

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 59th LEGISLATURE - REGULAR SESSION

SELECT COMMITTEE ON EDUCATION FUNDING

Call to Order: By **CHAIRMAN MONICA LINDEEN**, on January 18, 2005
at 3:07 P.M., in Room 137 Capitol.

ROLL CALL

Members Present:

Rep. Monica Lindeen, Chairman (D)
Rep. Bill E. Glaser, Vice Chairman (R)
Rep. Norma Bixby (D)
Rep. Tim Dowell (D)
Rep. Dave Gallik (D)
Rep. Verdell Jackson (R)
Rep. Bob Lake (R)
Rep. Holly Raser (D)
Rep. Jon Sonju (R)
Rep. Pat Wagman (R)

Members Excused: None.

Members Absent: None.

Staff Present: Connie Erickson, Legislative Branch
Kim Leighton, Committee Secretary
Eddy McClure, Legislative Branch
Jim Standaert, Legislative Branch

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

Committee Business Summary:

Hearing & Date Posted: 124, 1/13/2005
Executive Action:

HEARING ON HB 124**Sponsor:** REP. TOM FACEY, HD 95, MISSOULA**Opening Statement By Sponsor:**

REP. FACEY stated that this bill is being heard to provide statewide health insurance for school employees. He attested that this plan could save up to 46 million dollars. It would provide basic and comprehensive health care for employees. This program is referred to as the K-12 Statewide Health Insurance Program(SHIP). Under this program, school employees may voluntarily join the K-12 SHIP. Upon joining this, districts may receive a \$200 per month per eligible employee credit to be used against the premium to help join K12 SHIP. REP. FACEY also supplied two documents to support this bill.

[EXHIBIT\(esh13a01\)](#)[EXHIBIT\(esh13a02\)](#)

{Tape: 1; Side: A; Approx. Time Counter: 0 - 17.1}

Proponents' Testimony:

Linda McCulloch, State Superintendent of Public Instruction(OPI), supplied written testimony to support HB 124.

[EXHIBIT\(esh13a03\)](#)

Jack Copps, Executive Director, Montana Quality Education Coalition(MQEC), provided written testimony to support HB 124.

[EXHIBIT\(esh13a04\)](#)

Steve Meloy, Executive Secretary, Board of Public Education(BPE), provided written testimony in support of HB 124.

[EXHIBIT\(esh13a05\)](#)

Lance Melton, Executive Director, Montana School Board Association(MTSBA), provided written testimony in support of HB 124 which is designed to successfully offer key benefits to school employees.

[EXHIBIT\(esh13a06\)](#)

Dick Cameron, Superintendent of Glendive Public Schools, testified in support of HB 124, claiming that currently the school system in Glendive has Montana Unified School Trust(MUST) healthcare. However, he stated, "At this point in time, this is about the only way to go." He reiterated that recruiting teachers is an astronomical act.

Darrell Rud, Executive Director, School Administrators of Montana (SAM), provided written testimony on behalf of SAM. He stated, "This is viewed as an urgent and immediate relief piece of the puzzle." He also reiterated that statewide health insurance is a key.

EXHIBIT(esh13a07)

Tom Bilodeau, Research Director, MEA-MFT, provided written testimony in regard to supporting HB 124. He believes K-12 SHIP to be a practical means of addressing school employee compensation issues.

EXHIBIT(esh13a08)

Erin McGowan-Fincham, State Auditor's Office, claimed that 19% of individuals in Montana are uninsured and this program could help with that. She touched on specifics of insurance sections in HB 124.

Wade Johnson, Broadus Public Schools, stated that the premium cost of K-12 SHIP would save their district more than 100,000 dollars in health insurance premiums.

Marta York, Missoula County Public Schools, commented that HB 124 creates standard eligibility, and will be able to cover many certified and classified educational employees that are currently uninsured.

Joe Potter, Missoula County Public Schools Insurance Committee, spoke about the 4,000 uninsured employees, and how HB 124 would really benefit them.

Dave Severson, President of Missoula Education Association, urged the committee to pass HB 124. Passing this bill would enable the school to use the money for other resources.

Larry Nielsen, President of Helena Education Association, commented on the benefits of HB 124. He stated that this would free up approximately two million dollars for the school system, as well as provide a secure health insurance program for the teachers and staff involved in a quality education.

Tanya Ask, Blue Cross Blue Shield of Montana, stated that there is a need for oversight if this bill does pass.

Bob Robinson, Chief Executive Officer, Montana School Services Association for Montana Unified School Trust (MSSF-MUST), spoke on the advantages of a pooling system in regards to health insurance.

{Tape: 2; Side: A; Approx. Time Counter: 0 - 2.5}

Opponents' Testimony:

Cori Cook, Corporate Counsel for Employee Benefit Management Services(EBMS), expressed the problems EBMS has with HB 124. For instance, there is no guarantee that the board representing K-12 SHIP would be comprised of insurance expertise. Also, they feel that once a person enters this program, they are unable to leave, even if they are dissatisfied.

