

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1187

2001 HOUSE APPROPRIATIONS

HB 1187

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1187

House Appropriations Committee
Education and Environment Division

☐ Conference Committee

Hearing Date January 17, 2001

Tape Number	Side A	Side B	Meter #
1 of 1	Starting at 2190		5,350

Committee Clerk Signature

Judy Debeck

Minutes:

Representatives Aarsvold, Boehm, Gulleeson, Martinson, Monson, Wald, Wentz.

Dick Johnson: Chairman of the audit committee of the Workers Compensation Board of Directors. See attached.

Tammy Dolan: (2488) Vice President for Employer and Fiscal Services at ND Workers Compensation. See attached.

Representative Gulleeson: (2840) Will you continue to have the same positions housed around the state? Do you see this as contract for work or will they receive full time benefits.

Tammy Dolan: Yes, and we are requesting a full time employee and they would receive state benefits.

Representative Gulleeson: I know you also contract for a lot of attorneys as well. Looking at the dollar amount to hire out as opposed to hiring additional staff what are your numbers there?

Could I get the dollar amounts paid for contracted attorneys?

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Education and Environment Division

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Tammy Dolan: I don't have the specifics, but I could get those dollar amounts.

Representative Aarsvold: (3050) I would like some clarification on what you call utilization review.

Tammy Dolan: That is the pre-clarification of certain hospital services. There are certain things that need to be certified ahead of time by qualified people, to insure that they are truly related to the injury at hand. The injury is covered. We need to be sure that the services they want are related to the injury so they can be provided.

Representative Aarsvold: Earlier you suggested the need for independent attorneys make some determinations or reviews. Is it not also true to the utilization review that you would want an independent vantage point that would essentially be neither agency nor worker can make those reviews?

Tammy Dolan: Yes.

Representative Wentz: How many outside contract employees do you have hired?

Tammy Dolan: A total of 25.

Representative Wentz: Out of the 25 employees you are requesting, would be how many fewer than you now contract.

Tammy Dolan: I can't quantify the vocational rehab, for the other areas 3-4 probably that we are contracting for now that we are not requesting full time.

Representative Wentz: That is a considerable savings. You say you generate a net savings of 4.2 million. Where is that 4.2 million going to come from?

Tammy Dolan: The cost to provide all of those services right now for a 2 year period is 6.8 million.

Representative Monson: Over the years we have kind of been going over the privatization and getting away from FTE's at the state level and supposedly saving money. I am wondering if this is real savings we are going to see.

Tammy Dolan: The 4.2 million dollars we feel is a real savings that we will generate.

Representative Wald: If this bill were to pass, and these services were contracted out and the bill becomes effective July 1. Can you hire the specialists, nurses, and vocation rehab people with the training to implement this by July 1? How many people are housed in your plant that would stay there and become employees rather than independent contractors.

Tammy Dolan: Of the 25 positions, 13 are in the building. Three or four of the medical case workers are located in our field offices and 17 remain through out the state or in their homes. The contract that we have in place would allow us to hire those employees at no detriment.

Representative Wald: If you are paying for these services now, I am assuming it is coming out of your operating line item in your current budget.

Tammy Dolan: It is comes out of the continuing appropriation for claims expenses, which are not appropriated.

Representative Wald: If this is coming out of the claims rather than your operating budget. You are confident that you can find these kinds of people in Bismarek or the other cities with the talent that is needed.

Tammy Dolan: These are claims operational expenses. Yes, they are reflected on our financial statement. I believe that we already have those people.

Representative Aarsvold: We are still talking about the same pool of money, right? You provide all the administration and benefits that are paid in by the ND employers, and what we are doing here would just be a bookkeeping maneuver?

Tammy Dolan: yes, you could look at it that way. We're transferring the cost from one area to another at a net saving over all costs.

Representative Aarsvold: Currently what are the arrangements to the contractors, are they done per case, per hour or retainer?

Tammy Dolan: Each contract is a little bit different. They are all based on the number of cases that are handled.

Representative Wald: Utilization review is totally out source now. Am I right? Aren't you using a firm out of Minneapolis?

Tammy Dolan: We just switched contractors. Those employees are located in the building at this time, but are independent.

Representative Wald: We used to get a lot of complaints from Doctors, when accidents happen on a week end or holiday, they don't know if they can treat this injured worker or how much they can do. Utilization review by an independent party probably gives you more objective assessment of the injury.

