

# Amendment - 1st Reading-white - Requested by: Llew Jones - (H) Appropriations

68th Legislature

Drafter: Pad McCracken, 406-444-3595

HB0332.002.001

## HOUSE BILL NO. 332

INTRODUCED BY D. BEDEY, D. SALOMON, E. MCCLAFFERTY, L. JONES, W. MCKAMEY, F. ANDERSON,  
C. KEOGH, M. THANE, S. O'BRIEN, M. BERTOGLIO

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING SCHOOL DISTRICT HEALTH  
INSURANCE LAWS; PROVIDING INCENTIVE FUNDING FOR SCHOOL DISTRICTS THAT PARTICIPATE IN  
A QUALIFYING DISTRICT HEALTH INSURANCE TRUST; REQUIRING THE ~~SUPERINTENDENT OF~~  
~~PUBLIC INSTRUCTION~~ STATE AUDITOR TO QUALIFY A DISTRICT HEALTH INSURANCE TRUST THAT  
MEETS SPECIFIED REQUIREMENTS; PROVIDING CONDITIONS FOR AND RAMIFICATIONS OF  
DISTRICT WITHDRAWAL; SPECIFYING PROCESSES IN THE CASE OF DISSOLUTION; PROVIDING  
RULEMAKING AUTHORITY; PROVIDING A STATUTORY APPROPRIATION; PROVIDING FOR A MONEY  
TRANSFER; PROVIDING DEFINITIONS; AMENDING SECTIONS 17-7-502 AND 20-3-331, MCA; AND  
PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Qualifying district health insurance trusts -- qualifications --  
definitions -- RULEMAKING. (1) The first district health insurance trust that is qualified by the ~~superintendent of~~  
~~public instruction~~ STATE AUDITOR under this section must be provided the insurance trust incentive payment  
under [section 4] to stabilize health insurance rates through the capitalization of COSTS AND CAPITALIZE an  
operating reserve for the school district members of the trust. The ~~superintendent of public instruction~~ STATE  
AUDITOR may qualify only the first district health insurance trust meeting the criteria of this section.

(2) A district health insurance trust seeking qualification from the ~~superintendent of public~~  
~~instruction~~ STATE AUDITOR under subsection (3) shall apply to the ~~superintendent of public instruction~~ STATE  
AUDITOR demonstrating that the district health insurance trust:

(a) has been created ON OR AFTER JULY 1, 2023, by a multidistrict agreement pursuant to 20-3-363  
or by an interlocal cooperative agreement among participating school districts pursuant to the provisions of Title  
20, chapter 9, part 7; THE TERMS OF THE AGREEMENT MUST INCLUDE THE STATE AUDITOR OR THE AUDITOR'S

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(b) "District" means a public school district as provided in 20-6-101 and 20-6-701 AND ANY COOPERATIVE FORMED PURSUANT TO 20-7-451 THROUGH 20-7-457.

(c) "District health insurance trust" or "trust" means an arrangement, plan, interlocal agreement, or multidistrict agreement COMPLYING WITH THE REQUIREMENTS OF THIS SECTION that jointly provides disability insurance as defined in 33-1-207 to ~~its districts'~~ THE officers, elected officials, or employees OF DISTRICTS through a member-governed, self-funded program.

(d) "Employee" means an individual employed by a district in any capacity, including but not limited to an employee meeting the definition in 2-18-601 and a teacher or principal as defined in 20-1-101 who is regularly scheduled to work at least 20 hours or more a week during the academic year.

(E) "MEMBER" MEANS ANY EMPLOYEE AND THE EMPLOYEE'S QUALIFIED DEPENDENTS WHO ARE OBTAINING HEALTH INSURANCE COVERAGE UNDER THE TRUST BY VIRTUE OF THEIR STATUS AS A DEPENDENT OF THE EMPLOYEE.

**NEW SECTION. Section 2. District withdrawal -- procedures.** (1) ~~After initially joining a district health insurance trust qualified by the superintendent of public instruction STATE AUDITOR under [section 1], a district OR AN EMPLOYEE GROUP OF A DISTRICT that has participated in the trust for at least 5 consecutive school fiscal years and provides notice to the district health insurance trust of a plan to withdraw from the trust is authorized to withdraw from the trust. Except as provided in subsection (2), a district or an employee group of a district that voluntarily joins the trust must participate in the trust for at least 5 consecutive school fiscal years before becoming eligible to withdraw from the trust.~~ To complete its withdrawal effective not earlier than the completion of at least 5 consecutive school fiscal years, the district shall notify the trust prior to withdrawing from participation pursuant to the contractual terms of coverage and membership in the district health insurance trust.

