

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 464

DATE: May 21, 2007

Version: Conference Committee Report

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Subject: School employee health insurance pool

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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 Financial audits.** Adds the Minnesota School Employee Health Board to the entities subject to audit by the legislative auditor. This conforms to section 3, subdivision 3.
- 2 Service cooperative and school employer insurance board claims data.** Classifies claims experience and certain other data collected by the board as nonpublic data that the board may disclose if the disclosure would not be detrimental to the program. This treats the board's data the same way service cooperative data is treated.
- 3 School employee insurance plan.**

Subd. 1. Definitions. Defines the terms "eligible employee," "eligible employer," "health plan," and "self-insured health benefit plan." The definition of "eligible employee" defers to the personnel policies of the employer. An eligible employer is a school district or a related entity listed in the definition. The other two definitions distinguish between two types of coverage, fully-insured and self-insured, that the board may offer.

Subd. 2. Creation of board. Creates a board to create and administer the health

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insurance pool. The board would be a public corporation, governed by the laws that apply to nonprofit corporations. Provides that neither the state nor any eligible employer is liable for any obligations of this public corporation. Provides that the board must provide coverage by a certain date or its existence terminates.

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, 2007. 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. Requires the board to establish its internal governance policies. Makes the board subject to audit by the legislative auditor, under section 1.

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. This means that use of the pool is mandatory if the employer provides or pays for health coverage.

(c) Provides that this section does not affect the right of eligible employers to determine, through collective bargaining, the employer's insurance eligibility requirements, how much of the premium will be paid by the employer, and which of the plans offered by the board the employer will offer.

(d) Provides that the pool must include a choice of at least six plans, with a range of enrollee cost-sharing. Permits using tiers of premium rates charged to the employers. Permits geographic variations. Requires the plans 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.

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

(f) Permits the board to decide whether the pool should be fully insured, self-insured, or some combination. If a plan offered by the board is not fully-insured, provides that the board and that plan is subject to an existing statute and related rules that govern joint self-insured health coverage pools comprised of political subdivisions.

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

(h) Requires entities 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.

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(i) Bans "cash-in-lieu" payments in labor contracts entered into after June 30, 2009, but permits employees already receiving them as of that date 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.

(j) Requires that all premiums received by the board be used solely for the cost of operating the board and for the benefit of the employees and employers.

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, as calculated under subdivision 9. MCHA is a subsidized "high-risk pool" for people who get rejected for health insurance in the private market due to preexisting health conditions.

Subd. 6. Report. Requires the board to report to the legislature and the commissioner of commerce in January 2009 on its final design for the pool, the board's governance policies, and any necessary legislative changes.

Subd. 7. Progress dependent upon funding. Requires the board to carry out its duties to the extent permitted by its funding. Permits the board to accept loans and grants.

Subd. 8. Periodic evaluation. (a) Requires the board to report to the legislature annually in December 2009, 2010, and 2011, on its performance.

(b) Requires similar reports every two years beginning in 2013.

Subd. 9. Actuarial study; MCHA and tax effects. Requires the board to arrange for an actuarial study of the percentage of premiums the pool would need to pay as an MCHA assessment, as insurance premium tax, and as nonprofit health plan tax, to achieve a "hold harmless" status with respect to those revenue sources, as compared to the amount currently received from school districts. Directs the commissioners of commerce and revenue to certify the appropriate rates and provides that those rates apply until changed through legislation.

4 Contributing member. Conforming change involving the pool's MCHA membership.

5 Creation; tax exemption. Conforming change involving the pool's MCHA membership.

6 Allocation of losses. Provides that the MCHA assessment on the pool is the percent of the full assessment rate certified by the commissioner of commerce under section 3, subdivision 9. This reflects the approximate percentage of school district health premiums that are currently assessed by MCHA. The current MCHA full assessment rate is about 2 percent of premiums.

7 Nonprofit health plan premium tax. Provides that the pool is subject to the nonprofit health plan premium tax at a rate determined by the commissioner of revenue under section 3, subdivision 9. The full tax rate for that tax is one percent. This money goes into the health care access fund, for use in subsidizing premiums for MinnesotaCare and other purposes. Provides also that the appropriate portion is to be deposited into the general fund to "hold harmless" that fund for loss of revenue from the 2 percent tax on for-profit insurance

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premiums.

- 8** **Appropriation; loan.** Provides an appropriation of four million dollars from the general fund as a loan for start-up costs. Requires that the loan be repaid over ten years.
- 9** **Effective date.** Makes the bill effective July 1, 2007, except that sections 6 and 7, paragraph (b), are effective July 1, 2009.