

MINUTES

MONTANA SENATE
54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON BUSINESS & INDUSTRY

Call to Order: By CHAIRMAN JOHN HERTEL, on February 17, 1995, at
8:00 a.m.

ROLL CALL

Members Present:

Sen. John R. Hertel, Chairman (R)
Sen. Steve Benedict, Vice Chairman (R)
Sen. William S. Crismore (R)
Sen. C.A. Casey Emerson (R)
Sen. Ken Miller (R)
Sen. Mike Sprague (R)
Sen. Gary Forrester (D)
Sen. Terry Klampe (D)
Sen. Bill Wilson (D)

Members Excused: N/A

Members Absent: N/A

Staff Present: Bart Campbell, Legislative Council
Lynette Lavin, Committee Secretary

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

Committee Business Summary:

Hearing: SB 376, SB 380, SB 400, SB 405
Executive Action: SB 376 DO PASS
SB 400 DO PASS AS AMENDED
SB 332 DO PASS AS AMENDED
SB 380 DO PASS AS AMENDED
SB 405 DO PASS AS AMENDED

HEARING ON SB 376

Opening Statement by Sponsor:

SEN. CHRIS CHRISTIAENS, SD 23, Great Falls, presented SB 376, an
act that would provide for the regulation of the self-funded
Multiple Employer Welfare Arrangement (MEWA), and required other
provisions with that regulation.

Proponents' Testimony:

Tim Filz, Attorney, Association Employers of Montana and Multiple Employer Welfare Arrangements (MEWAs), stated, first of all, federal law generally preempted state regulation of welfare benefit plans. He said welfare benefit plans included certain types of multiple employer welfare arrangements, so, as a general statement, there was no capability by the state to regulate MEWAs. He declared there was; however, an exception which said states could regulate MEWAs to the extent they were not inconsistent with the Employee Retirement Income Security Act of 1974 (ERISA). ERISA also stated one could not be a welfare benefit plan or a MEWAs to be an insurance company and **Mr. Filz** said currently, there was a void in the State of Montana with respect to the regulation of MEWAs. He thought this encouraged MEWAs to form without regulatory authority and invited the Insurance Commissioner to attempt regulating MEWAs without guidance from the legislature.

Mr. Filz said the MEWA industry worked with the Insurance Commissioner's office for the last 8 months to draw up a bill which regulated MEWAs in an appropriate manner that didn't violate ERISA. He stated the bill did that in the following respects; (1) it defined MEWAs so they knew if a MEWA was in compliance with the law of the state; (2) it provided for certification process; (3) it required minimum funding and reserve levels; (4) it provided for the reporting requirements; and (5) provided the penalties and remedies for entities which did not comply with the Act. **Mr. Filz** explained it was a compromise bill that included some things they were not thrilled with and it included things the Insurance Commissioner's office may not be thrilled with; however, it was a total package which represented an appropriate regulatory scheme that protected the citizens of the State of Montana, while at the same time did not violate ERISA.

Gary Spaeth, Chief Council, State Auditor's Office, on behalf of Insurance Commissioner O'Keefe said they strongly supported SB 376; as **Mr. Filz** pointed out they worked with them. He stated under ERISA they could regulate MEWAs in a way which was consistent with the ERISA laws; however, that meant a lot of money and time spent in litigation about what that meant and what other states did. He expressed the way to do it was to sit down and compromise, and the number one priority for the people of Montana was the fiscal solvency of MEWA because if a MEWA went broke the people were hurt. **Mr. Spaeth** asserted there were political and economic repercussions, but more importantly, there were human repercussions, and that dealt with fiscal solvency, and that was what the bill emphasized.

Lloyd Lockren, Montana Contractors Health Care, handed out MCA Health Care Plan booklet, **EXHIBIT #1**, and explained the benefits therein, so the committee had some sense of what the employers of this state were doing to the multiple employer plans.

Rick Larsen, Employee Benefit Management Services, said five of their clients covered approximately 200 employers out of 20,000 in the State of Montana. He said basically what they did was to band together for efficiency and the passage of the bill would enable those entities to buy reinsurance and open up the market for them. **Mr. Larsen** claimed right now they were in a void; they had no legislation which said it was legal or illegal to exist; however, with passage of the bill, they would have a market open up.

Diane Ruff, President of Associated Employers of Montana, commented they sponsored a health benefit trust for their members in this arrangement since 1991, and currently covered about 1700 employees. They worked with the Insurance Commissioner's Office on behalf of the Board of Directors of her organization. She urged support of SB 376.

Bob Bachini, Gallatin Medical Manager's Association, read his testimony, **EXHIBIT #2**.

Larry Akey, Montana Association of Life Underwriters, supported the legislation and believed the bill was a good start on the regulation of solvency and other aspects of Multiple Employer Welfare Arrangements. He said the courts had clearly stated states could regulate MEWAs and inquired, why would insurance agents care? He expressed first of all, as they moved into health care reform more and more, people might look at self-insured activities. They believed it was important, as people moved into the self-insured market, that the state maintained some control and also, a number of his agents sold products for MEWAs. As unauthorized, unlicensed, insurers, his agents might very well be at personal financial risk without that kind of legislation. **Mr. Akey** contended they would work to strengthen that legislation as it moved through the process.

Opponents' Testimony: None.

Questions From Committee Members and Responses:

SEN. MIKE SPRAGUE referred to **Larry Akey's** statement to pledge to strengthen this legislation as it moved through the process; what did that mean? **SEN. SPRAGUE** said he indicated in his testimony they believed that was a good start. Their organization was not part of the discussion between the MEWAs and the Commissioner's office although they would have a direct stake in the issue. He thought about bringing some amendments to the committee; however, given where they were in the process, he decided to ask for a do pass and work with the sponsors as it moved through the process.

SEN. CASEY EMERSON asked **Lloyd Lockren** when this started in Billings. **Mr. Lockren** replied they started in 1988 but not in Billings.

Closing by Sponsor:

SEN. CHRISTIAENS stated what the committee heard was a compilation of 8 months of hard work and it showed a good faith effort on everyone's part to make sure Montanans, particularly with MEWAs, were afforded good health coverage. He said the keys to that were the employer pooling ability which allowed them to purchase health coverage and the ability to purchase reinsurance.

SEN. CHRISTIAENS claimed this was important, ensuring there were adequate reserves in case there was a problem in the solvency and because of the uniqueness in which they were exempt under ERISA. He believed the legislation was extremely important.

EXECUTIVE ACTION ON SB 376

Motion/Vote: SEN. STEVE BENEDICT MOVED SB 376 DO PASS. The motion CARRIED UNANIMOUSLY by voice vote.

HEARING ON SB 380 & SB 405Opening Statement by Sponsor:

SEN. JUDY JACOBSON, SD 18, Butte, presented two bills together, SB 380 and SB 405, to ease the growing problem of Montanans without health care. She would try to give some common sense reasons why it was a good idea for the State of Montana. She stated 42% of Montanans worked for firms with 25 or less employees; 70% worked for firms with 100 or fewer. She said those firms and their employees were at a disadvantage in the insurance market. She insisted small employers were less likely to offer insurance for a number of reasons, accessibility and affordability and both the bills relied on voluntary participation.

SEN. JACOBSON, said SB 380 expanded small business group reform and applied the same rules to everyone in the purchasing pool. She said that helped with the simplicity of administration and was easier for the consumer to understand. She explained the bill expanded small group reform to self employed business people through groups of 1 to 100. She said earlier that 70% worked for firms, which was 75% of the working people. She asked if someone who owned a business or farm was a greater health risk than someone who worked with a group of people. She remarked, wouldn't that group of people, the self-employed, have the same advantages of access that were afforded to larger groups and under present law, groups of 3-25?

