

MAINE STATE LEGISLATURE

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(Governor's Bill)
SECOND REGULAR SESSION

ONE HUNDRED AND NINTH LEGISLATURE

Legislative Document

No. 1897

H. P. 1765

House of Representatives, January 25, 1980

Referred to the Committee on State Government. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk of the House

Presented by Mr. Tuttle of Sanford.

Cosponsors: Mr. Hickey of Augusta.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY

AN ACT Relating to the Administration of the State Employees Group Accident and Sickness or Health Insurance Plan.

Be it enacted by the People of the State of Maine, as follows:

5 MRSA § 286, as enacted by PL 1967, c. 543, is repealed and the following enacted in its place:

§ 286. Administration

1. Board of trustees; regulations. The board of trustees shall be responsible for the efficient operation of this group insurance program and is authorized to promulgate such regulations as are necessary to properly administer the plan, except as otherwise provided. It shall exercise general supervision through an executive director and an unclassified employee appointed by the board of trustees.

2. Annual report. An annual report shall be prepared for the Governor concerning the number of participants, premiums charged, utilization of benefits and operating costs. The report shall also include recommendations regarding future operation of the program.

3. Funding. The cost of administration shall be funded from a surcharge on

premiums to participants and their employing agencies. Indirect costs may not be allocated to the program.

STATEMENT OF FACT

Group health insurance has been offered as an employee benefit since 1968. During the interim 12 years, the number of participants, benefits provided and premiums have increased significantly. The state's contribution, through agency assessments, has grown from zero in 1971 to its current annual level of over \$5 million. Despite these changes, the administration of the plan is still assigned to a part-time board of trustees which lacks the necessary resources to properly manage today's program. The purpose of this legislation is to:

1. Strengthen the role of the board of trustees through the assignment of staff support. A full-time executive director would be hired as an unclassified employee to supervise the daily operation of the program, exclusive of claims processing and payments. The staff duties would include, for example, centralized enrollment processing, control over premium billings, certification of plan participants to the carriers, general communications and health promotion, utilization review and special analyses; and

2. Require increased accountability for the plan similar to that provided by the Maine State Retirement System. Under this proposal, the board of trustees will be required to prepare an analysis of the operation of the administrative staff and utilization of benefits as well as report on strengths and weaknesses of the health insurance program.

The administrative services are to be funded by a surcharge on premiums which is anticipated to be substantially offset by decreases in premiums due to absorption of these services by the State.

The cost of the in-house administration is anticipated to be substantially offset by premium allowances to be negotiated with the carriers. Approximately \$10,000, representing the balance of a 1975 dividend on the major medical coverage, is available to underwrite the startup costs of the health insurance administration office. The anticipated operating budget is estimated at \$80,000 based on a staff of 4: Executive director, enrollment specialist and 2 clerk-typists.

No appropriation is required under the proposed funding method, as illustrated in the following example:

	Current Practice	Proposed
State Premiums (billed internally to employing agencies)	\$5,000,000	\$4,950,000
Employee Premiums (payroll deductions)	3,000,000	2,970,000
Administrative Charge (To be Prorated)	—	80,000
	<hr/> \$8,000,000	<hr/> \$8,000,000

The development of an in-house health insurance administration will improve communications with employees and increase management's access to information about the plan. Additionally, we anticipate that this action will decrease our reliance on the current carriers and facilitate increased competition for the business, thus holding down the cost of potential future rate increases.

This proposal was developed from a study of the health insurance program in response to the Resolves of 1977, chapter 75.