Tammy Dolan: That is one of the reasons we switched vendors. You are right, there is some objectivity with having them be our employees, and that would be something we would have to deal with if we could get them as our employees. We are working with our vendor to work in a timely fashion.

Representative Gulleson: Accidents that occur during non business traditional hours. How do you approve or cover them?

Tammy Dolan: For utilization review purposes. I believe there is a 800 number they can call.

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Education and Environment Division

Bill/Resolution Number HB1187

Hearing Date January 17, 2201

Representative Wald: When you have pre approved medical provider, that tends to legate some of the utilization problems because that provider is familiar with company. Wouldn't they know the perimeters are of treatment and don't get into trouble with utilization.

Tammy Dolan: With a designated medical provider, you are correct.

Representative Wald: You had no objections in amending HB1163 into HB1024. Do you feel the same way about this one or should this be a stand alone bill.?

Tammy Dolan: We'd have no objections.

Representative Wentz: Does anyone else wish to appear in opposition of HB1187? Seeing none we will close the hearing on HB1187.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB1187**

House Appropriations Committee

☐ Conference Committee

Hearing Date **February 2, 2001**

Tape Number	Side A	Side B	Meter #
1		x	4656 - 4771
Committee Clerk Signature <i>L L Donker</i>			

Minutes:

HOUSE APPROPRIATIONS ACTION ON HB1187.

Rep. Francis Wald: I would move a DO NOT PASS on HB1187 because that also has been incorporated into HB1024 and there is no further need for the bill. Seconded by Rep. Wentz.

Rep. Mike Timm: Any Discussion? Call the roll on HB1187. YES (20) NO (0) ABSENT and not voting (1). Motion passes. Rep. Wald will carry the bill to the floor.

FISCAL NOTE
Requested by Legislative Council
01/05/2001

REVISION

Bill/Resolution No.: HB 1187

Amendment to:

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures				\$2,572,647		
Appropriations				\$2,572,647		

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

**NORTH DAKOTA WORKERS COMPENSATION
2001 LEGISLATION
SUMMARY OF ACTUARIAL INFORMATION**

BILL DESCRIPTION: Appropriation for Bringing Contracted Services In-house

BILL NO: HB 1187

SUMMARY OF ACTUARIAL INFORMATION: North Dakota Workers Compensation, together with its actuary, Glenn Evans of Pacific Actuarial Consultants, has reviewed the legislation proposed in this bill in conformance with Section 54-03-25 of the North Dakota Century Code.

The proposed legislation appropriates \$2.57 million and 25 additional FTEs to bring contracted programs and services in-house. Estimated savings for the next biennium is \$4.2 million.

FISCAL IMPACT: We believe that the proposed change will result in a decrease to the indicated rate level of 1% to 2%.

Our estimate is based on projected annual premiums of approximately \$100 million in conjunction with anticipated net annual administrative cost savings of \$2.1 million (50% of the biennium savings). Implicit in our estimate is the assumption that loss costs will not increase or decrease due to changes in the level and/or quality of service provided through the in-house programs.

The proposed legislation should have little impact on reserve levels because the changes will be made prospectively.

DATE: December 27, 2000

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Paul R. Kramer	Agency:	ND Workers Compensation
Phone Number:	328-3856	Date Prepared:	01/04/2001

FISCAL NOTE
 Requested by Legislative Council
 01/03/2001

Bill/Resolution No.: HB 1187

Amendment to:

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

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	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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**NORTH DAKOTA WORKERS COMPENSATION
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C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Paul R. Kramer	Agency:	ND Workers Compensation
Phone Number:	328-3856	Date Prepared:	01/04/2001

Date: January 24, 61
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. Appropriations Education and Environment Division

House _____ Committee _____

☒ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken move do not Pass HB 1187

Motion Made By Rep. Wald Seconded By Rep. Boehm

Representatives	Yes	No	Representatives	Yes	No
Rep. Janet Wentz -Chairman	✓				
Rep. James Boehm - Vice Chairman	✓				
Rep. Ole Aarsvold					
Rep. Pam Guleson	✓				
Rep. Bob Martinson	✓				
Rep. David Monson	✓				
Rep. Francis J. Wald	✓				

Total (Yes) 6 No 0

Absent 1

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Rep Wald to Carry

Date: 02-02-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB1187

House APPROPRIATIONS Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken DO NOT PASS