SEN. JACOBSON declared she was well aware of the risk adjustment for a group of one; however, she believed the advantages well outweighed the disadvantages. She said the group should not be

used as a last resort of people with serious health problems prior to entering the group. She remarked, what were the elements of small group insurance? and stated they were guaranteed issue, no employee or dependent could be turned down for insurance for any reason including health problems. She also said rates were not based on health status or claims experience and also portability; no waiting period for preexisting conditions if a person had previous coverage current to 30 days before applying for small group policy.

SEN. JACOBSON stated **SB 405** was a bill that allowed for the establishment of a purchasing pool; **SB 380** offered accessibility and affordability. She said administrative costs were estimated to be up to 25% for the smallest groups and up to 40% for individual coverage. She maintained assigning those administrative costs to a single entity would reduce those costs. She asserted centralizing enrollment, premium collection and information about plan characteristics and performance would reduce the cost and the other savings were in the delivery system. She reported the purchasing pools could help reduce risk selection and market fragmentation.

SEN. JACOBSON also said Montana was, for the most part, a very rural state and competition was difficult to achieve in many areas and for those reasons, managed competition might be difficult to achieve. She told the committee for that reason and others some states established purchasing pools to negotiate and purchase insurance coverage for smaller employers and individuals. She conveyed **SB 405** required the purchasing pool to have a Board of Directors made up of purchasers, with a balance between the employees and employers. The membership requirements were in addition to those adopted by the Insurance Commissioner and could not exclude groups of individuals based on their occupation. She said it required the pool actively engage in providing information to participants on the cost and quality. She related it allowed individuals to participate; it required financial viability, verified through reporting, and it required a written plan of operations. She insisted it allowed risk adjustment for individuals and large groups. She stated it allowed market areas to be established to ensure a purchasing pool remain operational and sound; however, it did not prohibit competition of similar market areas and in the event of insolvency or mismanagement, it provided protection for pool participants.

Proponents' Testimony:

Claudia Clifford, State Auditor's Office, explained the Commissioner of Insurance sat on the Health Care Authority as an ex officio member. She said they were privileged to participate in the process of working with the Health Care Authority consultant on the idea of purchasing pools. She said it was part of the incremental reform package the Health Care Authority brought before the committee. She stated the Commission thought

the purchasing pool was one of the strongest elements of incremental reform recommended; it built upon the idea of small group reform in the sense it was accessible reform and purchasing pools helped address the issue of affordability.

Ms. Clifford said they had legislation before them to expand small group reform to more groups, expanding to fit the size of business that could participate in the purchasing pool recommendation. She took the time to get information on the size of groups that were allowed to fall under the small group reform in other states. She declared thirty some states passed the small group reform law and many had a variety of purchasing pool arrangements. She insisted the report by the Health Care Authority outlined in more detail how other states had addressed purchasing pools. **Ms. Clifford** conveyed they weren't alone in expansion of small group reform; 13 other states included groups of one, many states went up to 50, and quite a few states included up to 100. She reported the Commissioner thought this proposal was a strong one because groups worked together for the best advantage for the consumer and perhaps negotiated the best prices for the consumer.

Mike Craig, Health Care Authority, stated both of those bills were based on the work of the Health Care Authority. He handed out a 6 page report on Small Business Health Insurance Reform, **EXHIBIT #3** and a booklet, Designing a Health Purchasing Pool for Montana, **EXHIBIT #4**.

Tanya Ask, Blue Cross and Blue Shield, stated BC/BS and other members of the insurance industry, health care provider community, employers, senior citizens, had all worked a long time on health care reform and a number of those tenets were contained in the Small Employer Availability Act (SEAA). She said **SB 380** expanded that particular Act from 3-25 to 1-100 and supported the concept of expanding to include larger employer groups. She said at some of the Health Care Authority hearings around the State of Montana, they supported expanding small group reform to include larger employers. She stated they also expressed a concern with expanding the insurance reform to the individual marketplace groups of one and bringing them into the SSEA. They were just beginning to learn what the SSEA was doing to the insurance industry. She said one concern the insurance industry had was the individual marketplace, which was different from the small group with a greater degree of risk; they advised caution in expansion.

Ms. Ask said BC/BS agreed strongly with **SEN. JACOBSON** and the Health Care Authority, to explore purchasing pools in this state. They allowed greater administrative savings for small employers; more work was needed in that area, allowing greater purchasing strength by permitting them to band together. She asserted one other concern had to do with Section 4 of **SB 405** on page 5 and that was allowing initially the certification of only one statewide purchasing pool. The reason for their concern was they

thought purchasing pools were a good market force to allow more savings for groups and they would ask that more than one group be allowed to form.

Larry Akey, Montana Association of Life Underwriters (MALU), supported **SB 380** and **SB 405**. He said **SB 380** sought to expand the size of employers who could be included under small group reform. MALU strongly supported the principles behind small group reform and they recognized there were changes needed in that area. One of the changes they wanted was group size, and **SB 380** did that. He was not completely comfortable with expanding group size 1-100. **Ms. Ask** had indicated some significant underwriting differences between the individual market and the group market. **Mr. Akey** said MALU supported a change of perhaps 2-50 or 3-50 for the definition of a small employer.

Mr. Akey related **SB 405** addressed the topic of purchasing pools. MALU believed purchasing pools could be a viable alternative in the marketplace. They believed, in order to find this out, they needed to be on a level playing field with insurance carriers and insurance agents. MALU had some concerns with some of the provisions of **SEN. JACOBSON's** bill; in particular, the provision that only one purchasing pool may be initially formed. He said if, in fact, purchasing pools offered a better quality product at a lower price it was their position a government monopoly was not needed to be established; if one could offer a better quality product at a lower price, build it, and more would follow. He claimed they didn't need government stating there could only be one. Nonetheless, they believed **SB 405** contained some important concepts. He said They believed purchasing pools ought to be adopted by this body.

Riley Johnson, National Federation of Independent Business (NFIB), stated **SB 380**, expansion of groups, was also a problem with them. He stood before the committee as a single employer and he didn't know why he was more of a health risk just because he hired two people. He thought the approach through a schedule C, with the majority of income, would certainly identify those that were single employers. He didn't understand why the single employee/employer was more of a risk. In California, for example, they had many attorney and CPA type pools with associations dealing with single individuals. He asserted there were 62,000 businesses in Montana, and 42,000 were single families or single individuals. He expressed if they were truly looking at reform and wanted more people insured, why were they charging the single employer more. He suggested going to a simple schedule C approach. **Mr. Johnson** said NFIB members voted in their annual surveys and 63.7% wanted incremental reform. Pools were part of that reform and they supported **SB 405**.

Anita Bennett, Authority of the Montana Logging Association, stated they were a fully insured purchasing pool. They liked the idea of the purchasing pool arrangement but did have concern that only a single purchasing pool arrangement was submitted. They

felt a competitive arrangement would be better and would benefit the members and consumers in their program.

Tom Hopgood, Health Insurance Association of America (HIAA), stated he was in a bind. He was either a very weak proponent or a very weak opponent. They supported the purchasing pool bill, **SB 405**, as the health insurance industry had some very strong and valid concerns about a single purchasing pool. They advocated a great deal more flexibility in a purchasing pool. **Mr. Hopgood** asked the committee to take a real close look at **HB 405**, the House version of the purchasing pool bill. He said to keep **SB 405** alive; however, as it had good ideas.

Mr. Hopgood declared HIAA thought **SB 380**, expanding the scope of the small employer access act, was a given fact when one had guaranteed issue. They were going to increase premiums and an even greater increase in premiums when they expanded the scope of that coverage down to one. HIAA didn't think it should be expanded down to one or up to 100. **Mr. Hopgood** asked the committee to look at that issue very closely.

