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ROLL NUMBER

DESCRIPTION

2060

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Operator's Signature

LaCosta Rickford

10/15/03

Date

2003 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2060

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10/15/03

Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2060

Senate Government and Veterans Affairs Committee

Conference Committee

Hearing Date 01/16/03

Tape Number	Side A	Side B	Meter #
Tape 1	x		3710 to end
Tape 1		x	0-1652
Committee Clerk Signature <i>L. Swadlow</i>			

Minutes:

Senator Karen Krebsbach, Chairman opens SB 2060. all senators present.

Representative Bette Grande from Fargo, ND, District 41. SB 2060 has come out of PERS.

She is offering amendments for this bill. She would like Sparbs Collins to explain SB 2060 first.

Sparbs Collins from the Public Employees Retirement System (PERS). (testimony attached)

(Additional information attached)

Senator Krebsbach : Questions?

Senator Brown: Are you having problems with Blue Cross Blue Shield(BCBS)?

S. Collins: The rate of increase is coming up. We would like to figure what to do to try to mediate the future costs. Hopefully this will. No, we are not having problems with BCBS.

Senator Nelson : The fiscal note attached is over \$50,000 and should go to appropriations.

Those are health system funds, not general funds. And you would be cover the cost?

Senator Krebsbach : General funds, is there any comments to fiscal notes.

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10/15/03
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Senate Government and Veterans Affairs Committee

Bill/Resolution Number SB 2060

Hearing Date 01/16/03

Senator Dever : If a present employee moved from 20 hours to 17 1/2 hours would they be grandfathered into the health benefits?

S. Collins: Yes, if it was before August 1, 2003.

Senator Nelson : How many people fall into the gap of 20 hours to 17 1/2 hours?

S. Collins: I do not know off hand.

Senator Nelson : For examples teachers in the university system.

S. Collins: We did not hear back from the university systems.

Senator Nelson : I like to stand up for a group of people who are not covered to have a status in any group. I wanted to put a word in for them.

Senator Krebsbach : Any further questions? Rep. Grande...

Rep. Grande: (Attached purposed amendment) We want to make sure that once a providers network is used by the PERS board, so it is not sold. So the state is not becoming a competitor of a private industry. so the state would not sell this for example to AETNA and say go ahead and use our provider network and be able to compete with the state.

CONTINUE ON SIDE B

Senator Krebsbach : Looking at amendment the last sentence, unless otherwise approved by the legislative assembly, for the selling of this list.

Rep Grande: Correct and that just being that it would come through the assembly to whether a PERS board should enter into a competitive market. If you wish you could put it as approval by the employee benefits committee but I didn't want to narrow that scope.

Senator Krebsbach : The legislative assembly would be approving this amendment and the bill so what further action..

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Senate Government and Veterans Affairs Committee
Bill/Resolution Number SB 2060
Hearing Date 01/16/03

Rep. Grande: 6 to 8 years from now when a provider network would be working and the PERS board say we have a good thing going here and lets test it and sell it off this list to the market place. This amendment says that PERS board would say this is our provider list and proceed to go before assembly again before they could themselves make any decisions.

Senator Brown: Why would we want to sell providers list. We have a company in the state that has spent a lot of years and a lot of money developing a provider network and now we want to spend state dollars to develop the same kind of a network and then sell it.

Rep. Grande: That is why I want this provision in here, I don't ever want to see the state sell this.

Senator Brown: Then why don't we say that.

Senator Krebsbach : If we close that door permanently and then down the road they would want to they would have to come to the legislature before they would do anything.

Senator Brown: I am concerned that it isn't what this says...

Senator Krebsbach : Lets just eliminate the last few words.

Senator Brown: Mr. Colleens on page 4 it says if self insured are you self insured now and why are you not self insured now? And if you are not but were before why would you want to try it again.

S. Collins: We have arrangement with BCBS there are advantages and disadvantages to being fully insured and self insured.

Senator Krebsbach : I am interested in the preferred provider list, did we not at one time have preferred providers throughout the state PERS system?

S. Collins: Yes it does and about 95 to 98% providers in the state are on that.

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Senate Government and Veterans Affairs Committee

Bill/Resolution Number SB 2060

Hearing Date 01/16/03

Senator Krebsbach : further testimony in favor of SB 2060

Tom Tupa, Association of Former Public Employees, I would like to say that we support this bill.