Susan Witte, Vice President & Chief Legal Counsel for Allegiance Benefit Plan Management Inc., provided written testimony in opposition to HB 124. They believe that this money could be saved and applied elsewhere.

EXHIBIT(esh13a09)

Roger McGlenn, Executive Director, Independent Insurance Agents of Montana(IIAM), expressed concerns with HB 124. He had problems concerning premiums, enlistment, and private sectors.

John Jones, Executive Director of Managed Care, Deaconess Billings, stated that he believes there is work to be done on this bill. He believes HB 124 is a vehicle for providing health care to employees. However, this is not the correct way. He said that K-12 SHIP squashes competition.

Mary Wittinghill, Montana Taxpayers Association, conveyed that she wants to make sure this is done in the most cost efficient way. She is also not sure that it actually addresses Judge Sherlock's decision.

Don Allen, Montana Association of Insurance and Financial Advisors(MTAIFA), advised against passing HB 124. He believes there are problems with private sectors, and would like to see the best service for the best price. He does not think this is the way to go.

{Tape: 2; Side: B; Approx. Time Counter: 0 - 1.9}

Informational Testimony:

Lynda Brannon, Montana Association of School Business Officials, provided written testimony.

EXHIBIT(esh13a100)

Randy Morris, Administrator of the State Personnel Division, Department of Administration, stated that they support this bill, and are available for any questions.

{Tape: 2; Side: B; Approx. Time Counter: 1.9 - 3.2}

Questions From Committee Members and Responses:

REP. MONICA LINDEEN asked **REP. FACEY** when the committee will have a fiscal note for this bill.

REP. FACEY stated that he thought he would have it today, and he would look into it.

REP. BOB LAKE asked Susan Witte if her firm tracks the annual medical inflation rate.

Ms. Witte stated that she believes they do.

REP. LAKE followed up by asking if she has the numbers available for the last five years.

Ms. Witte redirected the question to **Cliff Larson**, who stated that they are on Page 6 of the MEA-MFT document.

REP. LAKE asked **REP. FACEY** if the savings of insurance costs for teachers would be approximately 50 million dollars with this bill.

REP. FACEY replied by saying that is correct.

REP. LAKE stated that it appears that two different structures are being operated.

REP. FACEY agreed on this. He expanded by saying that the general fund spending has been approximately 1.7% per year. He also stated that the inflation has been approximately 2.5%.

REP. LAKE asked **REP. FACEY** if this bill is intended to create a program for insurance coverage if it still falls under the guidelines if the committee is building into an already existing fund.

REP. FACEY stated that it does in fact follow the premise of the bill.

REP. DAVE GALLIK asked John Jones if he feared pooling systems in the past and how it was that he now approved them?

Mr. Jones replied by saying that things have changed; and they now adhere to the problems of the past.

REP. GALLIK postulated that if Mr. Jones opposed the setting in the past, why did he think it would change in regards to a large insurance company.

Mr. Jones asked REP. GALLIK to please reword the question.

REP. GALLIK questioned how this plan would affect healthcare providers in Montana.

Mr. Jones replied that they would continue to provide healthcare. However, they do not believe there is a 50 million dollar savings available. He then went on to ask a few questions regarding the fiscal note.

Eddye McClure stated that they do not write the fiscal notes, but that the budget office is most likely free to make assumptions.

REP. LINDEEN asked if there were any further questions.

REP. HOLLY RASER followed up on a question for REP. GALLIK. She asked Randy Morris about the concern surrounding the bill being flawed, and people wanting to bail out.

Mr. Morris stated that he does have some concern about this. However, there are ways to manage this, and he believes that the appropriate measures are in place.

REP. RASER asked about bigger state plans versus small plans.

Mr. Morris believed that it happens in all scenarios. If the proper measures are in place, it can be addressed.

REP. RASER stated that she is a teacher. Her question was how to compare cost increases with the differences in the size of pools.

Mr. Morris claimed that the smaller the pool, the smaller the swing would most likely be.

REP. VERDELL JACKSON asked Cori Cook what kind of board should be in place for such a large plan.

Ms. Cook recommended that the board be more diverse, with guaranteed expertise in insurance and legal.

REP. JACKSON desired some clarity on cost containment.

Ms. Cook didn't notice specifically where these sorts of measures are taken in the bill. She believes that they generically refer to it.

REP. JACKSON asked Ms. Cook to clarify the question of management. He understood it to be 7% of the premiums that came in, and asked if that is true.

Ms. Cook replied by explaining different quotes from around the state in regards to administrative costs.

REP. GALLIK asked Mary Wittinghill, "Assuming taxpayers can save 39 million dollars, and there will also be approximately five million dollars saved in administrative costs, do you think it is in our best interest to endorse this bill?"

Ms. Wittinghill doesn't believe that would work out with the way the bill is written right now.

REP. GALLIK commissioned Ms. Wittinghill to show him specific places in the bill where she can see that it won't work.