Tim Bilodeau, Montana Education Association (MEA), stated they stood in firm support of both bills, specifically the statewide pool. They had heard the discussions of the health care authority over the last few years, and heard last night's discussion of **HB 405**. He said there was nothing that prohibited multiple pools from forming at a later date; however, that would be a first step and an important step. He remarked in terms of guaranteed issue, there was an administrative cost currently for small groups, in the neighborhood of a 25%-30% administrative charge for those premiums. He asserted much of that cost could be alleviated through a pool. He related it was clearly more than that eliminated by the addition of some high risk individuals.

David Hemion, Montana Association of Churches and Montana Mental Health Association, announced they supported both bills with strong support of **SB 380** including groups down to 1. He didn't pretend to be an expert in insurance; however, many companies in the business world were downsizing. He said many people who were talented, able to work, were left to form their own individual businesses and those folks should not have to leave a job and find themselves without benefits.

Opponents' Testimony:

Steve Turkiewicz, Montana Association of Health Care Purchasers (MAHCP), of which the Montana Auto Dealers Insurance Trust was a member, stated they were an opponent to **SB 405**. The MAHCP was an incorporated functioning group of people, a legal entity that had been in business for two years and included such diverse members as American Chemet, Associated Employees, Blue Cross/Blue Shield, D.A. Davidson, Federal Reserve Bank, First Citizens Banks, First Interstate Bank Systems, MDU Resources, Montana Power

Corporation, Montana Chamber of Commerce, Montana Contractors Association, Montana Food Distributors, Montana Public Employees Association, Northern Montana Wyoming Foundation for Medical Care, State Bankers Association, US West, University System, Washington Corporation, etc. They probably represent 200,000 employees.

Mr. Turkiewicz supported the first phrase in **SB 405**. No one would argue the fact they needed to have this market mechanism available to them; however, the establishment of a government certified single purchasing pool was the wrong vehicle. In the State of Montana, with the diversity of size and regional nature, a single purchasing pool on a statewide basis was the least favorable way to go. He stated multiple, voluntary purchasing pools should be allowed to come together.

Mr. Turkiewicz explained in terms of certification and qualification, he thought the qualifications were more difficult to satisfy when becoming an insurance company, sections 5 and 6. He said one qualification, in particular, was on Page 6, line 20, subsection 3, "the purchasing pool shall actively negotiate and contract with health plans regarding price, efficiency, quality care, and service". He questioned if that was a voluntary purchasing plan or a government program? He said there were a variety of things in the bill they believed to be restrictive. He explained it was a mechanism of setting up a government monopoly, which was not the way to approach purchasing pools. He thought a purchasing pool was a good concept, with minimal amount of restrictions. In **HB 405** employers got together with employees and other groups, he stated, and currently, under Montana Law, it was illegal to form a purchasing pool.

Ed Grogan, Montana Medical Benefit Plan, Montana Medical Benefit Trust, and the Montana Business and Health Alliance, agreed purchasing pools did work, but a purchasing pool run by the state would be a disaster. They supported the House Bill which allowed for privately run purchasing pools. The Health Care Authority would be the people who ran the purchasing pool and they disagreed with that.

Mr. Grogan said regarding **SB 380** they were strong advocates of raising the limits to include every employer in the State of Montana and would advocate instead of 1-100, 3 or more should be the size of the guaranteed issue group. The problem they had with going down to the individual was some companies had raised their rates as much as 51%, when they checked with other states.

Dean Randash, NAPA Auto Parts, insisted small employers were directly affected by the insurance reform moving through the legislature. He had become involved because of serious concern with regard to affordability which has been an overlooked factor concerning small group health insurance reform. He remarked what had been concentrated on was accessibility through guaranteed issue.

Mr. Randash, stated earlier testimony showed that mandate would drive up the cost of premiums. With regard to small business employees, in the 3-25 groups, they were the lowest paid wage earner in our economic spectrum. He said the average wage of the small business employee was \$17,800. With the 25 and over groups, they were looking at \$23,000+ wage for that employee. Consequently, if affordability was not addressed, they would lose those people that were presently productive and paying for health insurance to provide security for their families. He related SB 405 should not be limited to one pool. Considering SB 380, 1-100 expansion, after much study, he thought by bringing that group down to one or two people, it would seriously jeopardize the affordability with regard to employers and employees.

Informational Testimony: None.

Questions From Committee Members and Responses:

SEN. SPRAGUE asked REP. JACOBSON about the concerns raised for the 1-100 employee business. He understood the theory in terms of cost sharing benefits. Did the one person have to be self employed, filing business forms, or could that one person be someone who decided to be in business. REP. JACOBSON said for SB 380, yes; for SB 405 they were stating individuals, regardless of their employment, may join the purchasing pools. SEN. SPRAGUE asked if she was familiar with HB 405 and did that bill also take into consideration one individual. She replied "no". She handed out a comparison of the HB 405 and SB 405, EXHIBIT #5.

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SEN. SPRAGUE asked where the paranoia of risk sharing stemmed, because they broadened the market now so vastly, they were taking in types of liability that skewed the group buying share cost element to an unending parameter. SEN. JACOBSON stated as she understood it, the paranoia in SB 380 was conceivably a person with cancer, considered high risk, could come into the group and cause the group rates to raise considerably. They had to consider there were many self employed people, i.e., farmers and others, not high risk groups who were being penalized because of the fact they could not be brought into group insurance. They had to weigh the benefits and disadvantages.

REP. JACOBSON said that was why she talked about some kind of risk adjustment for the individual person who might come in with that type of risk. To totally exclude them seemed like no one was looking at the population of Montana because it was a rural area. There were many self employed people in Montana. Farmers, ranchers, and others needed insurance just as badly as the rest of them.

SEN. KEN MILLER asked Mr. Grogan what their solution was for the employer with less than 3 people. SEN. MILLER said this was a problem and what were they doing for those people. Mr. Grogan

stated, according to the figures, 95% of those people had access to health insurance. It was the other 5% that were considered uninsurable, for whatever reason. They thought the answer to that was the expansion of the Montana Comprehensive Health Association Plan. They wanted a better plan where every one would not be ashamed to say that was their insurance company and they had good coverage.

SEN. MILLER offered there was a difference between accessibility and affordability. The 95% may have it available; however, they paid twice as much for the health insurance than someone in a group. It was available, but that didn't mean there wasn't a problem. Regarding farmers, who had 3 employees, but for some reason or another they had downsized or lost participants in their group, how do they keep their insurance from jumping dramatically? **Mr. Grogan** responded when they started the Montana Medical Benefits Plan and Montana Health and Business Alliance it was to address that specific problem.

Mr. Grogan said two years ago they got into the individual business. They sat down and figured what they had to price it at, their individual plan cost 20% more. He stated part of the reason for that was with individuals there was full portability. **Mr. Grogan** related the renewability problem was addressed with their company and it was decided everybody would pay the same rate when it came to renewal time, even though some had higher claims than 85% of the rest of the group; everyone was in the same pool.

SEN. GARY FORRESTER commented to **Mr. Grogan** that it was an interesting statement a person like himself, self-employed, would pay a 20% portability surcharge for individuals. He couldn't see how anyone could oppose **SB 405**. **Mr. Grogan** stated the disagreement they had with **SB 405** was the government control, because it perpetuated an existing government bureaucracy which they would like abolished.

SEN. FORRESTER asked **Mr. Grogan** to give some ideas as the 20% portability surcharge was astounding. **Mr. Grogan** stated it was not just portability, that was just part of it. **SEN. FORRESTER** asked **Mr. Grogan** to tell him how multiple purchasing pools competed with prices of one purchasing pool. How were they going to meaningfully lower health care costs when some of those purchasing pools were going to include a 20% portability surcharge for individuals, as his plan did. He stated how would multiple pools do a better job when there would be management costs associated with each one of those pools. He also said how would multiple pools perform better than one pool. **Mr. Grogan** stated he believed smaller pools in the free market system were better than one large government bureaucratic pool. He believed the Montana Medical Benefit Plan was an example of that; they started out as a very, very small pool. That was just his capitalistic perception.