Senator Krebsbach: Any further testimony neutral...in opposition to SB 2060.

Former Senator St. Austvin: We don't have any position on this as long as it is equal and fair to all companies. we want to have the same opportunities as the rest do and if we do we have no opposition to this bill.

Senator Krebsbach : Any other further testimony in neutral, or opposition.

Closed SB 2060

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2060

Senate Government and Veterans Affairs Committee

Conference Committee

Hearing Date 01/30/03

Tape Number	Side A	Side B	Meter #
Tape 3	x		4570-5190
Committee Clerk Signature			

Minutes:

Senator Karen Krebsbach reopens SB 2060. All senators present.

Senator Krebsbach goes over bill.

Senator Brown: I am very opposed to a state agency trying to eliminate the bidding process.

This specific example they are saying that BCBS is the only bidder. Yes, that has been the result.

BCBS, when they bid ti did not know they were the only bidder. They are not the only qualified bidder. Why do they want to go to that expense when bidder has already done it.

I would speak against this change. Section 5 of this bill. I would never speak against a wellness program and I think that part of it is a great idea.

Senator Wardner : If they were going to out and try to find providers it is going to cost a lot of money to do that is it not.

Senator Krebsbach : there is a fiscal note.

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Senate Government and Veterans Affairs Committee

Bill/Resolution Number SB 2060

Hearing Date 01/30/03

Senator Wardner : I think that we should go and work on an amendment and go over this tomorrow.

Senator Krebsbach : Senator Brown and Senator Wardner will take care of amendment and have further discussion tomorrow.

Closed 2060

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2060

Senate Government and Veterans Affairs Committee

Conference Committee

Hearing Date 01/31/03

Tape Number	Side A	Side B	Meter #
Tape 1	x		1140-1920
Committee Clerk Signature			

Minutes:

Senator Karen Krebsbach, Chairman reopens SB 2060

Senator Wardner and Senator Brown presents amendment to committee.

Senator Brown moves to pass the amendment

Senator Wardner 2nd

6 yes 0 No

Hold until next week for final vote

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10/15/03
Date

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2060

Senate Government and Veterans Affairs Committee

Conference Committee

Hearing Date 02/07/03

Tape Number	Side A	Side B	Meter #
Tape 1		x	132-415
Committee Clerk Signature			

Minutes:

Senator Karen Krebsbach, Chairman reopens SB 2060.

Senator Krebsbach: Senators Wardner and Brown worked on amendments and we took action on the amendments already.

Senator Brown moves to Do Pass as amended

Senator Dever 2nd

6 Yes 0 No

Carrier: Senator Brown

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10/15/03
Date

FISCAL NOTE
 Requested by Legislative Council
 02/12/2003

Amendment to: SB 2060

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						
Expenditures						
Appropriations						

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

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

As amended this bill would have no fiscal implications.

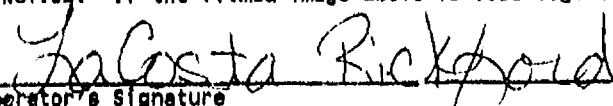
3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

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:	Sparb Collins	Agency:	North Dakota Public Employees Retirement System
Phone Number:	328-3901	Date Prepared:	02/13/2003


 Operator's Signature 10/15/03
Date

FISCAL NOTE
 Requested by Legislative Council
 01/02/2003

Bill/Resolution No.: SB 2060

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						
Expenditures						
Appropriations				\$132,561		\$132,561

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

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

Sections 4, 5 & 6 of the bill propose several provisions: 1) to create more competition for the group health insurance plan and 2) to establish an employer based wellness program. The provisions are intended to help reduce the rate of increase in plan costs. The competitiveness proposals authorize PERS to establish an independent provider network and alter the bidding requirements. Establishing an independent provider network will require developing and negotiating separate provider contracts with all North Dakota providers. Altering the bidding requirement will allow us to more actively solicit interest by other vendors in the PERS plan. Half of the above appropriation is for this effort. The second provision is to set up an employer based wellness program. The incentive for the employer is their premium would be lower if they have an employer based wellness program. PERS would set up the types of wellness programs that would qualify and work with/monitor the employers in establishing their on site programs. Half of the above costs are for staffing to assist in the development of this program.

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.