(2) (a) On or before January 1 of each plan year beginning after the second full year of providing health benefits to the members of the trust, the trust shall prepare a report for each of its participating districts and employee groups that includes the following:

(i) a per-member cost for the immediately preceding plan year calculated by dividing the total cost to the trust of providing member benefits to the district or employee group by the total number of members in the district or employee group for the applicable year. This calculation is referred to as the "cost rate" in this

1 section.

2 (ii) a calculation of what the per-member contribution rates would be for the district or employee  
3 group for the current plan year using the same number of members in each of the plans offered by the trust in  
4 the immediately preceeding plan year. This calculation is referred to as "the contribution rate" in this section.

5 (iii) a percentage rounded to the nearest tenth, calculated by dividing the contribution rate  
6 calculated as provided in subsection (2)(a)(ii) by the cost rate calculated as provided in subsection (2)(a)(i),  
7 subtracting 1, and multiplying by 100 to produce a percentage. This calculation is referred to as "the adjusted  
8 contribution inflation rate" in this section.

9 (iv) the annual inflation rate for medical care derived from the medical care index of the United  
10 States bureau of labor statistics for July 1 of the current plan year, converted to a percentage. This rate is  
11 referred to as "the medical care index rate" in this section.

12 (v) a computation and the resulting number rounded to the nearest tenth that is yielded from  
13 dividing the adjusted contribution inflation rate of the district or employee group by the medical care index rate.  
14 The resulting number is referred to as "the inflation gap factor" for the district or employee group in this section.

15 (b) A district or an employee group with an inflation gap factor equal to or greater than 1.5 may  
16 withdraw from the trust upon the conclusion of the plan year in which the trust reports an inflation gap factor to  
17 the district or employee group above 1.5. To complete its withdrawal, the district shall notify the trust prior to  
18 withdrawing from participation pursuant to the contractual terms of coverage and membership in the district  
19 health insurance trust.

20 (2)(3) A district that has withdrawn from a district health insurance trust under ~~subsection (1)~~  
21 subsections (1) or (2):

22 (a) is ineligible to rejoin the trust for at least 5 full school fiscal years following the year in which the  
23 district withdraws; ~~and~~

24 (b) is ineligible for receipt of any portion of the net assets or reserve balance of the trust  
25 attributable to the distribution of funds under [section 4(3)(b) and (5)] on withdrawal. The portion of the net  
26 assets and reserve balance attributable to the distribution of state funds referenced under this subsection ~~(2)~~  
27 ~~(3)~~ must be determined by an actuarial reserve balance analysis conducted by the trust's contracted actuary;  
28 and

(c) shall reimburse the trust for the run-off liability of the withdrawing district or employee group, consisting of all claims of the withdrawing district or employee group that were incurred by the members of the district or employee group prior to the effective date of the district's or employee group's withdrawal.

**NEW SECTION. Section 3. Dissolution -- disqualification.** (1) If, after being qualified by the ~~superintendent of public instruction~~ STATE AUDITOR, a district health insurance trust ceases to comply with the conditions under [section 1(2)] for more than 3 consecutive years, the trust shall immediately notify the ~~superintendent of public instruction~~ STATE AUDITOR and dissolve the trust no later than the end of the next full fiscal year after the date of notification. A district health insurance trust may also voluntarily dissolve.

(2) When dissolving pursuant to this section, the district health insurance trust shall wind up the affairs of the trust in the following order:

(a) impose any assessments on the ~~members~~ DISTRICTS of the trust that are calculated by the trust's retained actuary as necessary to pay all liabilities of the trust;

(b) pay all remaining claims, including incurred but not reported claims;

(c) pay all remaining liabilities of the trust;

(d) return any reserve balance remaining from the distribution of state funds to the trust under [section 4(3)(b) and (5)] to the state of Montana, after adjustments under subsections (2)(a) through (2)(c), for deposit in the state general fund. The portion of the reserve balance attributable to the distribution of state funds referenced under this subsection (2)(d) must be determined by an actuarial reserve balance analysis conducted by an actuary chosen by the ~~superintendent of public instruction~~ STATE AUDITOR.