SEN. FORRESTER asked Mr. Turkiewicz who had formed a purchasing pool, what would the average cost be for individuals. Mr. Turkiewicz said there existed no purchasing pool as envisioned by those new bills. They had as few as 3 and as many as 100. SEN. FORRESTER asked what would be the cost in their average plan for a family of three, relatively healthy, individuals. Mr. Turkiewicz explained they were a community rated plan; in other words, no matter where one lived or what their experience was, for a family of three it was about \$300 with a \$500 deductible, 80/20, with a million dollars further coverage. They were also a participant in a drug program and organ transplant network.

SEN. FORRESTER asked Mr. Grogan for a quote on a family of three. Mr. Grogan replied it would depend on the age of the family and what group they were in. The price would run anywhere from a minimum of \$140 (\$500 deductible plan) to as high as \$380. SEN. FORRESTER stated he thought that showed the difference in some of those plans. One could envision all of the pools not necessarily having the same rules. They were not doing it by community rating but more by age factors. He said that plan could cherry pick. Mr. Grogan stated they didn't consider themselves cherry pickers at all. They were underwriters and if the senator's definition of underwriting was cherry picking, he remarked "yes", they picked their risks.

SEN. EMERSON asked SEN. JACOBSON if she read the report on what happened in New York when they tried a statewide plan with guaranteed portability. SEN. JACOBSON stated she understood the State of New York put in a pure community rating which caused some very strong fluctuations in the market to begin with. Nothing in either of those bills envisioned doing anything like that. She replied there were things in her bills to prevent the same thing happening. SEN. EMERSON stated the plan looked a lot like New York's. He said what was going to prevent that from happening. SEN. JACOBSON stated in the small business reform bill, presently in effect, were modified community ratings. One looked at geographical areas, but they wouldn't say the State of Montana would now have a community rating for the whole state, which was what New York did. They were taking into account a number of other things, i.e. rural and urban areas.

SEN. EMERSON stated the problem seemed to be the individual issue, how they got into the plan, etc. Had she addressed that. SEN. JACOBSON stated she thought that was part of the problem Blue Cross/Blue Shield brought up. When one looked at a person, that person may be undesirable to the group. She said on the other hand, one had to look at the population; how many people were out there that would cause something like that to happen. She expressed they did something to alleviate that, but still allowed the rest of the population of self employed farmers and ranchers the benefits the rest of the people had if they belonged to the group. The answer she heard was only 5% or less of the people had access to insurance. SEN. JACOBSON told the committee, from what they saw, 80% of the large employers offered

health insurance, only 47% of small employers offered health insurance, and for 1's and 2's it was far less than that.

SEN. TERRY KLAMPE asked **Mr. Turkiewicz** what differentiated their group from the pools which were illegal to be formed in Montana. **SEN. KLAMPE** also asked **Mr. Turkiewicz** for his opinion why multiple pools were better than one single pool. **Mr. Turkiewicz** explained under Montana law a single homogenous group could be formed. The Montana Association Health Care Purchasers was an entity that had already been formed. He said it was a legal entity and hopefully they were raring to go, when it would be available to go, as a multiple group employer or multiple employer, not homogenous group. They envisioned there was room for state solutions, regional solutions and community solutions. He could envision a situation where the employers in Yellowstone County area would put together a large scale purchasing pool. Both **SB 405** and **HB 405** did not allow the purchasing pools to become insurance companies; they were not allowed to assume risk.

SEN. MILLER questioned **Tanya Ask** on how many pools would she like to see started. **Ms. Ask** replied it was possible there would be two or three but it was also very probable one would see some regional pools forming in the state.

Closing by Sponsor:

SEN. JACOBSON stated the issues had been covered and they had to weigh the needs and the problems. She encouraged all to look at the make-up of the geography of the State of Montana and consider the group that would be left out and wouldn't be allowed to participate. The State of New Jersey had problems with small group reform, but actually New Jersey was not considered a small group reform state because their reforms were so very different than theirs. As far as purchasing pools were concerned, first of all, she said purchasing pools as envisioned in this bill were not government run and they were not an entity of the state or the state government.

SEN. JACOBSON said what the committee envisioned was the state would regulate the pool much like they regulated insurance companies. She alleged if one looked at the regulations for insurance companies, they covered a book. She said the bill was not that big. She claimed the people in pools needed some sort of protection and that was why they suggested regulations. She maintained the one and only reason for suggesting one pool to start with was because it was an experiment and they wished to ensure they knew it was working properly before they established more. However, if that was the one sticking point in the purchasing pools she certainly thought they could compromise on that particular issue. **SEN. JACOBSON** contended it was a matter of logistics to get it up and running and that was the only reason for starting just one.

HEARING ON SB 400Opening Statement by Sponsor:

SEN. LORENTS GROSFIELD, SD 13, Big Timber, stated this was a muskrat bill. The bill was before them because of the muskrats. The story went that a muskrat got into a swimming pool and swam around. Everyone scrambled out and the muskrat jumped out; everyone got back in and the muskrat jumped back in and bit someone, and he guessed that came to the attention of the Department of Health. The Department arrived and checked on the pool and considered the flow-through hot streams to be pools throughout the State of Montana. They had regulations regarding swimming pools in the state. He said the problem there was a kind of pool that was different from those mentioned in the codes as hot springs were flow-through pools. He contended those were pools that had no boilers because they were naturally heated and had natural mineral water.

SEN. GROSFIELD stated throughout history people had come to those pools for the mineral value of the water. He reported there were two or three things very distinctive about those pools. He said the water flowed through in such a manner that the entire volume of water was replaced frequently, a couple times a day. He explained the swimming pool rules required a significant amount of chlorine in all public pools. He maintained if one put all that chlorine in those flow-through pools it would put a tremendous amount of chlorine into the ground water. He declared those were natural pools and people came to those pools for medicinal type reasons and added chlorine in a natural pool would devastate the business. He reported SB 400 was to address flow-through pools specifically. He said the water in those pools was at 105 degrees or less. He also stated the bill required the entire volume of water be replaced 3 times a day, the pool be drained, cleaned, and sanitized every 72 hours or one must use the chlorine, and that signs had to be placed around the pool.

Proponents' Testimony:

John Rebenberg, Fort Benton, stated SB 400 allowed the hot springs and flow-through pools to operate in a natural safe manner. Those pools had been around forever and they knew they had to maintain them in a safe manner; the owners were willing to police themselves and keep them up.

Dale Taliaferro, Montana Department of Health and Environmental Sciences, stated they worked with the industry to develop those standards and they believed they protected safety and took into consideration the unique characteristics of the pools.

Mike Art, Chico Hot Springs, contended they were proud of their industry. They didn't want to lower their standards and were concerned about the health and safety of their guests. They were in business, they didn't want anyone coming to a dirty pool or

getting sick. Chlorinating their water would be virtually impossible and expensive.

Elizabeth Bruskotter, Jackson Hot Springs, asserted they advertised themselves as a natural hot springs pool. They wanted to preserve and maintain that status and the bill would accommodate that.

Ronald Page, Bozeman Hot Springs, maintained their customers appreciated the natural flow-through water as opposed to the chemically treated pools. **Mr. Page** stated the bill addressed not only the chlorine aspects but also the pH level.

Barb Reiter, Boulder Hot Springs, said visitors world-wide appreciated the natural water. They were currently following the proposed rules in **SB 400**.