The above amount is for 1 FTE and the requested amount breaks out as follows:

Salaries & Wages \$87,372

Operating \$40,489

Equipment \$4,700

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:	Sparb Collins	Agency:	Public Employees Retirement System
Phone Number:	328-3901	Date Prepared:	01/05/2003

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La Costa Rickford 10/15/03
Operator's Signature Date

30059.0301
Title.

Prepared by the Legislative Council staff for
Representative Grande
December 12, 2002

PROPOSED AMENDMENTS TO SENATE BILL NO. 2060

Page 4, line 31, after the underscored period insert "If the board develops a provider network by negotiating and contracting with health care providers and associations, the provider network may only be used by the board and not by an insurance company seeking access to the board's provider network unless otherwise approved by the legislative assembly."

Renumber accordingly

Page No. 1

30059.0301

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Date

10/15/03

Date: 1/31/03
Roll Call Vote #: (

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2060
amendment

Senate Government and Veteran Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass amendment

Motion Made By Brown Seconded By Wardner

Senators	Yes	No	Senators	Yes	No
Senator Karen Krebsbach, Chr.	✓		Senator April Fairfield	✓	
Senator Dick Dever, Vice Chr.	✓		Senator Carolyn Nelson	✓	
Senator Richard Brown	✓				
Senator Rich Wardner	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

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

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Lacosta Rickford 10/15/03
Operator's Signature Date

30059.0302
Title.0400

Prepared by the Legislative Council staff for
Senator Brown
January 30, 2003

903
2-10-03

PROPOSED AMENDMENTS TO SENATE BILL NO. 2060

Page 1, line 2, after the semicolon insert "and"

Page 1, line 4, remove "54-52.1-04, 54-52.1-04.2,"

Page 1, line 6, remove "; contracting for group insurance coverage,"

Page 1, line 7, remove "; to provide an appropriation; and to provide a continuing"

Page 1, line 8, remove "appropriation"

Page 3, remove lines 9 through 29

Page 4, remove lines 1 through 31

Page 6, remove lines 11 through 15

Renumber accordingly

Page No. 1

30059.0302

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10/15/03
Date

Date: 2/2/03
Roll Call Vote #: 5

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

Senate Government and Veteran Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number 206D as amended (last week)

Action Taken _____

Motion Made By Brown Seconded By Dew

Senators	Yes	No	Senators	Yes	No
Senator Karen Krebsbach, Chr.	✓		Senator April Fairfield	✓	
Senator Dick Dever, Vice Chr.	✓		Senator Carolyn Nelson	✓	
Senator Richard Brown	✓				
Senator Rich Wardner	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Brown

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

REPORT OF STANDING COMMITTEE (410)
February 10, 2003 3:50 p.m.

Module No: SR-25-2185
Carrier: Brown
Insert LC: 30059.0302 Title: .0400

REPORT OF STANDING COMMITTEE

SB 2060: Government and Veterans Affairs Committee (Sen. Krebsbach, Chairman)
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends
DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2060 was placed
on the Sixth order on the calendar.

Page 1, line 2, after the semicolon insert "and"

Page 1, line 4, remove "54-52.1-04, 54-52.1-04.2,"

Page 1, line 6, remove ", contracting for group insurance coverage,"

Page 1, line 7, remove "; to provide an appropriation; and to provide a continuing"

Page 1, line 8, remove "appropriation"

Page 3, remove lines 9 through 29

Page 4, remove lines 1 through 31

Page 6, remove lines 11 through 15

Renumber accordingly

2003 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2060

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2060

House Government and Veterans Affairs Committee

Conference Committee

Hearing Date 3-13-03

Tape Number	Side A	Side B	Meter #
1		x	15.0-end
2	x		45.3-end
2		x	0-end
Committee Clerk Signature <i>Joseph Runkle</i>			

Minutes: Chairman Klein; opened the hearing on SB 2060. All committee members were present.

Sparb Collins, Executive Director of Public Employees Retirement System; appeared in support of SB 2060 and provided a written statement (**SEE ATTACHED TESTIMONY**).

Representative Klein; when the employee is eligible for retirement does he pay the full cost of the health insurance plan or a reduced cost?

Sparb Collins; when a employee retires at 65 or more they go on the retiree plan, and then the retiree plan costs are based upon that pool experience and they pay the full cost of that premium except for PERS plan.

