



Education and Local Government Interim Committee

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58th Montana Legislature

SENATE MEMBERS

DON RYAN--Vice Chair
GREGORY BARKUS
WILLIAM GLASER
RICK LAIBLE
JEFF MANGAN
DEBBIE SHEA

HOUSE MEMBERS

JOAN ANDERSEN--Chair
NORMAN BALLANTYNE
SUE DICKENSON
TOM FACEY
VERDELL JACKSON
LARRY LEHMAN

COMMITTEE STAFF

CONNIE ERICKSON, Research Analyst
EDDYE MCCLURE, Staff Attorney
REBECCA SATTLER, Secretary
PAMELA JOEHLER, Fiscal Analyst

MINUTES K-12 Education Subcommittee

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division.
Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.

SUBCOMMITTEE MEMBERS PRESENT

REP. LARRY LEHMAN, CHAIR
REP. NORM BALLANTYNE
REP. TOM FACEY
REP. VERDELL JACKSON

STAFF PRESENT

CONNIE ERICKSON, Research Analyst

AGENDA AND VISITORS

Agenda, ATTACHMENT #1
Visitors' list, ATTACHMENT #2.

SUBCOMMITTEE ACTION

None

CALL TO ORDER AND ROLL CALL

The meeting was called to order at 10:30 a.m. by REP. LARRY LEHMAN. Subcommittee members and staff introduced themselves and attendance was noted (ATTACHMENT #3).

DEVELOPMENT OF STUDY PLAN

REP. FACEY suggested that the Subcommittee look at the issue of a statewide health insurance pool for school district employees. The issue was addressed during the last



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legislative session, but the bill failed in the Senate. Prior to the Subcommittee meeting, REP.

FACEY contacted **Alec Hansen, Montana League of Cities and Towns**, to address the Subcommittee on efforts by his organization to implement a statewide health insurance pool for municipal employees.

Alec Hansen, Montana League of Cities and Towns, told the Subcommittee that his organization is looking at a statewide health insurance pool. In 1985-86, the League put together a statewide pool for liability insurance that has proven very successful. It was paid for with bonds issued by the League. Mr. Hansen is confident that something similar can be done with health insurance.

Mr. Hansen stated that Legacy Insurance Consultants of Sacramento, California is conducting a feasibility study of a self-insured health insurance pool for city employees in Montana. The study is supposed to be completed sometime next spring. One of the issues to be addressed is all of the collective bargaining agreements that cities have with various unions. Mr. Hansen said he will report back to the Subcommittee in the spring with the results of the study.

Mr. Hansen also stated that the League is talking to the Montana Association of Counties about joining in the pool.

REP. LEHMAN ASKED **Tom Bilodeau, MEA-MFT**, if he would like to comment on the statewide health insurance pool. Mr. Bilodeau provided a handout to the Subcommittee outlining the need for a statewide health insurance pool for school district employees (EXHIBIT #1). MEA-MFT would like to see part-time employees (20 hours or more per week) included in the pool. They are currently not covered. It would cost the state about \$12-\$15 million up front to cover these additional employees and to make sure any unfunded liability was not passed down to the local districts. As a funding source, he suggested looking at a direct entitlement similar to the district entitlement and the per-ANB entitlement.

REP. JACKSON stated that he and Rep. Nancy Fritz and Rep. Pat Wagman worked on the health insurance bills during the 2003 session but failed to get any of the bills passed. He said the major stumbling block was mandatory enrollment. Mr. Bilodeau replied that, while he understood the resistance to mandatory enrollment, voluntary enrollment can result in adverse selection and unpredictability. This could mean higher premiums with people dropping in and out in response to health care needs.

REP. JACKSON asked Mr. Bilodeau about claims management. How would you keep costs down so that the program remains affordable? Mr. Bilodeau replied that a plan design with financial incentives would work. He spoke about wellness and prevention programs, such as the state offers its employees. The state operates and subsidizes its own health insurance plan and it works very well.

REP. JACKSON asked Mr. Bilodeau how large a pool is needed to make the program work? Can you create regional pools instead of a statewide pool? Mr. Bilodeau replied that you need a pool of 6,000-8,000 members to be cost effective. As for regional pools, the problem is the availability of health care providers within each region.

REP. BALLANTYNE said the problem with the plan proposed in House Bill No. 302 was that the presentations made to school districts prior to the legislative session raised questions regarding dollar-for-dollar comparisons with current health insurance programs. Mr. Bilodeau responded that they need to get information out to districts earlier and to include specific district information for comparisons with the proposed plan.