Gene Gudmundson, Montana Mineral Springs Association, also a chiropractor, commented they wanted the healthiest possible water. They thought the 105 degree temperature should have a variance. He would hate to see a situation if the Health Department found a pool at 106 degrees and closed the pool until it cooled off. He said for twenty years or more their pool had kept their inside hot pool at 106, give or take a degree. He maintained, overall, **SB 400** was an excellent bill and solved a lot of problems.

Stuart Doggett, Montana Inn Keepers Association, stated they supported **SB 400**. He said it represented a fair minded regulation of pools and restricted the unique nature of flow-through pools and their importance in our tourism economy.

Opponents' Testimony: None.

Questions From Committee Members and Responses:

SEN. EMERSON asked **SEN. GROSFIELD** if he was concerned the next thing they would have was controlled lakes and ponds and then the old swim hole; and **SEN. GROSFIELD** replied, to some extent, they were already there. They had water quality standards for all bodies of water in Montana. He said all water was subject to water quality standards. As far as the beach front at the popular swim hole, he didn't know. **SEN. EMERSON** stated perhaps they should stop it here, pass a law that said flow-through pools were there, forget about them, let the people who run them take care of them, and get the government out of their hair. **SEN. GROSFIELD** stated there probably was room for some lenience. He said if the temperature was too hot, people wouldn't go in. He expressed the 72 hour maximum, he didn't know if that was the right number; but no one wanted a pool which was not sanitized at least once in a while.

{Tape: 2; Side: A}

SEN. EMERSON commented if they were too hot, most people had enough brains to stay out of them.

SEN. BENEDICT asked Dale Taliaferro what would be the position of the Department of Health if they amended the bill to state the temperature of the pool water must be at or near 105 degrees but no more than 107 degrees. Mr. Taliaferro stated they would not recommend that. He had asked their consulting physician and the answer he received was if it was above 105 degrees there was a tendency to stay in the water long enough to let your body's blood temperature come up to that temperature level which created a coma, similar to what would be seen with a fever at that level. Mr. Taliaferro contended intoxicated persons and small children would be in danger if they stayed in the water too long.

SEN. BILL WILSON asked SEN. GROSFIELD if he didn't see anything in the bill that addressed the problem with the muskrat getting in the pool.

SEN. EMERSON asked Mr. Taliaferro about the reference to the coma danger and how many cases had there been in the last 100 years? Mr. Taliaferro replied there had only been one drowning in a hot pool and he did not know what caused it.

Closing by Sponsor:

SEN. GROSFIELD stated the owners of those pools wanted clean pools. The last thing they desired were rumors their pools were contaminated and he declared the health aspects were in their best interest and they understood that very well. They were talking about natural waters and what appealed to the public.

EXECUTIVE ACTION ON SB 400

Motion: SEN. FORRESTER MOVED SB 400 DO PASS.

Discussion: SEN. WILSON suggested the temperature be amended.

Motion: SEN. BENEDICT MOVED TO AMEND THE TEMPERATURE TO 106° ON LINE 12 AND 26.

Discussion: SEN. BENEDICT explained the reason for that was the bill read the temperature of the pool must be less than 105°, so if they changed that to 106°, then the pool would be able to have a temperature of 105°. He stated the way the bill was written right now the temperature could only be up to 104°. He said that gave a little latitude to run the pools at 105°.

John Rabenberg stated it would be more advantageous if the wording were changed to say "106° or less". It had been his understanding it would be changed. SEN. HERTEL stated it had

been discussed with the sponsor but he was not sure why it had not been changed.

Motion: SEN. BENEDICT WITHDREW HIS MOTION AND OFFERED A SUBSTITUTE MOTION TO AMEND THE BILL TO READ "106° OR LESS".

Discussion: SEN. EMERSON stated he felt the whole line should be removed and he saw no reason for it. If people didn't have sense enough to keep out of a pool that was too hot, it was really their problem.

Vote: The motion to AMEND SB 400 CARRIED UNANIMOUSLY on voice vote.

Motion/Vote: SEN. FORRESTER MOVED SB 400 DO PASS AS AMENDED. The motion CARRIED UNANIMOUSLY on voice vote.

EXECUTIVE ACTION ON SB 332

Discussion: CHAIRMAN JOHN HERTEL stated SEN. JEFF WELDON had a concern he would like to bring to the committee's attention.

SEN. WELDON explained this was the mobile home park issue. He was there to request them to take it off the table and put some amendments on it. The amendments would keep the issue of selling the homes the people actually owned and leaving the roads for emergency services.

SEN. KLAMPE asked if that addressed the parks not having to have more than one access. SEN. WELDON stated the amendments strike that requirement.

Motion/Vote: SEN. WILLIAM CRISMORE MOVED TO TAKE SB 332 OFF THE TABLE FOR RECONSIDERATION. The motion CARRIED 7-2 WITH SEN. MILLER and SEN. FORRESTER voting "NO".

Motion: SEN. BENEDICT MADE A MOTION TO ADOPT THE AMENDMENTS, SB033201.ABC, EXHIBIT #6.

Discussion: Bart Campbell explained the amendments deleted Page 1, line 15 through Page 3, line 1, striking section 1 in its entirety. He said the amendments deleted on Page 3, line 26 starting with "More" and ending "." on line 27.

SEN. BENEDICT stated this just left section 2 of the bill which provided for access by emergency vehicles.

SEN. MILLER stated he was opposed to the bill and the amendments because it still addressed the sale of a mobile home. That was a local problem and should not be addressed on the state level.

SEN. FORRESTER stated he had been here long enough to know that a bill like that should remain on the table because if it left the committee then they started working it and twisting arms outside the room. He said it could hit the floor and it would come back to haunt all of them as the bill allowed for a whole lot of mischief if they passed it. SEN. FORRESTER maintained they should keep SB 332 right there on the table.

Vote: The motion TO ADOPT THE AMENDMENTS, EXHIBIT #6, SB 332 CARRIED 6-3 on roll call vote, #1.

Motion/Vote: SEN. BENEDICT MOVED SB 332 DO PASS AS AMENDED. The motion CARRIED 5-4 on roll call vote, #2.

EXECUTIVE ACTION ON SB 380

Motion: SEN. BENEDICT MOVED TO AMEND SB 380, STRIKING "1" IN LINE 5 AND INSERT "3" AND STRIKING "100" AND INSERT "50".

Discussion: SEN. SPRAGUE asked SEN. BENEDICT why not amend it to "2". SEN. BENEDICT stated they were rushed into a lot of things around there, and they didn't always really understand how it affected them. There were 30 or 40 bills flying around in this session that may conflict with each other. Three was the way it had been and it had been working fine that way.

Vote: The motion to AMEND SB 380 CARRIED 7-2 on roll call vote, #3.

Motion: SEN. BENEDICT MOVED SB 380 DO PASS AS AMENDED.

Discussion: SEN. EMERSON stated he was half afraid of the bill and it didn't strike him as right. However, he couldn't put a finger on what was wrong.

Vote: The motion SB 380 DO PASS AS AMENDED CARRIED 7-2 on voice vote with SEN. EMERSON and SEN. MILLER voting "NO".

Discussion : CHAIRMAN HERTEL offered EXHIBIT #7, testimony in favor of SB 380 offered by Helen Christensen, AFL-CIO. He also presented testimony by Helen Christensen, AFL-CIO, urging support of SB 405, EXHIBIT #8.

SEN. BENEDICT stated he was just in PRESIDENT BOB BROWN's office and PRES. BROWN shared his concern about all the conflicting bills flying around, being heard in different committees and no one really knew how these bills would affect each other. They needed to have a coordinated effort if they were to come out of the session with something workable instead of a flood of incompatible bills. He suggested to PRES. BROWN they put together a joint select committee to attain a coordinated effort

on health care reform and insurance reform. **PRES. BROWN** agreed to a joint select committee.

