

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION**

#### **SELECT COMMITTEE ON HEALTH CARE**

**Call to Order:** By **CHAIRMAN SCOTT ORR**, on February 7, 1995, at  
3:10 P.M.

#### **ROLL CALL**

##### **Members Present:**

Rep. Scott J. Orr, Chairman (R)  
Rep. Carley Tuss, Vice Chairman (D)  
Rep. Beverly Barnhart (D)  
Rep. John Johnson (D)  
Rep. Royal C. Johnson (R)  
Rep. Betty Lou Kasten (R)  
Rep. Thomas E. Nelson (R)  
Rep. Bruce T. Simon (R)  
Rep. Richard D. Simpkins (R)  
Rep. Liz Smith (R)  
Rep. Carolyn M. Squires (D)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** David Niss, Legislative Council  
Susan Fox, Legislative Council  
Vivian Reeves, Committee Secretary

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

##### **Committee Business Summary:**

Hearing: HB 405  
Executive Action: None

*{Tape: 1; Side: A; Approx. Counter: 053; Comments: This meeting was recorded  
on one 90-minute tape.}*

#### **HEARING ON HB 405**

##### **Opening Statement by Sponsor:**

**REP. TOM NELSON, HD 11, Billings Heights**, said this was a free enterprise bill and would take an aggressive entrepreneur to implement and would benefit the private sector as well as provide a service to the state of Montana. It would allow for the formation of multiple, voluntary private sector health insurance

purchasing pools. He further explained the bill in written testimony. **EXHIBIT 1**

*{Tape: 1; Side: A; Approx. Counter: 171; Comments: n/a.}*

**Proponents' Testimony:**

**Larry Akey, Montana Association of Insurance Underwriters and Independent Insurance Agents of Montana**, said that these two associations represent approximately 1,500 insurance professionals. They both support the concept of voluntary purchasing pools. He said the theory of purchasing pools is to bring together a number of smaller employers to act in the marketplace as a large single employer, which would afford them the "clout" that a large employer has in the insurance marketplace. Such purchasing pools would be another means of providing health coverage to Montanans, and makes sense. He stressed this is an "availability" issue, because while there would be some cost savings associated with purchasing pools, they wouldn't necessarily result in more affordable health insurance coverage.

**Mr. Akey** said purchasing pools ought to be an alternative mechanism for providing health insurance coverage, so HB 405 is the only kind of purchasing pool legislation that makes sense. It does not make sense to create a single purchasing pool based on a government monopoly or franchise that competes in the marketplace with other insurers. If the purchasing pools proposed by HB 405 can provide a better product at a lower price, then they wouldn't need to have a government-created monopoly.

He suggested the bill be amended to allow larger employers (rather than just those that fall in the 3-25 small employer health availability act) to participate in the purchasing pools. They resist the notion of extending that limit downward to include individuals in the purchasing pool. He offered to share their reasons with the committee, if they so desired.

**Mr. Akey** stated that the language in the bill giving eligible employees the opportunity to choose among disability insurance policies would detract from the potential cost savings, resulting in lower premiums. They believe that language should be struck so the employer retains the ability to choose among the plans that are offered.

As indicated by **REP. NELSON**, the language in subsection (8) on page 3 is confusing, and **Mr. Akey** said that for those people who are marketing disability insurance policies or contracting through the purchasing pool ought to be licensed as an insurance producer, the language should say that a pool cannot have an employee licensed as a producer offering those products to the marketplace. He thought that was a restriction that doesn't make sense. He mentioned other technical amendments they will submit prior to executive action. He urged them to look closely at this

type of legislation. Voluntary purchasing pools, as long as they are multiple, voluntary private sector pools, do have a place in the market. He asked that the committee give HB 405 with some amendments a do pass recommendation.

**Steve Turkiewicz, Executive Vice President, Montana Auto Dealers Association**, described their involvement in the insurance business. He said he was also representing the **Montana Association of Health Care Purchasers (MAHCP)**, a voluntary, private sector purchasing pool, which is willing and able and "chomping at the bit" to get involved in the business of creating a product that can be marketed in a broad-based purchasing pool arena. He voiced their support for HB 405 with the amendments mentioned by **REP. NELSON** and **Mr. Akey**. He said they have groups as small as three and as large as 95 and have been successful. The idea of allowing employers of different sizes to join together to gain administrative efficiency makes a lot of sense. They also agree that the choice of the plan should be at the discretion of the employer, not the employee, and they support the idea that anyone marketing these plans should be a licensed agent.