Ms. Wittinghill pointed out how Section 3 speaks of the \$200 incentive. However, it doesn't specify that this incentive will lower taxes.

REP. GALLIK asked if she would agree with him that medical care will likely increase and in saying that, wouldn't local school districts be responsible for this increase?

Ms. Wittinghill said she realizes that insurance coverage is a problem right now. However, she would like to see this money freed up to apply to other forms of coverage.

REP. PAT WAGMAN petitioned to Marta York as to what the status of the compensation is.

Ms. York redirected the question to Tom Biladeau.

Mr. Biladeau responded by stating some numbers to REP. WAGMAN in terms of classified wages.

REP. WAGMAN then asked what contribution the employees make to the benefit program.

Ms. York answered that employees in the Missoula area pay \$30/month. If they have a dependent, they pay \$50/month; and if their spouse is covered and unemployed, they pay \$100/month.

REP. WAGMAN then requested the same information from a representative of a small eastern school.

Wayne Kolliba, Superintendent of Westby Schools, stated that it depends on the insurance plan. He said that their district pays about \$300/month for health insurance for their teachers. Also, some teachers on a specific plan might pay approximately \$300/month.

REP. WAGMAN asked what the salary range for their teachers is.

Mr. Kolliba alleged that it runs between \$22,000 to \$42,000.

REP. WAGMAN asked Mr. Biladeau about Page 5, Line 26. He was curious about an employee who works 1,080 hours, and what kind of benefits a part-time employee would receive.

Mr. Biladeau said that 1,080 hours calculates to approximately 30 hours in a work week. Therefore, it would take approximately 36 weeks to reach this. He also explained some of the work conditions and benefits received.

REP. WAGMAN then asked how many hours this would require for a full-time employee.

Mr. Biladeau stated that he believed it was 1,410 hours.

REP. RASER asked Dick Cameron about some comments made by Ms. Wittinghill. She asked him if he considers teachers to be educational relevant factors.

Mr. Cameron remarked that teachers are probably the most educationally relevant factors besides children. A majority of the budget goes to teachers' salaries.

REP. RASER asked Mr. Cameron, "If they did have the additional funding, should the committee study where to put the money, or should the school decide individually."

Mr. Cameron stated that there is simply not enough money for the children. He urged the committee to put their differences aside, and figure something out.

REP. JON SONJU asked Roger McGlenn to explain what a private sector would do that this bill will not.

Mr. McGlenn is concerned that this plan is irrevocable, and is not giving the private sector any room to do anything.

REP. RASER talked about the fact that there is a lot at stake, she also asked about the private sector and whether there is room for them to bid on this, or if it is a closed plan.

Mr. McGlenn stated that he was not a participant in the interim study. However, it appears that bidding would be administrative on this.

REP. RASER commented on the fact that all of the committee meetings are public, and asked Mr. McGlenn if he attended these.

Mr. McGlenn said he was active on other committees at the time.

REP. RASER asked what the private sector has come up with as an alternative to this.

Mr. McGlenn claimed that the agents have been involved in researching possibilities. He then referred the question to Don Allen.

Mr. Allen stated that the private sector was unable to take any action until the bill was written. At this point, they are not exactly sure what to do.

REP. RASER remarked that she is a little confused, since this is the third session that this issue is being heard.

Mr. Allen claimed that insurance agents have been working on alternative plans.

REP. RASER approached the audience and asked if anyone could share any of these innovations.

Rick Larson, President of EBMS in Billings, offered a couple of examples to the committee. He mentioned the topic of pooling.

At this point, **Mr. Jones** approached the committee about two issues being confused. He questioned as to where the \$200 incentive would come from, as well as asking if the private sector is doing all it can.

REP. LINDEEN asked Mr. Jones if he had an alternate piece of legislature to bring forward.

Mr. Jones stated that he does not have anything to bring forward at this point.

REP. LINDEEN directed a question to Erin McGowan-Fincham regarding a comment by Roger McGlenn stating that Title 33-30 was not included in the bill.

Ms. McGowan-Fincham went over some of the insurance provisions contained in the bill.

REP. LINDEEN asked Ms. McGowan-Fincham about other options that the State Auditor's Office had come up with.

Ms. McGowan-Fincham informed REP. LINDEEN that she would look into it, and would probably have an answer by the end of the week.

{Tape: 3; Side: B; Approx. Time Counter: 0 - 1.1}

Closing by Sponsor:

The sponsor closed by stating specifics of the bill, and reiterating that this is a very important issue with a great deal of benefit. He also stated that the committee needs to listen to Mr. Cameron's comment.

REP. LINDEEN commented that the committee would probably not do executive action on this bill until next Friday. She thanked everyone for their time and effort.

ADJOURNMENT

Adjournment: 5:45 P.M.

REP. MONICA LINDEEN, Chairman

KIM LEIGHTON, Secretary

ML/KL

Additional Exhibits:

EXHIBIT ([esh13aad0.PDF](#))