

# 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." 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.

**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. 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.

**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 health plan or plans offered by the board the employer will offer.

(d) Provides that the pool must include a choice of at least six health 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.

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

(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, 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 limited in section 4 of this bill. MCHA is a subsidized "high-risk pool" for people who get rejected for insurance in the private market due to preexisting health conditions.

**Subd. 6. Report.** Requires the board to report to the legislature in January 2009 on its

final design for the pool, the board's governance policies, and any necessary legislative changes.

**Subd. 7. Program dependent upon funding.** Requires that the board carry out its obligations to the extent permitted by its funding.

**Subd. 8. Periodic evaluation.** (a) Requires the board to report to the legislature annually in January 2011, 2012, and 2013, 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.

- 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 the percent of the full assessment rate certified by the commissioner of commerce. 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.
- 5 **Nonprofit health plan premium tax.** Provides that the pool is subject to the nonprofit health plan premium tax at a rate of the percent of the usual 1 percent tax rate on premiums received by nonprofit health plans certified by the commissioner of revenue under section 1, subdivision 9. This money goes into the health care access fund, for use in subsidizing premiums for MinnesotaCare and other purposes. Provides 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 premiums.
- 6 **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.
- 7 **Effective date.** Makes the bill effective July 1, 2007, except that sections 4 and 5 are effective July 1, 2009.