Motion Made By WALD Seconded By WENTZ

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman	✓				
Wald - Vice Chairman	✓				
Rep - Aarsvold	✓		Rep - Koppelman	✓	
Rep - Boehm	✓		Rep - Martinson	✓	
Rep - Byerly	✓		Rep - Monson	✓	
Rep - Carlisle	✓		Rep - Skarphol	✓	
Rep - Delzer	✓		Rep - Svedjan	✓	
Rep - Glassheim	✓		Rep - Thoreson	✓	
Rep - Gulleeson	✓		Rep - Warner	✓	
Rep - Huether	✓		Rep - Wentz	✓	
Rep - Kempenich	✓				
Rep - Kerzman					
Rep - Kliniske	✓				

Total (Yes) 20 No 0

Absent 1

Floor Assignment WALD

If the vote is on an amendment, briefly indicate intent:

2001 TESTIMONY

HB 1187

House Bill No. 1187

**Fifty-Seventh Legislative Assembly
Before the House Appropriations Committee,
Education and Environment Division**

January 17, 2001

Testimony Regarding Workers Compensation Contracted Services

Madame Chair, Members of the Committee:

My name is Dick Johnsen, and I am the chairman of the audit committee of the Workers Compensation Board of Directors. I am here today to testify in support of House Bill No. 1187 that provides funding and FTE authority to bring contracted services in-house.

Since its inception one of the Board's top priorities has been finding ways to reduce overall operating expenses while maintaining and improving the levels of service provided to employers, injured workers and medical providers. This bill, which was unanimously approved by the Board of Directors, is one of the ways we identified where cutting costs would not affect current operations or impact the level of services provided to our customers.

Current contracted programs, which include medical bill audit, utilization review, medical bill entry, medical case management and vocational rehabilitation, are all services that are and will continue to be necessary in the future. By bringing these contracted services in-house now, the \$4.2 million in savings will not only be realized in the 2001 – 2003 biennium, but that amount or more will continue to be saved every biennium.

On behalf of the entire Board of Directors, we request your favorable consideration of House Bill No. 1187.

House Bill No. 1187

**Fifty-Seventh Legislative Assembly
Before the House Appropriations Committee,
Education and Environment Division
January 17, 2001**

Testimony Regarding Workers Compensation Contracted Services

Madame Chair, Members of the Committee:

My name is Tammy Dolan, and I am the Vice President for Employer and Fiscal Services at North Dakota Workers Compensation. I am here today to testify in support of House Bill No. 1187, which provides funding and FTE authority to bring contracted services in house. The Workers Compensation Board of Directors unanimously supports this bill.

North Dakota Workers Compensation presently contracts with several vendors to provide a multitude of services. Contractors providing utilization review, medical bill audit and medical bill entry are already located within the NDWC Bismarck office. Some medical case managers and vocational rehabilitation counselors work in NDWC field offices throughout the state, while others work from their homes. These services cost the workers compensation fund approximately \$3.4 million each year, or \$6.8 million per biennium. Since the program services provided are directly related to specific claims, these costs are paid through a continuing appropriation as allocated loss adjustment expenses. These expenses are reflected on the NDWC profit and loss statement, not in the biennial appropriation request.

NDWC is required by NDCC 65-02-30 to conduct an independent performance evaluation every biennium. The most recent evaluation was completed in September 2000 by The Hays Group of Minneapolis, Minnesota, who specializes in workers compensation consulting. One of their recommendations was to bring the vocational rehabilitation and medical case management services in-house. The Hays Group determined "this would result in significant cost savings for NDWC and more consistent, quality services for the insured." When coupled with the utilization review, medical bill audit and medical bill entry programs, the savings is magnified.

House Bill No. 1187 appropriates \$2,276,447 for salaries and wages, \$236,400 in operating expenses and \$59,800 for equipment purchases, and provides for 25 additional FTE to bring these contracted services in house. **Allowing NDWC to hire these contractors as employees at a cost of \$2,572,647 would generate a net savings of \$4.2 million dollars over the 2001 – 2003 biennium to the workers compensation fund.**

It is important to remember that NDWC does not receive any general fund support. All costs, whether appropriated or not, are paid for with employer premium dollars. Each dollar saved in operating costs is directly reflected in the rates charged to employers. As determined by our actuarial consultant, this savings would decrease premium rates by 1 – 2% annually.

NDWC requests your favorable consideration of House Bill No. 1187. If there are any questions, I would be more than happy to answer them at this time. Thank you.