Bart Campbell stated he wondered how things worked if committees were passing bills that contradicted each other.

EXECUTIVE ACTION ON SB 405

Motion: **SEN. BENEDICT** MOVED TO AMEND SB 405 on Page 5, line 3, strike "Initial certification" and insert "Certification", strike "single" and strike "pool", insert "pools"; strike "--" on line 3 through "pools." on line 7; and also on Page 5, line 8, strike "additional".

Discussion: **SEN. KLAMPE** asked if the title would be changed also. **SEN. BENEDICT** replied "yes, the title would be changed".

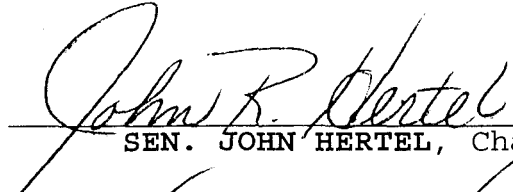
SEN. BENEDICT stated **SEN. JACOBSON** brought the amendments to him to address the concern over the single pool. She supported the amendments.

Vote: The motion to AMEND SB 405 CARRIED UNANIMOUSLY on voice vote.

Motion/Vote: **SEN. FORRESTER** MADE THE MOTION SB 405 DO PASS AS AMENDED. The motion CARRIED UNANIMOUSLY on voice vote.

ADJOURNMENT

Adjournment: The meeting adjourned at 10:25 a.m.


SEN. JOHN HERTEL, Chairman


LYNETTE LAVIN, Secretary

JH/11

MONTANA SENATE
1995 LEGISLATURE
BUSINESS AND INDUSTRY COMMITTEE

ROLL CALL

DATE _____

2-17-95

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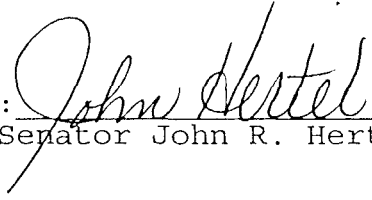
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SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 17, 1995

MR. PRESIDENT:


We, your committee on Business and Industry having had under consideration SB 332 (first reading copy -- white), respectfully report that SB 332 be amended as follows and as so amended do pass.

Signed: 
Senator John R. Hertel, Chair

That such amendments read:

1. Title, lines 4 through 9.
Strike: "GENERALLY" on line 4 through "STANDARDS;" on line 9
2. Title, line 11.
Strike: "70-24-303,"
Following: "70-24-305"
Strike: ", "
3. Pages 1, line 15 through page 3, line 1.
Strike: section 1 in its entirety
Renumber: subsequent sections
4. Page 3, lines 26 and 27.
Strike: "More" on line 26 through "." on line 27

-END-


Amd. Coord.
Sec. of Senate

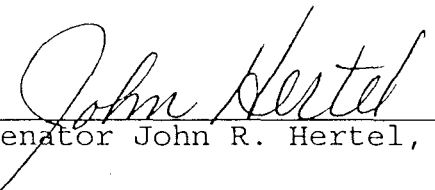
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SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 17, 1995

MR. PRESIDENT:

We, your committee on Business and Industry having had under consideration SB 380 (first reading copy -- white), respectfully report that SB 380 be amended as follows and as so amended do pass.

Signed: 

Senator John R. Hertel, Chair

That such amendments read:

1. Title, line 5.

Strike: "1"

Insert: "3"

Strike: "100"

Insert: "50"

2. Page 5, line 2.

Strike: "1"

Insert: "3"

Strike: "100"

Insert: "50"

-END-



Amd. Coord.

Sec. of Senate

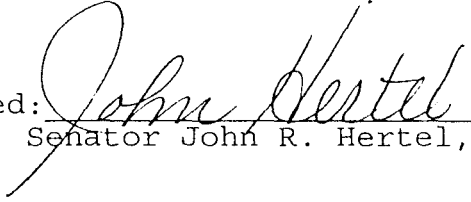
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SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 17, 1995

MR. PRESIDENT:

We, your committee on Business and Industry having had under consideration SB 400 (first reading copy -- white), respectfully report that SB 400 be amended as follows and as so amended do pass.

Signed: 

Senator John R. Hertel, Chair

That such amendments read:

1. Page 1, line 12.

Strike: "or near 105"

Insert: "106"

Following: "F"

Insert: "or less"

2. Page 1, line 21.

Strike: "less than 105"

Insert: "106"

Following: "F"

Insert: "or less"

-END-



Amd. Coord.
Sec. of Senate

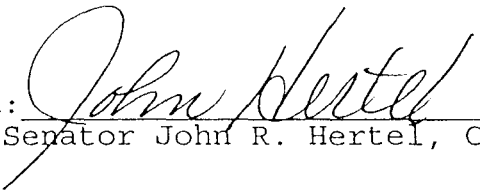
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SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 17, 1995

MR. PRESIDENT:

We, your committee on Business and Industry having had under consideration SB 405 (first reading copy -- white), respectfully report that SB 405 be amended as follows and as so amended do pass.

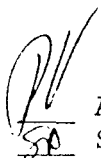
Signed: 

Senator John R. Hertel, Chair

That such amendments read:

1. Title, line 5.
Strike: "PROVIDING" through "POOL;"
2. Page 1, line 18.
Strike: "additional"
3. Page 5, line 3.
Strike: "Initial certification"
Insert: "Certification"
Strike: "single"
Strike: "pool"
Insert: "pools"
4. Page 5, lines 3 through 7.
Strike: "--" on line 3 through "pools." on line 7
5. Page 5, line 8.
Strike: "additional"

-END-

 Amd. Coord.

Sec. of Senate

411352SC.SPV

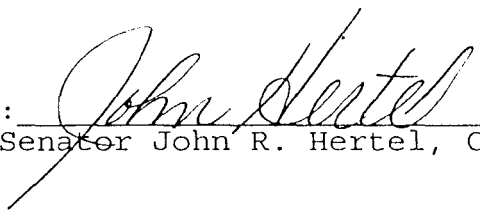
SENATE STANDING COMMITTEE REPORT


Page 1 of 1
February 17, 1995


MR. PRESIDENT:

We, your committee on Business and Industry having had under consideration SB 376 (first reading copy -- white), respectfully report that SB 376 do pass.

Signed: _____


Senator John R. Hertel, Chair

 Amd. Coord.

 Sec. of Senate

411331SC.SPV

MONTANA SENATE
1995 LEGISLATURE
BUSINESS AND INDUSTRY COMMITTEE
ROLL CALL VOTE

DATE 2/17/95 BILL NO. SB 332 NUMBER 1

MOTION:

Amend. SB 332 - SB 033201.ABC - Exh.#6

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MONTANA SENATE
1995 LEGISLATURE
BUSINESS AND INDUSTRY COMMITTEE
ROLL CALL VOTE

DATE 2/17/95 BILL NO. SB 332 NUMBER 2

MOTION: DP SB332 AA

NAME	AYE	NO
STEVE BENEDICT, VICE CHAIRMAN	✓	
WILLIAM CRISMORE	✓	
CASEY EMERSON	✓	
GARY FORRESTER		✓
TERRY KLAMPE	✓	
KEN MILLER		✓
MIKE SPRAGUE		✓
BILL WILSON	✓	
JOHN HERTEL, CHAIRMAN		✓

BUSINESS AND INDUSTRY COMMITTEE
ROLL CALL VOTE

DATE 2-17-95 BILL NO. SB 380 NUMBER 3

MOTION:

Amend SB 380

[illegible]

SEN:1995
wp:rlclvote.man
CS-11

2

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 1

DATE 2-17-95

BILL NO. SB 376



MCA HEALTH CARE PLAN

SUMMARY PLAN DESCRIPTION

**Including
Dental and Vision Benefits**

**for YOU and YOUR
dependents**

July 1, 1994

The original of this document is stored at the Historical Society at 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.



SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 2

DATE 2-17-95

BILL NO. SB 376

SB 376

Hearing: Friday, Feb. 17, 1995 8:00 in room 410

Several years ago, a group of health care providers in the Bozeman area established a public benefit corporation known as the Gallatin Medical Managers Association. Members of the association often discussed the problems most of them had been having providing health benefits to their employees. The clinics ranged in size from 2 to 14 employees and the cost of purchasing a commercial policy was prohibitive and many times unavailable at any price. As the association grew, participating employers believed that because of their size, they might be able to pool for the purpose of purchasing health benefits for their employees.

The group approached Blue Shield, Travelers, and other insurers, however, none were interested in writing coverage to the association, especially as a "new group". In 1993, the association established a self-funded trust into which each employer contributed and from which the claims of the association's employees were paid.

The trust has flourished and been extremely successful. Through this MEWA, employers have been able to provide their employees with comprehensive health benefits which they would otherwise have been unable to provide. In addition, the association is happy that their substantial reserve fund account funds are held locally, thus their money is staying in Montana.



CONT.

During the past four years, many alternatives have been proposed for improving Montanan's access to health care and health insurance. Allowing employers to pool their resources for the purpose of funding employee benefits is a huge step in that direction. I encourage you to help Montana employees and employers by giving full support to this beneficial legislation.

Gallatin Medical Managers Association

*Bob Bachner speaking for
Seneca Miranti, Pres. of the Association*

Small Business Health Insurance Reform

Small Employer Health Insurance Availability Act

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

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

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

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

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

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

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 3

DATE 2-17-95

BILL NO. SB 380

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

Free Market Approach

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

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

Elements of Reform

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

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

Goals of reform include:

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

☐ Preventing abusive rating practices and requiring disclosure

of rating practices to purchasers;

☐ Providing for renewability of coverage;

☐ Limiting use of preexisting condition exclusions; and

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

Standard and Basic Plans

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

Portability and Guaranteed Issue

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

How the Plans Work

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

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

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

Standard Plan Provisions

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

It will include:

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

Special Features

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

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

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

Basic Plan Provisions

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

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

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

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

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

Other Plans for Small Businesses

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

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

Montana Small Employer Health Reinsurance Program

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

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

This board sets premium rates for reinsurance. If

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

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

Montana Business Health Coverage Survey

Small Business Health Insurance Reform on Target, Survey Reveals

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

The statewide survey, conducted by the State Auditor's Office in conjunction with the state Department of Labor and Industry, found that less than half -- 47 percent -- of small businesses

(between 3 and 25 employees) surveyed said they provided health insurance coverage to their workers. Meanwhile, 83 percent of large businesses (26 or more employees) reported they provided health insurance coverage to their workers.

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

fused group health insurance coverage by insurance companies in the last five years (employees working for small firms

were almost four times more likely to be denied coverage by insurers than those working for large firms);

□ Health insurance premiums for all businesses surveyed rose 8.5 percent faster than the rate of inflation over the last five years;

□ 38.4 percent of small firms reported making some type of coverage contribution for

employees, compared with 73.7 percent of large firms reporting making some type of coverage contribution; and

□ Small firms pay more in premiums than large firms, with the average monthly insurance premium for individual health employee coverage for 1994 at \$176.15 for small businesses, compared with \$149.85 for large businesses.

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

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

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

Highlights

Percent of Large and Small Businesses Offering Health Insurance Coverage

Small Employers	47%
Large employers	83%

Percent of Each Class of Firms That Offer Insurance Coverage

500 employees or more	88.9%
100 to 499 employees	90.6%
26 to 100 employees	81.1%
3 to 25 employees	47%

Other survey highlights:

□ The lack of health insurance generally is more concentrated in lower-wage, seasonal industries that employ part-time workers;

□ Eighty-nine small firms and 40 large firms reported being re-

Small Business Insurance Reform in Other States

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

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

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

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

Commonly Asked Questions About Small Business Health Insurance Reform

Q. Will this reform cause rates to skyrocket and prompt healthy individuals to drop coverage?

A. Hopefully, not. This legislation was designed by the National Association of Insurance Commissioners, in close consultation with insurance companies and agent groups, as a way to help more small businesses get health insurance coverage. Rates in this market will no longer be based on the health status of individuals in the group, so some groups will see rates go down. Overall, rates may go up slightly to cover the costs of guaranteed issue. One major Montana insurer estimates the cost of guaranteed issue to be eight percent of premium.

Q. The law allows basic plans to be exempt from any or all of the mandated benefits. Why were all the mandated benefits left in basic plans?

A. In designing the basic plan, the Health Benefit Plan Committee carefully considered the issue of exempting the basic plan from the mandated benefits. The committee's actuary estimated the cost of the mandated benefits to be eight percent of premium. The committee felt that the Legislature had passed the mandated benefit laws for good reason. Basic and standard plans were designed with the flexibility that if the Legislature repeals or adds a mandated benefit, it will automatically change the plans.

Q. Can a small employer offer individual policies to employees?

A. No, a small business must buy a small group policy. The practice of companies selling individual policies through an employer has been stopped to prevent insurance companies from "cherry-picking" the healthy individuals. However, individuals who work for small businesses can always directly buy an individual policy.

Q. Is an employer required to offer coverage to every employee if a small group plan is purchased?

A. No. Coverage must be offered to employees who work 30 hours or more a week and the dependents of these employees. Employers decide whether to make the insurance available to anyone else. Some insurance companies have their own restrictions on coverage for part-time employees.

Q. Are dependents guaranteed coverage through small group plans?

A. Yes, the dependents of employees who work 30 hours or more a week will not be turned down for insurance. If they have previous coverage when changing to a small group plan, no waiting periods for preexisting conditions will apply.

Q. Will only a small portion of Montana employees have to pay the costs related to the reinsurance program?

A. No. The costs of the reinsurance program are paid through premiums from insurance companies that choose to buy the reinsurance coverage. Assessments on insurance companies pay for costs not covered by premiums. Insurance carriers are assessed based on their total premiums from individual, large and small group health insurance sales, which is a broad assessment base.

- Q. Can a small business buy health insurance plans other than the standard and basic policies?
- A. Yes. Insurance carriers can offer health plans that they continue to "underwrite." Applicants can be refused coverage for these plans, but must be offered basic and standard plans as an alternative.
- Q. Does this reform make insurance coverage of abortion a new mandated benefit?
- A. No. Mandated benefits are separate laws that affect all policies sold in the state. Coverage of abortion is part of the standard plan, but it is the only plan that must include this benefit. Consumers who object to this benefit can purchase a policy with out the benefit.
- Q. How does a small business qualify?
- A. Any business with between three and 25 employees who work 30 hours or more a week qualifies for a small group health insurance policy and cannot be refused. Not every employee must enroll, but insurance companies are allowed to have minimum participation requirements set by the carrier.
- Q. Do mandatory maternity benefits have anything to do with this reform?
- A. No. The Montana Supreme Court ruled 7-0 in December 1993 that under the state's nongender insurance law it is discriminatory to exclude maternity benefits or have a separate rider policy for that coverage under a major medical insurance policy. Like all policies sold in Montana, maternity benefits are included in the basic and standard plans.
- Q. Is there a minimum amount employers must contribute to paying the premium for small group plans?
- A. The law does not require a minimum contribution from employers, but some insurance companies do, which is permissible.
- Q. Can a small group stay on the health insurance plan acquired before the reform went into effect?
- A. Yes. The law does not require small businesses to buy the new basic and standard plans.