Representative Kasper; when the employee retires on the health insurance benefit, does the PERS plan coordinate with Medicare or Medicaid federal plan that the employees eligible to a reduced cost of the plan or the full plan like they had before retirement?

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10/15/03
Date

Page 2

House Government and Veterans Affairs Committee

Bill/Resolution Number SB 2060

Hearing Date 3-13-03

Sparb Collins: if your eligible for Medicare then we become a secondary plan except for prescription drugs, because the pers plan does have prescription drugs coverage by the retirees.

Representative Kasper: did you look at the discrimination problems that are potential in section 4 for this wellness program, and do you have a ruling from attorneys that this will not violate HIPAA discrimination requirements?

Sparb Collins: our consultants did advise us that there are these requirements that are going to have to be considered by us when we do the actual design of the program, when we implement this what we are going to have to do is take those discrimination requirements into consideration of that program.

Representative Sittle: wondering about the small businesses out there, who find themselves in a similar situation so would there be anyway that the state could set up that preferred provider network that would allow businesses to utilize it as well?

Sparb Collins: that would be something that we would need your direction on.

Representative Kasper: going back to section 3, is this an expansion now of what is presently allowed under statute or is this a clarification?

Sparb Collins: it is not an expansion of what is there what we are trying to do is establish additional criteria for joining, so its all the same political subdivision would now be able to join the plan but now lets say the board would establish a political subdivision establish a minimum employer contribution of health insurance of \$50.00, now anybody coming onto the plan would need to pass that threshold in order to be eligible.

Representative Klein: I noticed that you have taken out the FTE an additional funds to be required.

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House Government and Veterans Affairs Committee
Bill/Resolution Number SB 2060
Hearing Date 3-13-03

Sparb Collins: we did again with the right commission it will probable take us longer to do this but with the authorization we will start working on it. There isn't necessarily a time frame for implementation of this.

Representative Potter: has there been any thought to self insurance?

Sparb Collins: yes, as a matter of fact we have, by being fully insured the big advantage you have is when at the end of the contract period the amount you paid in premiums is your total liability. Being self insured of course at the end of the period if you have more expenses then you do premiums your on the hook for the rest of that dollar amount.

Representative Klemm: can you give me an example of the wellness program?

Sparb Collins: what we are talking about here is PERS working with the health department would set up kind of a overall concept of what health wellness program and we would put the incentive to the agency doing health screening tests, encourage our employees to walk, what we are saying here is that there would be an array of programs on site.

Carl Rocko, North Dakota Association of Insurance and Financial Advisors: we are here in support of the three amendments, on this bill I have been in the business personally about 33 years and I can't think of any company that I've worked with that has not had another bid on their group insurance in over 20 years. The whole purpose from our perspective is competition is good in business, good for our consumers, good for the people in PERS, the formal bidding process is so formal that it does exclude other organizations from coming in. I write for Blue Cross Blue Shield, my families on Blue Cross so this is not a Blue Cross bashing in anyway. When the numbers are out with Blue Cross that 94% of the money that they take in are going out for actual claims, if Blue Cross was paying out 94% of every dollar it claimed after this is being

Page 4
House Government and Veterans Affairs Committee
Bill/Resolution Number: SB 2060
Hearing Date 3-13-03

adjusted can you see how no other company really could come in and be paying the full amount of that cost. But I think the question here is actually broader then dealing with the PERS issue, its ending up with competition to have more PPOs in the state of North Dakota. I think these 3 amendments should be allowed to be put on.

Representative Grande: when you talked about Mutual of Omaha leaving why did they not set up their own provider network?

Carl Rocko: from my experience companies tried, but whether it be population based, or just the effort that it takes, so I'm not sure there really is an incentive for them to say lets bring in all of these providers because in essence they would be getting less money.