(e) distribute its remaining net assets, if any, proportionately to the ~~member~~ districts of the trust pursuant to the contractual terms of coverage and membership in the trust. A district shall deposit funds distributed under this subsection (2)(e) in an internal service account and spend the funds in accordance with 20-3-330 or 20-3-331.

**NEW SECTION. Section 4. State school health trust operating reserve account -- distribution and uses.** (1) There is a state school health trust operating reserve account in the state special revenue fund provided for in 17-2-102. The purpose of the account is to provide a one-time-only distribution of incentive

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1 funding to the first self-funded district health insurance trust that is qualified by the ~~superintendent of public~~  
2 ~~instruction~~ STATE AUDITOR pursuant to [section 1] and the districts participating in the trust.

3 (2) The state school health trust operating reserve account is statutorily appropriated, as provided  
4 in 17-7-502, to the office of public instruction for distribution as provided in this section.

5 (3) If a trust has been qualified by the ~~superintendent of public instruction~~ STATE AUDITOR on or  
6 before June 30, ~~2025~~ 2026, for initial operation beginning July 1, ~~2025~~ 2026, the superintendent shall, on July  
7 1, ~~2025~~ 2026, distribute funds in the account as follows:

8 (a) ~~one-third of the money in the account \$5 million~~ to member districts of the trust divided equally  
9 by the total number of employees of qualifying districts ~~in the last completed school fiscal year~~ THAT ARE  
10 CONTRACTED TO PARTICIPATE IN THE TRUST. A district receiving funds shall deposit the funds in its ~~miscellaneous~~  
11 ~~programs fund~~ THE INTERNAL SERVICE FUND REFERENCED IN 20-3-331 and use the funds to pay premiums for  
12 health insurance coverage of its employees.

13 (b) ~~two-thirds of the money in the account \$40 million~~ to the district health insurance trust. The  
14 qualifying district health insurance trust shall use the funds to stabilize health insurance rates ~~costs~~ through  
15 capitalization of an operating reserve for the district members of the trust.

16 (4) If a trust has not been qualified by June 30, ~~2025, \$20 million of 2026,~~ the account balance  
17 must be transferred to the ~~state general fund~~ capital developments long-range building program account for  
18 uses consistent with 17-7-209.

19 ~~(5) If a trust is qualified between July 1, 2025, and June 30, 2027, the superintendent of public~~  
20 ~~instruction shall distribute all of the money in the account to the district health insurance trust on July 1 of the~~  
21 ~~fiscal year immediately following the qualification. The qualifying district health insurance trust shall use the~~  
22 ~~funds to stabilize health insurance rates costs through capitalization of an operating reserve for the district~~  
23 ~~members of the trust.~~

24 ~~(6) If a trust has not been qualified by June 30, 2027, the account balance must be transferred to~~  
25 ~~the state general fund.~~

26  
27 **Section 5.** Section 17-7-502, MCA, is amended to read:

28 **"17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory

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1 in 2-9-211 and for group health and life insurance as provided in 2-18-702.

2 ~~(2)~~ The trustees shall include the cost of coverage in the ~~general fund budget of the district and as~~  
3 ~~authorized for the district transportation program in 20-10-143(1)(d) applicable budget for the fund from which~~  
4 ~~the employee's salary is paid~~ DISTRICT'S GENERAL FUND OR IN ANY OTHER LEGALLY AVAILABLE FUND, INCLUDING THE  
5 INTERNAL SERVICE FUND REFERENCED IN SUBSECTION (3).

6 ~~(2)(3)~~ Whenever the trustees of a district establish a self-insurance plan OR PARTICIPATE IN A DISTRICT  
7 HEALTH INSURANCE TRUST AS DEFINED IN [SECTION 1], the trustees shall establish an internal service fund to  
8 account for the activities of the self-insurance plan."

9  
10 NEW SECTION. Section 7. Transfer of funds. No later than August 15, 2023, there is transferred  
11 ~~\$60-\$45~~ million from the general fund to the state school health trust operating reserve account established in  
12 [section 4].

13  
14 NEW SECTION. Section 8. Codification instruction. [Sections 1 through 4] are intended to be  
15 codified as an integral part of Title 20, chapter 3, part 3, and the provisions of Title 20, chapter 3, part 3, apply  
16 to [sections 1 through 4].

17  
18 NEW SECTION. Section 9. Effective date. [This act] is effective July 1, 2023.

19 - END -