REP. FACEY asked why cities and towns can pursue a statewide health insurance pool without statutory authority? Mr. Hansen replied that cities and towns have statutory authority. First of all, cities and towns can enter into interlocal agreements to provide health insurance, among other things. Also, cities and towns have specific authority to establish self-insurance plans. Mr. Hansen said he would be happy to have the insurance consultant with whom the League is working to come and talk to the Subcommittee or to the full Committee.

REP. FACEY said that he had six questions he would like the Subcommittee to pursue with regards to a statewide health insurance pool:

1. What legislation would be needed to allow school districts to set up a pool on their own similar to cities and towns?
2. Would regional pools work?
3. Is the K-12 Public School Renewal Commission going to discuss health insurance? If yes, we should coordinate our efforts.
4. How will claims management be handled?
5. How solvent is the Montana Unified School Trust?
6. What is the Montana School Boards' Association's position on a health insurance pool?

REP. LEHMAN voiced his concerns with the health insurance pool idea. His first concern was the mandatory enrollment provision. He was also concerned about including the 4,000 employees not currently covered by insurance. What would be the unfunded liability for including them in the pool? He went on further to say that people place tremendous importance on health care benefits and fear when changes occur.

REP. LEHMAN asked Mr. Bilodeau if a monthly employee subsidy for health insurance would work? Mr. Bilodeau replied that you could build it into the school funding formula or put it directly into the statewide pool. A state subsidy would reduce a district's cost for the individual premium.

REP. BALLANTYNE asked Mr. Hansen if enrollment in the League's pool would be mandatory or voluntary? Mr. Hansen replied that enrollment would be voluntary, but if the League issues bonds to pay for the program, then once you enroll you will not be able to drop out later. Another option would be to require those who join to remain in the pool for a set period of time. Mr. Hansen went on to say that some of the larger cities with successful self-insurance health plans are now looking at the statewide pool. He believed that you needed at least 1,000 members for a pool to be cost-effective.

REP. LEHMAN asked if there had been any change in the status of those districts that opposed HB 302? Mr. Bilodeau replied that he was unsure about those districts, but that since the end of the legislative session, Cut Bank, Browning, and Livingston had begun experiencing a crisis in health insurance. **Sen. Don Ryan, Senate District No. 22**, who was in attendance at the meeting, stated that the Great Falls District has one of the most successful self-insurance plans in the state, but supports a statewide pool after looking at their plan's future from an actuarial standpoint.

REP. FACEY would like to know how health insurance agreements are worked out with a local hospital when a community has two hospitals. He also would like to see individual district information on premiums and benefits. Mr. Bilodeau said that he would be able to supply some of that information.

REP. LEHMAN asked if the Subcommittee members had any other issues for the Subcommittee to consider as part of its interim work.

REP. JACKSON proposed three ideas:

1. the use and effectiveness of federal education dollars, especially related to No Child Left Behind; how much flexibility is there to use those dollars to address some of the unreasonable aspects of the federal law;
2. control of local school boards over their local budgets; and
3. proportion of state money that goes directly into the classroom and the amount spent on centralized administration at the district level; Montana ranks low in teacher pay yet ranks average in the amount we spend per student.

REP. BALLANTYNE suggested that the Subcommittee look at the issue of consolidation of school districts.

PUBLIC COMMENT

Joe Lamson, Office of Public Instruction, told the Subcommittee that OPI stands ready to offer whatever assistance the Subcommittee may need over the interim. He went on to say that a five-person teacher assistance team from the Department of Education is coming to Montana on November 18 to work with OPI on the "highly-qualified teacher" portion of No Child Left Behind (NCLB). Also, on December 12, Undersecretary of Education Eugene Hickok is coming

to Montana, at the invitation of Governor Martz, to talk about NCLB and to hear Montana's concerns with the law. Mr. Lamson also stated that both Governor Martz and Superintendent McCulloch have written letters to Montana's congressional delegation and the Department of Education voicing their concerns about NCLB and would welcome similar letters from the full Education and Local Government Committee.

Sen. Don Ryan, Senate District No. 22, suggested another topic for study by the Subcommittee: the impact of PP&L's protested taxes on a school district's guaranteed tax base aid. These protested taxes have a significant impact on the Great Falls District and other school districts around the state, such as Colstrip and Thompson Falls. He would like to see the Subcommittee take another look at Senate Bill No. 467 from last legislative session. He also has another idea for consideration: have the state buy up the debt at, for example, \$.95 on the dollar. This would free up the protested taxes for school districts use.

WRAP-UP

The Subcommittee will meet again on Friday, January 9, 2004. In the meantime, staff will work with Rep. Lehman to develop an agenda.

ADJOURNMENT

The Subcommittee meeting adjourned at 11:55 a.m.