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SB 186

House Business and Labor Committee March 13, 2007

Testimony on SB 186 by Bob Robinson, Chief Executive Officer of Montana School Services Foundation (MSSF). MSSF is the administrator of the Montana Unified School Trust, the largest provider of health care benefits for public schools in Montana.

SB 186 will enable all public schools in Montana to go to the market place and elicit competition between and among health benefit providers to obtain fair pricing for their health insurance. The current "association" law enables insurers to withhold from individual school districts their own loss experience. This makes it nearly impossible for a district to obtain competitive bids as prospective insurers cannot provide precise bids because of the unavailability of reliable claim data.

Without actual loss experience and large claim information, other insurers must rely upon group health statements completed by the prospective employeess. Practically, the employer cannot get all employees to complete the statements and in many cases individual recall does not match actual experience. Statements from retirees are particularly hard to obtain and these represent some of the most expensive cases. There is no substitute for hard claims data.

No responsible insurer will provide a precise rate bid relying on suspect data. To overcome that condition and protect against understating the needed premium, most insurers will provide an extremely conservative (higher) estimate. The result is often an overstatement of necessary premium and thus the existing pool retains the member by default.

This bill will establish a level playing field for public school health insurance. MUST and most established insurers provide loss experience when requested. At least one large insurer does not. It hides behind the limitations imposed by 33-19-308 MCA and only provides loss experience of the group as a whole and that information is useless to the individual district.

A pooled district cannot find out whether its premium is fair in relation to its experience.

Opponents will tell you that a pool cannot sustain itself if it allows it members to know their specific district experience. That is false. MUST is a pool of 190 districts and provides quarterly loss experience to all of its members. MUST has been able to retain and grow its membership by being transparent, having a logical and understandable underwriting methodology, providing top rate service and looking out for the interest of its members. Service, honesty and transparency will keep the pool intact.

Prohibiting districts from access to their experience only traps a district and does not allow the board, teachers or administrators to find the best plans at the best cost.

School District health insurance expenditures are often nearly 20% of the personal services budget or nearly 12%-15% of the overall budget. Current law prevents realistic health insurance bids while the district regularly bids for many items comprising much smaller portions of the budget. How can a school district trustee carry out his or her fiduciary responsibility to the

taxpayers and district staff when it cannot be assured that its expenditures for health insurance are realistic and responsible?

For the past two sessions, the legislature has considered bills that would establish a statewide health insurance pool for public schools. Absent that alternative, an open marketplace where districts can obtain reliable price competition is the next best solution.