

HOUSE RESEARCH

Bill Summary

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Overview

This bill arises out of legislation enacted in 2002, creating a group to study and design a statewide health insurance pool for school employees. This bill would create such a pool, which would be the source of health coverage for all school districts.

Section

1 School employee insurance plan.

Subd. 1. Definitions. Defines the terms "eligible employee" and "eligible employer." An eligible employer is a school district or a related entity listed in the definition.

Subd. 2. Creation of board. Creates a board to create and administer the health insurance pool. The board would be a public corporation, governed by the laws that apply to nonprofit corporations. Provides that the state is not liable for any liabilities of this public corporation.

Subd. 3. Board of directors. Provides that the board has 14 members: seven appointed by school employee unions and seven appointed by the Minnesota School Boards Association. Requires that initial appointments to the board be made by August 1, 2005. Provides that board members are eligible for reimbursement of expenses on the same basis as members of other state-related boards. Requires the board to arrange for ways of resolving disputes within the board to avoid deadlocks.

Section

Requires the board to establish its internal governance policies.

Subd. 4. Design and nature of the plan. (a) Requires that the insurance pool be available to all eligible employees of eligible employers.

(b) Requires eligible employers to provide health coverage only through the pool.

(c) Provides that the pool must include a choice of health plans and may include more than one level of premium rates charged to the employers. Permits geographic variations. Gives the board discretion to design the pool so as to provide the optimal combination of coverage, cost, choice, and stability, in the judgment of the board, subject to state health insurance laws and the approval of the commissioner of commerce.

(d) Requires claims reserves, stabilization reserves, reinsurance, and other features to achieve long-term stability and solvency.

(e) Permits the board to decide whether the pool should be fully insured, self-insured, or some combination.

(f) Requires the pool to include disease management, consumer education, wellness programs, and other measures to encourage wise use of health care.

(g) There is no (g).

(h) Requires health plan companies that have provided coverage to school districts to provide non-identifiable claims data to the board upon request. Provides that this requirement applies to service cooperatives, notwithstanding a conflicting 2004 law.

(i) Bans "cash-in-lieu" payments in labor contracts entered into after June 30, 2005, but permits employees already receiving them to continue to do so. "Cash-in-lieu" refers to a school district giving an employee extra pay instead of an employer contribution to health insurance.

Subd. 5. MCHA memberships and assessments. Makes the pool a member of the Minnesota Comprehensive Health Association (MCHA) and requires the pool to pay MCHA assessments.

Subd. 6. Premium tax obligation. Requires the pool to pay the premium tax paid by nonprofit health plans. That tax is paid into the health care access account.

Subd. 7. Report. Requires the board to report to the legislature in January 2007 on its final design for the pool and the board's governance.

Subd. 8. Periodic evaluation. (a) Requires the board to report to the legislature

Section

annually in January 2008, 2009, and 2010 on its performance.

(b) Requires similar reports every two years beginning in 2011.

- 2 **Contributing member.** Conforming change involving the pool's MCHA membership.
- 3 **Creation; tax exemption.** Conforming change involving the pool's MCHA membership.
- 4 **Allocation of losses.** Provides that the MCHA assessment on the pool is 38.85 percent of the full assessment rate. This reflects the approximate percentage of school district health premiums that are currently assessed by MCHA.
- 5 **Nonprofit health plan premium tax.** Provides that the pool's premium tax is 36 percent of the usual 1 percent tax rate on premiums received by nonprofit health plans.
- 6 **Appropriation; loan.** Provides an appropriation of an unspecified amount from the general fund as a loan for start-up costs. Requires that the loan be repaid over ten years.