**Mr. Turkiewicz** mentioned they have recently hired a director for the MAHCP and introduced **Bill MacDonald** from Missoula as that new director. He said MACHP is registered with the Secretary of State's Office and are waiting for the legal framework to be defined and in place so they can make a contribution to health care reform. They would appreciate the committee's support of HB 405 as amended.

*{Tape: 1; Side: A; Approx. Counter: 367; Comments: n/a.}*

**Frank Cote, Deputy Insurance Commissioner, State Auditor's Office**, said they also agree with the concept of purchasing pools as they can provide a valuable resource in the marketplace. They also supported the amendments previously mentioned.

**Sam Hubbard, Montana Health Care Authority**, said the Health Care Authority was required by SB 285 to undertake an intensive study of health care purchasing pools and while HB 405 may not include all the recommendations made by their consultants and adopted by their members, they feel this would constitute an excellent first step toward putting into place a market-based cost containment strategy. He encouraged them to support this legislation.

**Tom Hopgood, Health Insurance Association of America**, didn't want to reiterate all the aforementioned comments, but supported the bill as amended. He said the "watch words" are that purchasing pools must be multiple rather than single; voluntary rather than mandatory; run by the private sector rather than by government; and as the amendments state, they believe the choice of the plan should be up to the employer rather than the employee. They support the bill as amended, but would resist any amendment to extend it to individuals. In reference to guaranteed issue in

the health insurance market, they don't believe that is an idea whose time has come.

**Tanya Ask, Blue Cross/Blue Shield of Montana**, also supported this proposal and the amendments as articulated by **Mr. Akey**. They believe the voluntary marketplace framework would allow successful purchasing pools to form.

**Ron Kunik, Montana Medical Benefits Plan**, said this bill has a lot of merit, however he asked for clarification on the following: 1) The requirement for 1,000 to come on board. He said they would be selling a plan that doesn't have a cost in advance. If only 750 want the plan, he thought that 75% would be a viable purchasing pool. 2) To sell a plan, they must be appointed by a company. He wondered if there would need to be changes in insurance law for an agent to market a plan if they didn't know which company would get the contract. He agreed licensing may be all that is needed, but to protect the agent, he thought that should be clarified.

**Opponents' Testimony:** None

**Informational Testimony:** None

{Tape: 1; Side: A; Approx. Counter: 502; Comments: n/a.}

**Questions From Committee Members and Responses:**

**REP. DICK SIMPKINS** asked if they are looking at a regional concept or statewide participation. **Mr. Hopgood** replied that since they would be multiple, he didn't see why they couldn't be statewide. **REP. SIMPKINS** asked how this would fit in with associations such as the Grain Growers, where they may have thousands of members. Could they join as an association group, and what other advantages would they have. **Mr. Hopgood** responded they may and they may not. They would offer one plan to an organization like the Grain Growers, but could offer more than one through more than one company, if they so choose. If they did that, they would limit the possibilities provided with a voluntary purchasing pool, because it isn't restricted to just one company.

**REP. SIMPKINS** asked if they would need an open enrollment period for this type of plan. **Mr. Hopgood** said that was correct. **REP. SIMPKINS** asked about adding other small businesses to the plan; would they have to stick to the open enrollment or would they just jump in. **Mr. Hopgood** said the bottom of page 2, subsection (3) on line 29-30, states the open enrollment restriction.

**REP. SIMPKINS** asked if they envision this type of insurance working with a Medical Savings Account, to which **Mr. Hopgood** said it would and the bill was written loosely enough to take advantage of the free market system.

{Tape: 1; Side: A; Approx. Counter: 600; Comments: n/a.}

**REP. CARLEY TUSS** asked **REP. NELSON** about **Mr. Kunik's** statement regarding changing insurance laws to allow this bill to proceed, and asked if that was necessary and if so, how would he propose doing that, and what insurance laws are they talking about. **REP. NELSON** replied that the law restricting what an independent agent could do, in terms of putting a plan together under this new bill, might need to be modified. If agents are selling for BC/BS or the Yellowstone Community Health Plan, for instance, they must be contracted with that company as an agent and then that company appoints them with the insurance commissioner's office.

He said they may not need to change current law, because they may be able to work something out with the companies before they recruit members. **Mr. Kunik** offered his perspective and said the way he envisioned it working is that the purchasing pools will be put out to bid to four or five companies to get the best possible rates and since they are not known at that time, they won't know which companies they will contract with.

**REP. TUSS** asked **Mr. Cote** to comment on this and he asked for a restatement of the question. **REP. TUSS** said the question was regarding changes in insurance law required by the bill. She wanted to know which insurance laws would need to be changed and how cumbersome that might be, and wondered about their willingness to do that.

**Mr. Cote** said they probably don't need to change any statutes, but since they have a purchasing pool that offers five different insurance companies' products, whoever the agent is that represents those products must be licensed and appointed by each and every one of those companies. That would be the only requirement, to make sure they get appointed with the appropriate companies.

**Mr. Kunik** clarified his original concern and asked if he was an agent who went out and solicited his first 1,000 members, put a program together and put it out to bid, but hadn't yet worked with any particular company, would he be violating any existing insurance laws. **Mr. Cote** asked if he was not soliciting or selling insurance, he would not be violating any laws. **Mr. Kunik** said he wouldn't need to be licensed until he went to the company for a quote, then he would require an appointment. **Mr. Cote** said the appointment would be required before they could give him the quote.

**REP. SIMPKINS** referred to **Mr. Akey's** proposed amendments and asked **REP. NELSON** how they are going to proceed with the amendments in time for executive action. He replied they would do what is necessary.

Closing by Sponsor:

REP. TOM NELSON closed and thanked them for a quick hearing.

{Tape: 1; Side: A; Approx. Counter: 800; Comments: n/a.}

PRESENTATION ON REINSURANCE PROGRAMIntroduction:

Claudia Clifford, State Auditor's Office, said she discussed the reinsurance program with the committee the previous week, and understood they had some questions. She said the reinsurance board held their annual meeting that day in which they heard from the public and association groups about their concerns regarding what program best suits the needs of people who are medically uninsurable. She described issues discussed at the board meeting and introduced members of the board that were present.

Informational Testimony:

Garth Trusler, member of the Montana Reinsurance Board, read a written statement to the committee. EXHIBIT 2

Questions From Committee Members and Responses:

REP. NELSON said some people on the reinsurance board advocated putting the high risk individuals in the comprehensive health association. He asked Mr. Trusler to elaborate.

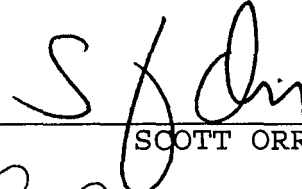
Mr. Trusler said they needed to distinguish between the reinsurance mechanism and the Montana Comprehensive Health Care Association (MCHA). He said reinsurance for the small group, 3-25, is transparent to the employee and employer. Estimates outside their committee that have been quite large. They have reinsurance figures from other states' programs. The highest rates possible were used compared to Blue Cross/Blue Shield to determine the overall impact if it was charged the small group market rate, which currently is the carrier's responsibility.

{Tape: 1; Side: A; Approx. Counter: 1088; Comments: n/a.}

Mr. Trusler described the guaranteed issue bill introduced at the 1993 legislature. He explained how the rates are transparent to the employer and the employee, and the monitoring of those rates. The numbers and the cost associated with reinsurance rates are actually the smallest part of the cost.

ADJOURNMENT

Adjournment: 4:10 P.M.



SCOTT ORR, Chairman



by VIVIAN REEVES, Secretary

Note: These minutes were written by Patti Borneman.

SO/vr/pb

# HOUSE OF REPRESENTATIVES

## Select Committee on Health Care

ROLL CALL

DATE Jan. 7, 1995

NAME	PRESENT	ABSENT	EXCUSED
Rep. Scott Orr, Chairman	✓		
Rep. Carley Tuss, Vice Chairman	✓		
Rep. Beverly Barnhart	✓		
Rep. John Johnson	✓		
Rep. Royal Johnson	✓		
Rep. Betty Lou Kasten	✓		
Rep. Tom Nelson	✓		
Rep. Bruce Simon	✓		
Rep. Dick Simpkins	✓		
Rep. Liz Smith	✓		
Rep. Carolyn Squires	✓		



Purchasing Pools Fact Sheet

House Bill 405 allows for the formation of multiple voluntary private sector health insurance purchasing pools by doing two things:

1. The bill amends Section 33-22-501, MCA, to allow for group purchase of health insurance by employers who band together solely to obtain group buying power for purchasing health insurance. In the past employers could get together and purchase health insurance only if they had some other common interest.
2. The bill establishes a very basic framework for these pools. Some may criticize this approach for not being structured or regulatory enough, but I believe a private sector, less government approach is best.

The framework in Section Two of the bill does several things:

- insures that there are enough people involved in the pool to make it successful. 1,000 employees would mean about 2,000 people covered when you include dependents who might also take the coverage;
- follows the small group availability reforms of portability, no cancellation of an individual or group within the pool because of health or claims experience, and guaranteed issue of insurance coverage to any eligible employee within the employer groups who join; and
- allows the pool to decide how the pool group coverage will be rated, either according to the small employer availability criteria or with a community rate modified by age if the founding employers so decide.

I know there are four concerns with this bill as drafted. A couple can be taken care of right away.

1. It may appear that only small employer groups could participate in the pool. If larger groups would like to participate, I think that's fine, but the small group availability laws need to be followed, or these pools will end up as potential cherry pickers for healthy individuals only.
2. Some individuals would like to see the employer make the choice as to what coverage or coverages will be available to his or her employees, since they are contributing part of the premium.
3. It should be clarified that a purchasing pool which also negotiates favorable arrangements with health care providers should be able to reflect those cost savings in their rates. I understand and agree with that.
4. Subsection 8, on page three, says the pool may not engage in any activities for which an agent license is required. Perhaps what we may want to say is anyone marketing this program must be licensed as an agent to give pool purchasers that protection.

STATEMENT TO THE HOUSE SELECT COMMITTEE ON HEALTH CARE  
FROM THE MONTANA REINSURANCE BOARD

February 7, 1995

TODAY THE BOARD FOR THE MONTANA SMALL GROUP CARRIER REINSURANCE PROGRAM HELD ITS ANNUAL MEETING. WE HEARD FROM PARTIES CONCERNED ABOUT APPROPRIATE LEVELS FOR THE REINSURANCE RATES AND WHETHER IT IS BEST TO HAVE A SYSTEM WITH GUARANTEED ISSUE POLICIES AND A REINSURANCE PROGRAM OR USE A HIGH RISK INSURANCE PROGRAM LIKE THE MONTANA COMPREHENSIVE HEALTH CARE ASSOCIATION TO PROVIDE HEALTH CARE COVERAGE FOR THE MEDICALLY UNINSURABLE. OUR BOARD TAKES THE FOLLOWING POSITION ON THESE ISSUES:

FIRST, WE BELIEVE THAT THE PREMIUM RATES SET, ONLY THIS FALL, ARE FAIR AND MID-RANGE COMPARED TO RATES WITH COMPARABLE PROGRAMS. WE WILL EVALUATE RATES AS NEEDED BASED ON THE EXPERIENCE OF THE PROGRAM.

SECOND, WE BELIEVE THAT THE REINSURANCE MECHANISM STABILIZES THE MARKET AND MINIMIZES THE COST OF GUARANTEED ISSUE. THE REINSURANCE PROGRAM ENCOURAGES INSURANCE COMPANIES TO STAY IN THE MARKET.

FURTHER, WE STRONGLY DO NOT ENDORSE ISOLATING INDIVIDUALS INTO A HIGH RISK POOL LIKE THE MCHA AS A WAY TO PROVIDE COVERAGE FOR THE MEDICALLY UNINSURABLE.

FINALLY, WE SUPPORT A STANDARD PLAN THAT HAS UNIFORM BENEFITS AND ALLOWS FOR THE CONSUMER TO COMPARISON SHOP. TO ALLOW A STANDARD PLAN WITH VARIABLE BENEFITS WOULD PROVIDE PROBLEMS FOR REINSURANCE.

## HOUSE OF REPRESENTATIVES

## VISITOR'S REGISTER

Select Comm. on Hlth. Care

COMMITTEE

BILL NO. HB 405DATE Feb. 7, 1995SPONSOR(S) Nelson

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
2555 LINCOLN HILLS J. R. CHIDMAN MISSOURI 64802				
LARRY AKEY	MT ASSOC OF LIFE UNDERWRITERS INDEPENDENT INSURANCE AGENTS			✓
Steve Turkiewicz	MT. AUTO DEALERS ASSN Ins. Trust. MT ASSN Healthcare Purchasers			✓
Frank Cote	SC. Auditor			✓ <i>for</i>
Sam Hubbard	MT Health Care Authority	HB 405		✓
Ron Kurik	M M P P			✓

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.