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DESCRIPTION

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La Costa Richard 10/16/83  
Operator's Signature Date

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1476

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Yolanda Rickford  
Operator's Signature

10/6/03  
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1476

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 2/4/03

Tape Number	Side A	Side B	Meter #
2	x		16.1-end
2		x	0.0-6.0
Committee Clerk Signature <i>Judith Hammer</i>			

Minutes: **Chairman Keiser** opened the hearing on HB 1476.

**Rep. Kasper**, District 46, introduced the bill and distributed proposed amendments which delete lines 7, 8 & 9 beginning with "each third party administrator". The bill deals with employee benefits and cafeteria plans for group insurance plans. Any premiums that an employee undergoes are allowed to be pre-taxed under the IRS codes. Employers often hire third party administrators to track dollars that go in and out of medical reimbursement programs for compliance with tax laws etc. Dependent care accounts can also be pre-taxed. The problem is that some third party administrators in our state stipulate that employers must purchase their insurance through whatever insurance company that administrator brings to the table. This presents a closed shop and puts employers and employees at a disadvantage of having to purchase inferior products or abandon insurance plans that they previously held.

**Rep. Johnson:** Does the third party administrator offer plans or require plans at reduced cost?

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*La Costa Richardson*  
Operator's Signature

*10/16/03*  
Date

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House Industry, Business and Labor Committee

Bill/Resolution Number HB 1476

Hearing Date 2/4/03

**Rep. Kasper:** Some third party administrators earn income in two ways, they charge fees for their administrative services and they are licensed insurance agents.

**Rep. Thorpe:** What's the usual and customary fee?

**Rep. Kasper:** \$3-\$5 per month per employee. It depends.

**Rep. Dosch:** Would employers have to file two different 5500 forms with the IRS if they had a split plan?

**Rep. Kasper:** Insurance carriers send out these forms on a yearly basis.

**Rep. Tieman:** Would these third party administrators receive a fee for administering plans if it is not a plan they sold the employer?

**Rep. Kasper:** Generally, a third party administrator is not in the insurance products side of things, their income is based solely on the fees generated for handling medical reimbursement accounts and dependent care accounts.

**Chairman Keiser:** What is the length of term of contract?

**Rep. Kasper:** Usually an annual contract, with a 90 notice on either party's side to cancel.

As there was no one else present who wished to testify in support of HB 1476, **Chairman Keiser** called for testimony in opposition to HB 1476.

**Dan Ulmer**, Blue Cross Blue Shield, testified in opposition to HB 1476. He stated that it doesn't seem right and feasible for a TPA to be required to service some other company's product. Issues of liability for outside products could become big problems.

**Bob Lamp**, representing the Automobile Implement Dealer Association, testified in neutral opposition to HB 1476. Their association offers a group health insurance plan to their members.

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House Industry, Business and Labor Committee  
Bill/Resolution Number HB 1476  
Hearing Date 2/4/03

They also administer the plan. They offer a cafeteria plan but do not charge fees to their members.

As there was no one else present who wished to testify, the hearing was closed.

**Rep. Kasper** moved to adopt the amendments. **Rep. Ruby** seconded the motion. A voice vote carried the amendments.

**Rep. Thorpe** moved a **Do Not Pass**. **Rep. Ekstrom** seconded the motion.

**Rep. Kasper** stated that he resists the motion for a Do Not Pass. There is limited competition for TPA's in our state.

**Rep. Severson** stated that nobody presented the employers viewpoint today and that he supports the motion for a Do Not Pass.

**Rep. Nottestad** supports the motion for a Do Not Pass.

**Rep. Ruby** and **Rep. Tieman** resist the motion for a Do Not Pass.

**Chairman Keiser:** In cases I'm familiar with, it is large businesses are shutting out agents and locking out providers by using a TPA. Because of federal requirements for tax benefits, cafeteria plans are year long commitments, it's going to roll around until it's time to negotiate a new contract anyway. Do we need to put into statute something that's already in place?

**Rep. Severson:** Even with the opposition, I don't think there is demonstrated need regarding liability issues.

The results of a roll call vote on a **Do Not Pass** were: **9-4-1**

**Rep. Zaiser** will carry this on the floor.

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Operator's Signature

*Salvatore Riccardi*

10/16/03  
Date

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/21/2003

Bill/Resolution No.: HB 1476

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.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

The Insurance Department already registers third-party administrators (TPAs) so there will be no fiscal impact on our budget or on the general fund. The fee for registration is \$25 with an annual renewal fee of \$25. There are approximately 250 third-party administrators currently registered in North Dakota. The Department does not register TPAs for employer-sponsored plans, since those plans are regulated by the federal Department of Labor.

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.

N/A

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.

N/A

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.

N/A

<b>Name:</b>	Charles E. Johnson	<b>Agency:</b>	Insurance Department
<b>Phone Number:</b>	328-2440	<b>Date Prepared:</b>	01/24/2003

Date: 2/4/03  
Roll Call Vote #:

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1476

House Industry, Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Not Pass

Motion Made By Thorpe Seconded By Ekstrom

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	✓		Rep.Boe	✓	
Rep. Severson, Vice-Chair	✓		Rep. Ekstrom	✓	
Rep. Dosch		✓	Rep. Thorpe	✓	
Rep. Froseth	✓		Rep. Zaiser	✓	
Rep. Johnson	✓				
Rep. Kasper		✓			
Rep. Klein					
Rep. Nottlestad	✓				
Rep. Ruby		✓			
Rep. Tiegan		✓			

Total (Yes) 9 No 4

Absent 1

Floor Assignment Zaiser

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

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Sal Costa Richard 10/6/03  
Operator's Signature Date

REPORT OF STANDING COMMITTEE (410)  
February 5, 2003 11:14 a.m.

Module No: HR-22-1694  
Carrier: Zaiser  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**  
HB 1476: Industry, Business and Labor Committee (Rep. Keiser, Chairman)  
recommends **DO NOT PASS** (9 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING).  
HB 1476 was placed on the Eleventh order on the calendar.

(2) DESK, (3) COMM

Page No. 1

HR-22-1694

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Richard Costa  
Operator's Signature

10/16/03  
Date



R

2003 TESTIMONY

HB 1476

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Julista Richardson  
Operator's Signature

10/16/03  
Date

30041.0101  
Title.

Prepared by the Legislative Council staff for  
Representative Kasper  
January 24, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1476

Page 1, line 1, replace "prohibit discrimination by and require registration of" with "create and enact a new section to chapter 26.1-27 of the North Dakota Century Code, relating to"

Page 1, line 4, after the boldfaced period insert "A new section to chapter 26.1-27 of the North Dakota Century Code is created and enacted as follows:" and remove "- Registration -"

Page 1, line 5, remove "Fee"

Page 1, line 7, remove "Each third-party administrator doing business in this state must register with the"

Page 1, remove lines 8 and 9

Renumber accordingly