Testimony regarding HB1416

Presented by Al Berg, Fargo, ND

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Members of the Committee, thank you for the opportunity to speak to you today regarding Bill 1416. My name is Al Berg, and I'm affiliated with North Risk Partners, an employee benefits insurance agency in Fargo. My business works with employer groups throughout North Dakota to design and enroll employee benefit plans. The main benefit, of course, that most people are concerned about is health insurance.

I wish to address the provisions put forth in House Bill 1416, sometimes known as "Any Willing Provider." My focus will be on the potential "unintended consequences" this rule could have on the narrow network health plans currently being offered in the state. I think it would be helpful to understand this bill in its broader context and how it might impact consumers in North Dakota.

Over the last 30+ years, I've had the privilege of helping thousands of employees make decisions about their benefits. I wish to share from my experience on the front lines of trying to make health insurance as affordable as possible for my clients. Let me start with an example of how Any Willing Provider legislation could affect our residents, especially those who earn a lower income.

A client of mine is a non-profit organization located in Fargo. Due to rising health insurance premiums, four years ago we installed a "narrow network" program with Sanford Health Plan. Employees have the choice of participating in a traditional broad network where they can receive coverage at any provider in the Sanford Health Plan network, which includes virtually all providers in the Fargo area, not just Sanford. Or, they can enroll in a lower cost narrow network that is limited only to Sanford Health System. I'll add that if this group was in Bismarck, it would work the same way here as well.

Sanford Health Plan offers a 20 percent premium discount for those who participate in the narrow network. At the initial enrollment for this group, just over 50 percent of the employees chose the narrow network option. Since then, enrollment has grown to 71% in the narrow plan, as shown in this chart:

Cost Comparison *Fargo area Non-Profit Organization*	Sanford Signature Plan (Broad Network)	Sanford TRUE (Narrow Network)
Employees Enrolled	9	23
Employee Cost/month	$216.46	$121.42
Savings per Month		$95.04
Savings per Year		$1,140.48

This is real savings for employees of this group, many of whom are earning $45,000 or less per year. Considering that most members of a group health plan have low health care expenses in any given year, many employees are willing to accept a limited network of providers in return for significant cost savings. The insurance companies that offer narrow network plans have indicated that the proposed legislation could make it difficult to continue to offer these discounts.

I think some points of clarification might be helpful to you, along with observations from the field:

1. Sanford is not the only provider of narrow network plans. Medica has offered a narrow network option for many years through their alliance with Altru in the Grand Forks area and Essentia in southeastern North Dakota. It's important to point out that these are not vertically integrated plans; in other words, the provider and payor of services are not owned by the same entity. These are "Accountable Care Organizations," or ACOs, that are designed to monitor care within one health system in an attempt to provide efficiencies and work toward best outcomes. Much of the focus has been on Sanford, and their vertically integrated system, but Medica is also a significant provider of narrow network plans.

2. In the case of an emergency, a narrow network member is covered regardless of where they receive care.

3. If the narrow network is not equipped or staffed to treat a member's condition, the plan will refer them to a provider outside the network that is equipped to treat them. This would be done at the in-network level of coverage provided by their plan.

4. When these plans are offered in a group, the insurance companies require that both the

broad network and narrow network be included. The employer can't just go for the lowest cost and only offer the narrow network and force their employees into the corner with the cheapest option.

5. Most people enrolled in a group health plan do not incur a lot of health expenses. While those who have the claims may change from year to year, a small percentage of the population drives a large share of health costs. For those people who already get their health care services from the narrow network providers, and for those who rarely need to see a doctor, the narrow network is a great way to manage their premium cost.

6. Members can change their enrollment each year. If they are planning a procedure that doesn't need to be done right away and prefer to have it done by a provider who is not in the narrow network, they can wait until the next plan year and switch to the broad network. Then, when things are taken care of, they can move back to the narrow network if they so choose. Of course, this may not work if a condition develops and immediate treatment is required. However, many procedures can be delayed until the patient has moved to the network that includes their provider.

Looking back 50, 60, 70 years, it would have been difficult to rack up a medical bill of $100,000 in those days. Of course, services were far less expensive, but even more so, the procedures and treatments and medications simply weren't available. Even if you tried to spend the money, the treatment options weren't there.

Since then, we've experienced the development of modern technology in the health care field, and the research and development has been financed in many ways by an open-ended line of credit known as health insurance, and it's a line of credit the policyholder indirectly pays back in the future through higher premiums. Adding to that, employer-funded health insurance has made coverage accessible to the masses.

When you add all that up, the good news is that many wonderful treatments have been developed for conditions that, back in the day, people either lived with or died from. The bad news is that we've created a beast that needs to be fed. As we can increasingly do more to reduce human

suffering and improve quality of life, it's tough to ask people to give that up.

So, with our modern, but convoluted system of financing health care in the United States, insurance companies are pressured to find ways to provide more affordable coverage. One way of doing that is to exchange risk for premium through a narrow network. The insured person can take the risk of possibly not being able to see their preferred provider, in return for a substantial discount in premium. It's a risk that many people are willing to take because, in reality, for most of the population, it's a minimal risk. The names may change from year to year, but in any given year, a large segment of our population doesn't need much health care.

In my discussions with Sanford Health Plan and Medica, they have indicated that there are several thousand employees throughout the state that are enrolled in a narrow network arrangement. Passage of the legislation being considered could have an adverse impact on the insurance company's ability to provide these types of plans, and ultimately on the finances of a significant number of our residents.

I can't speak to how this legislation would play out – the financial calculations that go on behind the scenes are beyond my pay grade. I'll also say the arguments in favor of it are reasonable and valid. The intent of my testimony has been to help you consider the effect 1416 could have on a segment of our population.

Thank you for the opportunity to present this perspective to the committee. I'm willing to address any questions you may have.

Sincerely,

Al Berg
Fargo