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

EXHIBIT 3
DATE 2-17-95
1 SB 380

INSURANCE COMPANIES DECLARED TO BE IN SMALL GROUP MARKET

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

Company (*31 companies to date*)

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

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

Designing a Health Purchasing Pool for Montana

*A Report on the Merits and Possible Design Features
of a Collective Arrangement for Purchasing Health
Coverage for Smaller Employers and Individuals*



Montana Health Care Authority
28 North Last Chance Gulch
P. O. Box 200901
Helena, Montana 59620-0901
(406) 443-3390
1-800-733-8208
Fax (406) 443-3417

SENATE BUSINESS & INDUSTRY.

EXHIBIT NO. 4

DATE 2-17-95

BILL NO. SB 380

The original of this document is stored at
the Historical Society at 225 North Roberts
Street, Helena, MT 59620-1201. The phone
number is 444-2694.

HB 405

1. Allows anybody to establish a purchasing pool with no criteria for governance of the pool.
2. No provision for criteria to prevent a pool from developing membership requirements which exclude employer groups outside of claim experience or health status, such as occupation.
3. No provision for reporting to assess for cost containment objectives or consumer satisfaction.
4. Does not allow self-employed individuals to participate in a pool.

SB 405

1. Requires that the purchasing pool have a board of directors made up of purchasers with a balance between employers and employees.
2. Membership requirements are in addition to those adopted by the Insurance Commissioner and cannot exclude groups or individuals based on occupation.
3. Requires that the pool actively engage in providing information to participants on cost and quality.
4. Allows individuals to participate.
5. Requires financial viability verified through reporting.
6. Requires written plan of operation.
7. Allows risk adjustment for individuals and large groups.
8. Allows for market areas to be established to ensure that a purchasing pool remains operational and sound; does not prohibit competition similar market areas.
9. Provides protections for participants in a pool in the event of insolvency or mismanagement of the pool.

Amendments to Senate Bill No. 332
First Reading Copy

Requested by Senator Weldon
For the Committee on Business and Industry

Prepared by Bart Campbell
February 17, 1995

1. Title, lines 4 through 9.
Strike: "GENERALLY" on line 4 through "STANDARDS;" on line 9
2. Title, line 11.
Strike: "70-24-303,"
Following: "70-24-305"
Strike: ", "
3. Pages 1, line 15 through page 3, line 1.
Strike: section 1 in its entirety
Renumber: subsequent sections
4. Page 3, lines 26 and 27.
Strike: "More" on line 26 through "._" on line 27



Montana State AFL-CIO

Donald R. Judge
Executive Secretary

110 West 13th Street, P.O. Box 1176, Helena, Montana 59624

406-442-1708

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 7
DATE 2-17-95
BILL NO. SB 380

Testimony of Helen Christensen,
Montana State AFL-CIO on Senate Bill 380
before the Senate Business Committee
February 17, 1995

=====

Mr. Chairman, members of the committee, for the record my name is Helen Christensen representing the Montana State AFL-CIO.

Although most union members have good medical insurance, we are also aware that many of our neighbors are not so fortunate.

We also realize that if Montana families cannot afford adequate health insurance, all of us will pay higher medical costs and increased taxes.

We support expanding the number of businesses that the Small Employer Health Insurance Availability Act can serve as one more way of making health care benefits available to more Montanans.

Thank you.



Montana State AFL-CIO

Donald R. Judge
Executive Secretary

110 West 13th Street, P.O. Box 1176, Helena, Montana 59624

SENATE BUSINESS & INDUSTRY

406-442-1708

EXHIBIT NO. 8

DATE 2-17-95

BILL NO. SB 405

Testimony of Helen Christensen,
Montana State AFL-CIO on Senate Bill 405
before the Senate Business Committee
February 17, 1995

=====

Mr. Chairman, members of the committee, for the record my name is Helen Christensen representing the Montana State AFL-CIO.

We urge you to support SB405. This legislation offers Montana's small employers an opportunity to obtain adequate and reasonably-priced health insurance for themselves and their employees through cooperative purchasing pools. In addition to the cost savings, small businesses that pool their resources can finally offer their workers better access to medical care and improved chances of insurance portability.

This new insurance structure must be a strong and flexible framework upon which Montana's small business can build the kinds of arrangements that will best serve their needs. This bill provides a sound system within which insurers and purchasers can create a solid plan, certain of a certification and regulation enforcement process that is fair.

Montanans are blazing a new trail with this bill, but it is a modest and careful beginning to make affordable health insurance available to thousands of working Montanans who are currently uninsured or underinsured.

I urge your support for SB405

DATE

February 17, 1995

SENATE COMMITTEE ON

Business & Industry

BILLS BEING HEARD TODAY:

SB 376 Senator Christensen
 SB 380 Senator Jacobson SB 400 Senator Gragfield
 SB 405 Senator Jacobson

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PLEASE PRINT

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Check One

Name	Representing	Bill No.	Support	Oppose
Lloyd Lockrem	Mont. Court.	376	X	
Rick Larson	ERMS	376	X	
TIM FILZ	ASSOC. EMPLOYERS - RTW	376	X	
Diane Ruff	Assoc. Employers	376	X	
Cynthia Brooks	MDITES	400		
Bob Rankin ^{for} Linda M. Rankin	Gallatin Medical Managers Association	SB 376	X	
GENE M. GUDMUNDSON	MONTANA MINERAL SPRINGS ASSOCIATION	400	X	
Riley Johnson	NFIB	380 408	X	
Brad Griffin	MT Retail Assoc.			
Dan Spauld	ST Auditor	376	X	
LARRY AIGLEY	MT ASSOC OF LIFE UNDERWRITERS	376 380 405	X	
Claudia Clifford	State Auditor's	405 380	X	
Michael Art	CHICO HOT SPRINGS	400	X	
TANYA ANSK	Blue Cross Blue Shield	380 405	X	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE

February 17, 1995

SENATE COMMITTEE ON

Business and Industry

BILLS BEING HEARD TODAY:

SB 376 Senator Christensen
 SB 380 Senator Jacobson
 SB 400 Senator Grosjean
 SB 405 Senator Jacobson

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PLEASE PRINT

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Check One

Name	Representing	Bill No.	Support	Oppose
GREG SAKS	CHICO HOT SPRINGS	400	X	
SAM MARTINEZ	MDHES	400	X	
Jerry Driscoll	EBMS	376	X	
DEAN RANDASH	NAPA AUTO PARTS	380		X
DEAN RANDASH	NAPA AUTO PARTS	405		X
Anita Bennett	MT Logging Assn.	405	X	
Elizabeth Brustotter	Jackson Hot Springs Inc	400	X	
Ronald Page	Bozeman Hot Springs	400	X	
Edg Franklin	STD 21	405 380	X	
John Huber	Fort Peck	400	X	
Helen Christensen	MT State AFL-CIO	405 380	X X	
TOM BICODÉAU	MEA	380 405	X	
Dale Talaranko	MDHES	400	X	
Steve Turkiewicz	MT Assn Health Care Purchasers	405		X

Stuart Doyse

MT Innkeepers Assn. 400

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE Feb 17, 1995

SENATE COMMITTEE ON Business & Industry

BILLS BEING HEARD TODAY: SB 376 Senator Christensen

SB 380 Senator Jacobson SB 400 Senator
SB 405 Senator Jacobson Gresfield

< ■ > PLEASE PRINT < ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
<u>Ed Garman</u>	<u>MMBP</u>	<u>380/405</u>		<input checked="" type="checkbox"/>
<u>Jason Dahl</u>	<u>Deal Mt</u>	<u>380</u>		<input checked="" type="checkbox"/>
<u>Barb Renter</u>	<u>Boulder Hot Spring</u>	<u>400</u>	<input checked="" type="checkbox"/>	
<u>Mike Craig</u>	<u>MT HEALTH</u>	<u>SB 380</u> <u>SB 405</u>		

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY