



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: November 23, 2015

TO: Legislative Fiscal Division

FROM: Kris Wilkinson, Lead Fiscal Analyst

RE: State Employee Group Benefit Plan

The Legislative Finance Committee (LFC) included developing an understanding of the financial condition of the state employee and Montana University System group benefit plans as part of its work plan for the 2017 interim. The purpose of this memorandum is to provide a summarization of the items requested by the Legislative Finance Committee at its September 2015 meeting.

One of the challenges of the state employee group benefit plan (SEGBP) is the financial condition of the plan. Staff will continue to provide financial updates on the plan as part of the 2017 Biennium Status Report each LFC meeting. In addition reports on implementation of cost reductions measures for each plan will be provided at the 2016 March and September LFC meetings.

The LFC requested information on reference based pricing prior to its December meeting as included in the Request for Proposal issued for a new third party administrator. Staff provided a copy of the information on reference based pricing from Allegiance in a memorandum to the LFC dated November 24, 2015. The memorandum included a brief summary of the basics of reference base pricing, the benefits and the challenges. The LFC will discuss the memorandum at its December meeting and direct staff on further work for reference based pricing and other cost savings measures outlined in SB 418 for presentation in March.

The LFC requested a separate staff report on the state health clinics. This report is scheduled for the June LFC meeting. Included in the report would be:

- State health clinic model used by the state, contract elements, cost saving calculation
- Contrast the model currently used with the Anaconda pilot,
- Costs of operating the clinics and measurement of savings compared to the actuarial projections when the plan was established (\$100 million)
- Benefits and challenges to the plan of the state health clinics
- Cost impacts to the SEGBP for the state health clinics, additional diseases found, higher level of costs, etc.
- Impacts on local communities and providers
- Expansion plans for the clinics

The Legislative Audit Division (LAD) has begun a performance audit of the state health clinics. LFD staff would coordinate with LAD regarding potential overlap on the two projects.

The LFC also requested a comparison of deductibles, copayments, and coinsurance between Montana University System Group Benefit Plan, SEGBP, and private providers. Staff will prepare this report for the March LFC meeting. As part of this report the requirements related to the Patient Protection and Affordable Care Act will be further examined and discussed.