at the rate of the CPI component for Professional Medical Services. According to the 1988 Medical Economics Survey, the median charge of pediatricians was $36 and that of general practioners was $52 for history and physical exams.

Thus, the Blue Shield fees are significantly higher than indicated by the two other surveys. It is possible that the visits for which Blue Cross and Blue Shield plans provided fees may be more comprehensive than the physician visits in other surveys. On the other hand, many Blue Cross and Blue Shield plans are able to negotiate lower fees with physicians. Traditionally, Blue Shield UCR fee levels have been about 75% of physician charges. Other insurance companies, especially the smaller companies, are likely to pay a higher percentage of physician charges. Blue Cross and

Blue Shield Plans together are the largest insurer nationwide, with close to 60% of employees covered by insured plans. In addition, they administer self-insured plans with approximately 20% of the covered employees. The Blue Cross and Blue Shield fee information was used in this study because it was most comprehensive available and derived from actual experience under insured programs.

No costs for newborn screening (PKU, galactosemia, etc.) were included because many states have mandatory newborn screening programs that do not charge patients. Maternal and Child Health block grants provide federal funding to states for this purpose. Private insurance plans usually cover the costs of the screening in those states that permit charges for newborn screening (1).

The AAP recommends hospital visits for newborns. The 1988 Medical Economics Survey found that the median charge for newborn hospital care was $100. Most insurance plans cover the newborn hospital visits under the mother's maternity policy. Consequently, these visits were not included in this report.

Audiometry charges were estimated from 1984 data from a California IPA HMO and from an informal survey of a small number of physicians in the Washington, DC area in January 1989. Charges for vision screening are assumed to be included in the physician visit.

Costs for visits, immunizations and tests at each age group are shown in Table 2. It was assumed that patients changed physicians at ages 3, 6, 10, 14, 18. At all other ages, the costs for visits were those of established patients. The total number of insured children and

adolescents and costs for each age group are shown in Table 3. The total costs per child per year were $63.88 to cover children and adolescents up to age 21, $124.41 to cover children aged 0-7, and $29.51 to cover children and adolescents 8-21. Separate costs for physician visits and tests and immunizations are shown in Table 4. The costs for physician visits accounted for 66% of the total costs of preventive care.

Adjustments are made to the costs per child to estimate benefits per family. According to the CPS, on average there are 1.27 children per family, including families without children, and 1.87 children per family when only families with children are included. Most employers have health plans with single and family premiums which do not distinguish between families with and without children. Therefore, the costs for pediatric preventive care are spread over all families whether they have children or not, using the factor of 1.27 children per family. The annual costs of benefits was $57.23 per family to cover preventive care for children aged 0-7, $23.90 for children and adolescents aged 8-21, and $81.13 overall.

These costs are then used to estimate family benefits and premiums as shown in Table 5. Participation rates are projected to be 88% for the age group 0-7 and 64% for the age group 8-21 and discussed in Section C. below. Additional administrative expenses are estimated to add 7.5% of benefits for children aged 0-21 for self-insured plans and plans insured by Blue Cross and Blue Shield, which account for 82% of the insurance market for employers. If preventive services are to be insured by insurance companies other than Blue Cross and Blue Shield, administrative expenses would be 11% of benefits to pay for premium taxes and additional

loading. The derivation of the estimates of administrative expenses are discussed in Appendix A.

C. Participation Rates

Utilization data for preventive services is available from both national surveys and from smaller studies of experimental programs, as summarized in Table 6. INSURE was a demonstration from 1982-87 designed to test prevention as a health insurance benefit. This non-profit project was funded by insurance companies, private foundations and the federal government. Physicians were paid according to their usual and customary fee-for-service schedule of charges, sometimes with negotiated discounts for volume. The study patients were patients of primary care physicians at three designated sites. These patients were fully covered for preventive care and not subject to deductibles and coinsurance. The primary care physicians attended seminars on the Lifecycle model of preventive care and were surveyed periodically. Since the study was aimed at prevention, patients with chronic conditions were not included. Physicians were paid for fifteen minutes of patient education on risk reduction (smoking cessation, lower blood pressure, exercise, using seat belts, nutrition, etc).

Utilization levels experienced by three of the sites Appleton (Wisconsin), Danville (Pennsylvania), and Pensacola (Florida) ranged from 29% to 44% over all age groups (2). Pediatric utilization ranged from 24% in Danville for the under 2 age group to 62% in Appleton and 20% for the

12-17 age group in Danville to 60% in Appleton. Overall, Appleton had the highest utilization rate, 60% for all pediatric age groups.

The Federal government collects utilization data on preventive care in its U.S. Immunization Survey and National Health Interview Survey The Preventive Care Supplement to the 1982 Health Interview Survey was a survey of 41,000 households (3). Using the AAP recommendations as a criteria of receiving preventive care, i.e. one preventive visit for children 3 to 6 years of age and one visit every two years for those 7 to 16 years of age, calculations of this survey indicate that 69% of all children aged 5 to 16 years had a physical examination in the recommended interval. There was little difference between children in families above and below poverty levels. However, 83% of children with Medicaid had physical examinations within the recommended intervals while 62% of children in families below poverty levels but without Medicaid had physical examinations within the recommended intervals.

Immunizations are required by states for school attendance and may be more accessible through county health departments, etc. than other preventive care so immunization rates are not a fair representation of the utilization of preventive care. The surveys on immunization are discussed below as examples of relatively high utilization patterns. The Immunization Survey estimates that in 1985, 76% of 1 to 4 year-olds had three or more doses of polio, 87% had three or more doses of DTP, 77% were immunized for measles, 76% for mumps, and 74% for rubella. For 5 to 6 year-olds, the percentages were 87% for polio, 93% for DTP, 89% for measles, 89% for mumps and 85% for rubella (4).

The Rand Health Insurance Experiment also has information on immunizations (1974-1977) but their utilization was significantly lower than that reported by the national surveys (5). Of their sample of 92 children followed since birth, only 44% had three or more DPT doses, 45% had 3 or more polio doses, 60% had MMR vaccinations and 55% had tuberculosis skin testing. Of all the 647 children aged 0 through 6, 59% of those children on the free plan had one or more immunizations while 49% of children aged 0 through 6 on insurance plans that required cost sharing had any immunizations.

The data presented above show that among the employees in any employment group, utilization may vary from under 30% to over 83%. Since our objective is to estimate the increases in premium rates that would be charged for adding preventive coverage, what is crucial is the response of insurance company actuaries or other rate setting technicians to the circumstances presented by offering the preventive care as a new benefit. These technicians react to uncertainty by assuming utilization rates at the high range.

Table 5 shows the average participation rates assumed in the estimates for an insured program with no deductibles and coinsurance and the effect on benefits and premiums. After examination of the data available from surveys described below, we adopted participation rates that decrease from 95% for newborns to 30% for 18-21 year-olds, as shown in Table 7. The weighted average of these participation rates for children aged 0-7 is 88% and 64% for those aged 8-21.

These participation rate assumptions are deliberately set at the high end of the range of utilization data available to be conservative. They are thus devised to simulate the appropriate response of insurance actuaries estimating the costs of a new benefit for which the expected level of utilization is uncertain. At this level of participation, the additional 1988 monthly family premium was $5.88 for covering preventive services from age 0-21 and $4.51 if only services for children aged 0-7 are covered, as shown in Table 5. (To estimate 1989 family premiums, an inflation factor of 8.4% is used, increasing the premiums to $6.37 for the age group 0-21 and $4.89 for the age group 0-7.)

According to the CPS, 55% of all employees choose family coverage and 45% choose single coverage under their employers' health insurance plans. Therefore, premiums per insured employee were $3.23 for age 0-21 and $2.48 for age 0-7, which is 55% of the family premiums. The CPS also indicates that 11% of employees covered for health insurance under their employer's health insurance program are also covered by their spouse's employer sponsored health insurance program. After adjusting for duplicate coverage, premiums per insured employee were $2.87 for age 0-21 and $2.21 for age 0-7.

Based on the wide variation found in reported utilization data, most employer plans will encounter somewhat lower levels of participation. Where the plans are insured, lower levels of utilization will eventually result in correspondingly lower premiums charged for the added coverage. It is also possible that some actuaries will base the original premium increments on lower participation assumptions. We believe, however, that

it would be very difficult to justify premium increments higher than those calculated in this report, certainly not without definitive charge data from an insured program in the locality.

If all eligible children and adolescents were to receive 100% of recommended services, the 1988 monthly family premiums would have been $7.27 for the 0-21 age group and $5.12 for the 0-7 age group, as shown in Table 8. Thus, the adjustments for participation less than 100% reduced the premiums by 19% for the 0-21 age group and 12% for the 0-7 age group. Premiums per insured employee were $4.00 for age 0-21 and $2.82 for age 0-7. Premiums per insured employee adjusted for duplicate coverage were $3.56 for age 0-21 and $2.51 for age 0-7.

III. Extent of Present Coverage of Preventive Care

Although coverage has increased in recent years, preventive care services are still not covered by the majority of health plans. In the early 1980's, INSURE conducted a study of 1364 persons at three sites and found that 30% had preventive coverage for adults and 23% for children. There is little recent information on coverage of preventive care for children. Employee benefits consulting firms survey employers and do ask some questions on preventive care for employees. The Wyatt Company surveys a core group of 170 companies, each year, and found that 18% covered annual physicals in 1984, 41% in 1986, and 36% in 1988 (6). Foster Higgins surveys some 2000 companies each year. The percentage of firms that covered periodic voluntary physical examinations for some or all employees increased from 24% in 1986 to 41% in 1987 (7). The INSURE

survey indicates that there is more preventive coverage for adults than children and companies are more likely to cover employees rather than dependents so these estimates would be upper bounds on the extent of preventive coverage for children.

Compared to other insurance programs, PPOs are an exception. The large majority of PPOs are covering preventive care services, according to a 1986 INSURE survey (8). Of the 197 PPOs with 18 million employees and dependents, 72% covered immunization for children under two years of age, 75% covered well child care for children under two years of age and 56% covered well child care for children older than two. Most respondents felt that preventive services would help PPOs in competing with other insurance plans and HMOs and would help contain costs.

IV. Effects of Coinsurance

While it is desirable to encourage utilization of preventive services by eliminating cost-sharing for the insured population, insurance plans may include preventive services as part of their covered services subject to 20% coinsurance. With 20% coinsurance, the monthly family premium for covering preventive services for the age group 0-21 would decrease by 39% to $3.58 for 1988 and $3.88 for 1989. Further details are supplied in Appendix B.

V. Overlap with Acute Care

Another factor that will reduce the cost of adding preventive care to

employer health insurance programs is the extent to which patients already obtain such care during visits to diagnosis or treat an illness. For convenience, many covered persons would continue this practice. Carriers or administrators that do not pay an additional fee if prevention care was provided during an acute care visit will find that adding preventive care will cost less than estimated here. Since the rate setting technicians may not take these offsets into account in determining the increase in premiums needed for the benefit, however, such offsets are not included in the estimates.

Table 2

1988 Blue Cross and Blue Shield UCR Levels

	4 years	5 years	6 years	8 years	10 years	12 years	14 years	16 years	18 years	20 years
I. Preventive Health Visits	$39	$44	$55	$44	$55	$44	$55	$44	$55	$44
II. Immunizations										
DTP		28								
OPV		18								
MMR										
Td							15			
Hib										
III. Laboratory and Other Tests										
Hematocrit or Hemoglobin				8					8	
Urinalysis				8					8	
Tuberculin Tine				12						
IV. Vision Screening	included	included	included	included		included	included		included	included
V. Audiometry	15	15				15			15	
Total	$54	$105	$55	$72	$55	$59	$70	$44	$86	$44

Table 2

1988 Blue Cross and Blue Shield UCR Levels

	Up to 1 month	2 months	4 months	6 months	9 months	12 months	15 months	18 months	24 months	3 years
I. Preventive Health Visits	$38	$38	$38	$38	$38	$39	$39	$39	$39	$50
II. Immunizations										
DTP		28	28	28				28		
OPV		18	18					18		
MMR							36			
Td										
Hib								15		
III. Laboratory and Other Tests										
Hematocrit or Hemoglobin					8				8	
Urinalysis				8					8	
Tuberculin Tine						12			12	
IV. Vision Screening										
V. Audiometry										
Total	$38	$84	$84	$74	$46	$51	$75	$100	$67	$50

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Table 3

1988 Costs of Preventive Care

Age	March 1987 CPS Children in Families with Employer Sponsored Insurance	Total Costs Per Child	Total Costs ($1000's)
0	2,026,268	$326	$660,563
1	2,117,984	226	478,664
2	2,144,514	67	143,682
3	2,120,327	50	106,016
4	2,194,560	54	118,506
5	2,198,496	105	230,842
6	2,096,985	55	115,334
7	2,096,671		0
8	2,002,613	72	144,188
9	2,039,787		0
10	2,025,666	55	111,412
11	1,964,826		0
12	1,957,812	59	115,511
13	1,998,145		0
14	2,074,981	70	145,249
15	2,172,290		0
16	2,268,479	44	99,813
17	2,156,994		0
18	1,782,300	86	153,278
19	1,424,146		0
20	104,676	44	4,606
21	164,920		
Age 0-21 years	41,133,440	$63.88	$2,627,664
Age 0-7 years	14,899,134	$124.41	$1,853,607

Table 4

1988 Costs of Preventive Care
Per Child

Age	Costs for Physician Visits Per Child	Costs for Immunizations and Laboratory and Other Tests Per Child	Total Costs Per Child
0	$190	$136	$326
1	117	109	226
2	39	28	67
3	50		50
4	39	15	54
5	44	61	105
6	55		55
7			
8	44	28	72
9			
10	55		55
11			
12	44	15	59
13			
14	55	15	70
15			
16	44		44
17			
18	55	31	86
19			
20	44		44
21			
Age 0-21 years	$42.30	$21.58	$63.88
Age 0-7 years	$76.35	$48.06	$124.41

Table 5

1988 Premiums for Preventive Care
With Adjustments for Participation

Age	Family Benefits Per Month 100% Participation	Expected Participation	Expected Family Benefits Per Month	Administrative Expenses	Expected Family Premiums Per Month	Expected Premiums Per Insured Employee Per Month	Expected Premiums Per Insured Employee Adjusted for Duplicate Coverage
Age 0-21 years	$6.76	81%	$5.47	7.5%	$5.88	$3.23	$2.87
Age 0-7 years	$4.77	88%	$4.20	7.3%	$4.51	$2.48	$2.21

Table 6

Utilization of Pediatric Preventive Services

Age	1982-83 INSURE 3 sites	1982-83 INSURE Appleton	1982-83 INSURE Danville	1982 U.S. Health Interview Survey	1988 Blue Cross and Blue Shield	1989 Rates for this AAP Study
0-2	44%	63%	24%			
2-5	51%	63%	39%			
6-11	45%	54%	29%			
5-16				69%		
12-17	37%	59%	20%			
0-7					80%	88%
0-17	44%	59%	28%			
8-19					50%	
8-21						64%

Table 7

Participation Rates at
Different Ages

Age	Participation Rate
0	95%
1	95%
2	90%
3	85%
4	85%
5	85%
6-7	80%
8-9	80%
10-13	70%
14-17	60%
18-21	30%
Weighted Average for 0-21	81%
Weighted Average for 0-7	88%
Weighted Average for 8-21	64%

Table 8

1988 Premiums for Preventive Care

100% Participation

Age	Family Benefits Per Year	Family Benefits Per Month	Administrative Expenses	Family Premiums Per Month	Premiums Per Insured Employee Per Month	Premiums Per Insured Employee Adjusted for Duplicate Coverage
Age 0-21 years	$81.13	$6.76	7.5%	$7.27	$4.00	$3.56
Age 0-7 years	$57.23	$4.77	7.3%	$5.12	$2.82	$2.51

Appendix A

Administrative Expenses

The level of administrative expense depends on several features of the coverage:

- Functions performed
- Type of insurance arrangement
- Degree of independence from operation of other health insurance coverage, both in administering claims and in other administrative functions.
- How administered, including the degree of automation and whether providers are reimbursed directly or payments are made to reimburse eligible patients.

a. Functions performed

The administrative functions required to administer a health insurance arrangement include:

- Collection of premiums
- Financial accounting and reporting
- Maintenance of inforce records and reporting to regulatory authorities
- Determining eligibility at time of claim
- Payment of claim and financial accounting and reporting therefor
- Sales and service
- Premium tax if insured by insurance company
- Risk charge if insured
- Profit loading if insured by insurance company.

The cost of adding a preventive care benefits to an existing employer sponsored health insurance program will increase the costs

associated with paying claims and, if fully insured by an insurance company, premium taxes, sales and profit. (There is no increase in real loadings for risk, since the level of actual risk is not increased by preventive benefits.) Premium taxes vary between 2% and 3% throughout the U.S. and most insurers will be delighted with a net profit margin of 1% of benefit outlays.

Thus the only substantial functions that need to be estimated are the cost of establishing eligibility and paying the claims. These costs can be assessed relative to the cost of processing major medical claims, which vary from $8 to $15 per claim depending on complexity and the degree of automation. Much of the complexity is produced by determining the appropriateness of the services and the correct amounts for the specific physician services rendered. Inclusion of prescriptions in major medical claims also tends to increase outlays. In contrast, claims for preventive services should have a high volume of claims for one of a small set of specific services, which should be less expensive to process. A high degree of automation is feasible, with resulting average cost per claim substantially lower than the range for major medical claims.

The specific subfunctions needed to add preventive services to an existing health insurance plan are as follows:

- Opening mail and setting up for processing
- Keying (or optical scanning) of data submitted
- Determining eligibility (for efficient processors, by computer algorithm)
- Determining whether it is the first claim for the designated service in the period permitted (for efficient processors, by computer algorithm)

- Determining the reasonable charge and allowable amount (for efficient processors, by computer algorithm)
- Payment (for efficient processors, by computer algorithm)
- Control functions
- Customer service for inquiries from patients
- Provider relations for inquiries from physician offices.

The cost of the first two of these functions and payment will vary by whether the bills are received from providers (under assignment or through a Blue Shield type arrangement) or from patients. The cost per bill processed will be far lower if bills are received in volume from physicians and still lower if reporting is automated (which a number of processors, especially Blue Shield plans, have been working towards).

The unit cost will also vary if bills are received only from physicians rather than separate bills from physicians and labs. The latter situation would have higher processing costs, but would lend itself to negotiating better rates from a limited set of laboratories.

The unit cost also depends importantly on the degree of automation. The trends currently underway in the health insurance administration business will assure that virtually all substantial operators will be highly automated with this next decade. Based on methods pioneered by CHAMPUS carriers, and now widely imitated through the industry, we estimate that the unit cost to process a claim under a state of the art system would be as low as $2.00 or $3.00. Based on this information, we estimate an average cost per claim paid of $5.00 in 1988. (The actual

cost could vary from as low as $2.00 to as much as $10.00, depending on the administrative approach and the efficiency of the processor.)

The claim payment function should be the only cost for self-insured programs, which cover approximately 60% of all employees insured through employer plans. Since most Blue Cross and Blue Shield plans do not pay premium taxes, this should also be the cost for a Blue Cross or Blue Shield insured benefit. An insurance company administration costs would also be increased by the premium tax (average of 2.5%) and perhaps a 1% net profit loading.

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Appendix B

Coinsurance

Insurance plans may include preventive services as part of their covered services subject to 20% coinsurance. Coinsurance has two effects, the 20% cost-sharing by families and a lower utilization, both of which reduces the benefits paid by insurance companies.

The Rand Health Insurance Experiment was sponsored by the federal government to study the effects of deductibles and coinsurance on the demand for medical care. Rand estimates that families in plans subject to 25% coinsurance had total outpatient benefits that were 76% less than families in plans with no cost-sharing (9). This 76% effect combined with the 80% level paid by insurance companies results in an estimated 39% decrease in benefits and premiums compared to plans without cost-sharing. The effects of the coinsurance are shown in Table Appendix B.

Appendix B

1988 Family Premiums for Preventive Care
With 20% Coinsurance

Age	Expected Family Benefits Per Month from Table 5	Decrease from Coinsurance of 20%	Expected Family Benefits Per Month	Expected Family Premiums Per Month	Expected Premiums Per Insured Employee Per Month	Expected Premiums Per Insured Employee Adjusted fo Duplicate Coverage
Age 0-21 years	$5.47	39%	$3.34	$3.60	$1.98	$1.76
Age 0-7 years	$4.20	39%	$2.56	$2.75	$1.51	$1.34

Ex. # 2
2/8/89

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SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 3
DATE 2/8/89
BILL NO. SB 279

Mr. Chairman and fellow Senators - thank you for providing time for my testimony today. My name is Dennis McCarthy. I am a pediatrician, who has practiced in Butte for the past 16 years. I am a member of the Montana chapter of the American Academy of Pediatrics, an organization of 36,000 members who share a deep commitment to the health and well being of children. It is with this commitment in mind that I submit my testimony in suport of SB 279, mandating insurance coverage for health maintenance for children.

The intent of this legislation is to facilitate health care access for children in their formative first five years. One of three office visits for children under three years is for preventative care.[1] Despite this ten per cent of children from birth through two years had no physician contact and twenty per cent of those three to six years had no medical contact.[2] Basic preventative services are excluded by nearly all private health insurers in this state except for the Blue Cross-Blue Shield HMO available in a limited area, i.e. Helena, in this state. As a result only an approximate 15 per cent of families with insurance incur no out of pocket expenses for basic health services.[2] This lack of adequate insurance was found to correlate with children receiving inadequate well child care.[3]

This bill will obviously be criticized for placing an excessive tariff to present insurance policies. This is countered by a recent study[4] that revealed to provide coverage through age twenty one years, well beyond the provisions of this bill is $5.88 per month per family and less for limits of this bill. This concurs with a survey in this state that disclosed that eighty per cent of families were willing to pay an extra premium for

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their present policy, and of those responding positively seventy per cent were willing to pay an extra five dollars per month.[5]

Is there a potential savings to the state via this legislation? Possibly. Last year the Department of Health spent $500,000 for vaccines alone. Now this bill will not effect the twenty percent of households that unfortunately have no insurance[6] nor the approximate twenty percent that are covered by federal assistance. A savings of approximately $300,000 (i.e. sixty per cent of $500,000) is speculative, but most likely the savings would still be substantial.

Lastly, are there tangible benefits to this bill? A resounding affirmative in reference to Immunizations where the benefit: cost ratio is 10:1 for polio vaccine and 14:1 for measles immunization 7.8. Undoubtedly this is the genesis of the U.S. Public Health Service recommendation that: By 1990, no comprehensive health insurance policies should exclude immunizations.[9] Comprehensive health care has also had measurable benefit resulting in fewer hospitalizations and fewer out-patient visits.[10,11] Less definable are the comfort a parent has in establishing a relationship with a health care provider of his or her choice to guide them through the forest of child rearing in time of health as well as disease. I would hope this is no more than you would want for yourself, your children, or grandchildren.

Lastly as a physician I most admit some initial defensiveness, in supporting a bill that would appear to somewhat self serving. After long deliberation my sentiments are swayed by my concerns for those who are the prime beneficiaries of this bill i.e. the children of this state. Gentlemen, I hope you will feel likewise.

Thank you.

Ex. #3
2/8/89

REFERENCES

1. National Ambulatory Medical Care Survey, Unpublished tabulations for 1981.

2. Butler et al; Medical Care Use and Expenditure Among Children and Youth in the United States; Pediatrics Vol 76, Oct. 85.

3. Osborn et al; Preventative Health Care Utilization; Clinical Pediatrics: Vol 28; Jan 89.

4. Health Insurnace Premium 'Cost for Child Health Supervision Service,' Actuarial Report for the American Academy of Pediatrics; Jan 89.

5. McCarthy, et al; Unpublished data .

6. A Consumer - Choice Health Plan for the 1990's. Enthoven et al; New England Journal of Medicine; Jan 89.

7. White et al; Benefits, Risks and Costs of Immunizations for Measles, Mumps and Rubella; American Journal of Public Health; Vol 75; July 85.

8. U.S. House of Representative Select Committee on Children, Youth and Families; Opportunities for Success; Cost-Effective Programs for Children. U.S. Government Printing Office; Aug 85.

9. Public Health Service; Promoting health/preventing disease; objectives for the nation. U.S. Dept. of Health and Human Services; Public Health Service 1980; p 21-24.

10, Shadish et al; Effectiveness of Preventive Child Health Care; Health Care Financing Grants and Contracting Reports. PHHS: HCFA: Apr. 81.

11. Alpert et al; Delivery of Health Care for Children; Report of an Experiment; Pediatrics, Vol 57, June, 76.

Ex. #3
2/8/89

Table 1

1988 Monthly Premiums for Preventive Care

Age	Per Family	Per Insured Employee	Per Insured Employee Adjusted for Duplicate Coverage
Age 0-21 years	$5.88	$3.23	$2.87
Age 0-7 years	$4.51	$2.48	$2.21

SENATE BUSINESS & INDUSTR
EXHIBIT NO. 4
DATE 2/8/89
BILL NO. SB 279

As a mother of six children, I appreciate the opportunity to express my support of this bill. I feel that it would be of great benefit to my family and to others in similar circumstances, who also have expressed their support. Our insurance company's benefits include only sick visits and not well Child Health Care even though each year we have been paying for an increase in insurance premiums with no additional benefits. Last year for instance, our premiums increased by $600 a year, which was paid out of our own pocket.

My husband is the sole supporter of our family, therefore our income is limited and we must of course, make decisions in line with our budget.

The State at the present time mandates vaccinations in order for the children to be enrolled in the public school system. However, it does not provide us with financial means by which we may go to our own pediatrician for this type of care. I am forced to take my children to the Well Health Clinic for their vaccinations, which logically would be a service in conjunction with, not separate from the routine health examination.

I know how important Well Health Child examinations are and what a great aid they are in detecting problems early in a child's life. There is great security and peace of mind in knowing that our children are developing normally. We realize that the medical staff at the Well Health Clinic are well qualified and competent people. However, we do not take our children there for periodic routine examinations, because our own Pediatrician is familiar with our children, their history of illnesses, and other health needs and so our confidence is with him. It is very important to us that our children receive not only the best medical treatment of illnesses when they occur, but also the best preventative medical attention. We feel this can be provided only through our Pediatrician. Unfortunately, the present cost of this service, which is not covered by the insurance company, is beyond our ability to pay. Consequently, we are forced to take our chances and hope that serious illnesses whose symptoms are undectable to a parent, do not occur.

It is our hope that through passage of this bill, our insurance company will provide us with Well Child benefits. Thank you for your time and consideration.

Cindie K. Henrich

Exhibit 5
2/8/89
SB 279

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 5
DATE 2/8/89
BILL NO. SB 279

Take A Big Bite Out Of Your Health Care Costs.

HMO Option 1

HMO

Montana

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 6
DATE 2/8/89
BILL NO. SB 279

FREE... TO ALL CASCADE COUNTY FAMILIES WITH CHILDREN AGES 0 THRU 6.

WELL-CHILD CHECKUPS THROUGH THE

CITY-COUNTY HEALTH DEPARTMENT

Children are our country's most valuable resource! If your child isn't getting regular, preventive checkups, call us and well-child clinic can provide monitoring of growth, development and nutrition, physical exams and immunizations, speech, vision, and hearing checks, dental exam and help with parenting.

CALL 761-1190 TODAY FOR AN APPOINTMENT

ALSO AVAILABLE:

1) IMMUNIZATIONS ($4 APIECE)

2) FINANCIAL HELP FOR MEDICAL CARE OF CHILDREN 0-17 YEARS OF AGE OF LOW TO MIDDLE INCOME FAMILIES.

Great Falls Tribune Sunday, February 5, 1989

BUSINESS

Health-insurance costs soar

By PETER COY
AP Business Writer

NEW YORK — The lid on the cost of health-care plans popped off in 1988 as the expense per worker of employer-sponsored programs shot up 18.6 percent, a survey shows.

The jump came after increases of 7.7 percent in 1986 and 7.9 percent in 1987, and "there doesn't appear to be much relief in sight," according to a report released by A. Foster Higgins & Co., a New York-based benefits consulting firm.

Health insurers absorbed some of the unexpected cost increases last year and will pass them along this year, ensuring another big rise, said John Erb, who conducted the survey.

The average cost per employee of health care plans was $2,354 in 1988, up from $1,985 in 1987, according to the survey of more than 1,600 employers, whose plans cover 10 million workers and dependents.

The figures include the cost of plans to employers and employees.

The medical-care component of the U.S. Labor Department's Consumer Price Index rose 6.9 percent last year, making it the fastest-growing part of the inflation measure.

But the cost of services is only part of the problem for employers and employees, Erb said.

According to Erb, these were some of the factors in last year's rise:

■ Expensive medical services such as heart and liver transplants are becoming more widely available, so more people are using them.

■ The federal and state governments, strapped for money, are holding down how much they pay health-care providers for Medicare and Medicaid patients. That forces the providers to raise their prices to other customers.

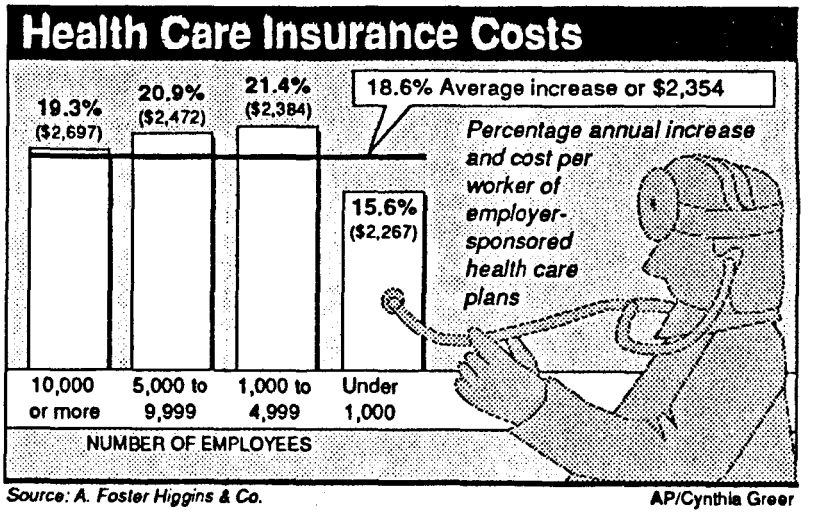
■ Doctors are raising fees for outpatient services because patients tend to be more highly reimbursed for them and are less likely to complain.

The higher reimbursement was intended to encourage use of outpatient services, which are generally cheaper than hospital care.

■ Doctors are requiring more follow-up visits, some of which may not be necessary.

"The providers of care have gotten wise to some of the tricks and are compensating for it," Erb said in an interview.

Dr. John J. Ring, chairman of the American Medical Association, responded by saying he saw no evidence that doctors were reaping big fee increases from the shift to outpatient care.



Source: A. Foster Higgins & Co.

AP/Cynthia Greer

Exhibit # 8
2/8/89
SB 284

Exhibit # 8 was never received by the committee secretary.

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 9
DATE 2/8/89
BILL NO. SB284

Montana Credit Union Network

Montana Credit Unions League · Treasure State Corporate Central Credit Union · CUSERV Corporation

January 31, 1989

Steve Turkiewicz
Montana Automobile Dealers Assn
502 N Sanders
Helena MT 59601

Subject: Senate Bill 284, House Bill 406 -- Motor Vehicle Dealers

Dear Steve:

Enclosed are the amendments to Senate Bill 284 that we discussed on the phone today.

The amendments merely ensure that Senate Bill 284, House Bill 406, and existing law could not be misinterpreted to restrict financial institutions from participating in promotions with car dealers or rental companies. In neither case do the credit unions sell cars. They merely join with the dealers or rental companies in promoting the "car sale" and then set up a desk to finance purchases that are made at the sale. I have attempted to draw the rental company exemption narrowly to apply only to companies selling their own cars used in their own business.

The amendment also provides an express statement of the current interpretation exempting sales under repossession, also narrowly drawn.

I have discussed the amendments in concept with Peter Funk of the Justice Department and he is supportive in concept. I am sending him a copy for his review.

Mary McCue, staff attorney to the Senate Business and Industry Committee, is also receiving a copy for advance notice and technical review.

Since time is relatively short, I am sending a copy to Senator Thayer for advance notice as well. But please contact him from your end after your review, as we discussed.

If you have any problems with the draft, please contact the Network office. I will be out of town until February 9, but will be calling in each day. A message can be left with Jeff Kirkland--or in his absence, with Joan Himel.

Ex. # 9
2/8/89

Proposed Amendment to
Senate Bill No. 284

1. Page 5
Following: line 12
Insert: "**Section 4.** Exemption for financial institution. This part does not require licensure of or restrict or prohibit a financial institution, as defined in 32-6-103:

1) in the selling of collateral repossessed on default of a loan made by that financial institution;

2) in the conduct of a motor vehicle sales promotion in affiliation with one or more licensed dealers; or

3) in the conduct of a motor vehicle sales promotion in affiliation with a person regularly engaged in a bona fide vehicle rental business when the purpose of the sale is to dispose of used motor vehicles used in that rental business."
Renumber: subsequent sections

2. Page 6, line 12
Following: "2"
Strike: "and 3"
Insert: "3, and 4"

3. Page 6, line 15
Following: "2"
Strike: "and 3"
Insert: "3, and 4"

Ex. #9
2/8/89

Proposed Amendment to
Senate Bill No. 284

1. Page 5
Following: line 12
Insert: "**Section 4.** Exemption for financial institution. This part does not require licensure of or restrict or prohibit a financial institution, as defined in 32-6-103:

1) in the selling of collateral repossessed on default of a loan made by that financial institution;

2) in the conduct of a motor vehicle sales promotion in affiliation with one or more licensed dealers; or

3) in the conduct of a motor vehicle sales promotion in affiliation with a person regularly engaged in a bona fide vehicle rental business when the purpose of the sale is to dispose of used motor vehicles used in that rental business."
Renumber: subsequent sections

2. Page 6, line 12
Following: "2"
Strike: "and 3"
Insert: "3, and 4"

3. Page 6, line 15
Following: "2"
Strike: "and 3"
Insert: "3, and 4"

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 10
DATE 2/8/89
BILL NO. SB 284

NAME: Jeffrey M. Kirkland DATE 2-9-89

ADDRESS: 2424 Teakwood Lane Helena, MT 59601

PHONE: 406/443-5546

REPRESENTING WHOM? Montana Credit Unions League

APPEARING ON WHICH PROPOSAL: SB 284

DO YOU: SUPPORT? _____ AMEND? ✓ OPPOSE? _____

COMMENTS: The amendments ensure that SB 284 and existing law could not be misinterpreted to restrict financial institutions from participating in promotions with car dealers or car rental companies. The amendments also provide an express statement of the current interpretation exempting sales under repossession.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Amendments to Senate Bill No. 284
First Reading Copy

Requested by Sen. Gene Thayer
For the Committee on Business and Industry

Prepared by Mary McCue
February 8, 1989

1. Page 1, line 13.
Strike: "consigning,"
Insert: "taking for consignment"

2. Page 5, line 4.
Following: "vehicle"
Insert: "or the person is conducting a sale by auction pursuant to Title 30, chapter 11, part 5"

3. Page 5, line 10.
Following: "sale"
Insert: "or the person is is conducting a sale by auction pursuant to Title 30, chapter 11, part 5"

4. Page 5, lines 10 through 12.
Following: "the sale." on line 10
Strike: remainder of line 10 through end of line 12

DATE 2/8/89

COMMITTEE ON Business & Industry

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppo
Tom Hopgood	Health Ins. Assoc. America	279		✓
Jeff Kirkland	Mont. Credit Unions League	SB 284	✓	
Brenda Nordlund	MT Women's Lobby	279	✓	
Robert R Johnson	Mont. Pub Health Assoc	279	✓	
Denny J McCarthy MD	AMERICAN ACAD POD	279	✓	
Jerome J Combs	Mt med assn.	279	✓	
Tom Harrison	Auto Dealers	279		✓
Judith Carlson	NASW	279	✓	
Barb Booker	MNA		✓	
Larry Akey	MALU			✓
Ted Tate	MT Auctioneers	284		✓
Robert DeRosier	MT Auto Dealers Assoc	284	✓	
Lon Klyap	MT Auto Dealers	284	✓	
E G Leipheimer	MT Auto Dealers	284	✓	
Karen Landis MD	Montana Council for Maternal and Child Health	279	✓	
Mike Grimes	Montana Auto Dealers	284	✓	
Steve Turkewicz	MT Auto Dealers	284	✓	
"	"	279		✓
Mike Grimes	Montana Auto Dealers	279		✓

(Please leave prepared statement with Secretary)