Rod St. Aubyn, Blue Cross Blue Shield: I'm really not opposed to the bill, its really has been more of a discussion of the amendments and based on several of the questions that have been asked, I want to enlighten the committee first of all the aspect whether you bid whether you negotiate that really a public policy decision that the legislature won't even make. We don't have a specific stand on that one way or another, our only argument is whether it is a fair process. People need to understand under the pers plan verses other insured plans. We are able to purchase \$.92 on every dollar toward a claims and 8% administrative fees, and I would challenge you to find other companies that have that % of ratio, we are very proud of that. Under the PERS plan, they used to be self insured they do have that authority right now. Under the current PERS plan our contract instead of the 8% its a little over 4% and a 1% risk factor. If there is any under writing gain as far mention in other words if for example claims are less then what the premiums are we share the first \$1,000,000.00 of underwriting gains. If it is the opposite way all of a sudden we have higher claims then what we have as premium we took the full loss, the

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10/15/03
Date

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House Government and Veterans Affairs Committee

Bill/Resolution Number SB 2060

Hearing Date 3-13-03

state doesn't accept any of that. Yes, it may effect future bids, that is a reality, so I want to stress that you have a very good deal as it is right now. The provider network has evolved over many years and at a cost of millions of dollars, we have a little bit of a problem if your talking about establishing a provider network, other companies think that they can just come into the company tag onto some other provider network, and be able to offer products to the outside.

How fair is that to the company that has invested the money into that. Your going to have the expense of developing that provider network. How many providers have you heard in your district that said, you know Blue Cross really pays us to much. Its a very complicated process the provider network, we have 200 employees, I think its much more difficult then when Sparb was saying we will do it with existing staff, you will not have a provider network in the next 6 years with existing staff.

Representative Kasper: the amendments that pers has purposed does limit that provider network to the exclusive use of pers alone does it not?

Rod St. Aubyn: I don't know but the point is we are not opposed to that if you want to establish something strictly for pers and no one else that is something you can consider. I have a little bit of concern, why should the state have to pay money for something companies have no restriction what so ever that they couldn't do right.

Representative Kasper: going back to how the dollars are shared, in the PERS plan now the profits and losses, do you have a reserve for the losses, are do you have to increase the premiums in the private sector for the losses?

Rod St. Aubyn: its really pooled in our over all pool and so our private market would have to fund part of that as well.

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10/15/03
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Page 6
House Government and Veterans Affairs Committee
Bill/Resolution Number SB 2060
Hearing Date 3-13-03

Representative Devlin: made a **DO PASS** motion on SB 2060.

Representative Kasper: what are we going to do about the amendment?

Representative Klein: I thought Sparb had FTEs in there from additional money that he wanted to do this which got taken out, then he came with the amendments without the FTEs I believe, or the additional money I don't know how he is going to do it without the man power and the money to do it.

Representative Kasper: the issue here I think is much bigger then how he does it, when this network was set up with Blue Cross right now Sparb was the person who went out and negotiated the network in the first place, and he did it on his own time and it took him 6 years to do it. He has a history and a knowledge of how to do it and whether it takes 2 years or 6 years I don't think is the issue, the bigger issue to me is do we want to have competition in the state in employees health insurance plan or don't we, because this is currently set up without PERS controlling the network. There is no competition and there will be no competition, if PERS get a handle on that network so that it is there own network, the network that they currently have will become the network that PERS will control and not much will change, except who signs the contract and who has the ability to use the network. When a private insurance carrier wants to bid in the future if PERS has the network that network then under confidentiality agreement would be allowed for the private insurance carriers to look and say based upon this pricing, the private insurance carriers will be able to use the same pricing system and be able to compete on a fair basis, right now there is no opportunity to compete so there for we get what we got, this is not an indictment against Blue Cross, and I want the record to be clear, they have done a good job in penetrating the market but they are to the point there is very little competition, this will

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help keep the prices down not only for the PERS, but also for the private sector. So that amendment whether it takes 6 years or 60 years sends a message and if PERS can't get something done in the next biennium that is meaningful then it can be looked at again whether or not you want to put some money into it.

Representative Sitte: I would have to agree with Representative Kasper. It could really help Blue Cross because maybe prime care is charging too much in a certain area, when they don't have a competition they are at the whim of the big medical providers as well. I think it helps the entire system.

Representative Williams: what are we risking if we pass this bill with the amendments?

Representative Klein: looking at the original bill, there was an appropriation of \$132,000.00 to start this thing going, so I would say are we risking taking money out of that system to set up a competing system, I would be hesitant to spend money on something that I don't know whether I would get a return. Are we going to spend \$132,000.00 every biennium to study something that may or may not give us some return.

Representative Kasper: there is no appropriation, what Sparb said is that he will add that on to his duties, so let's not get the issue confused, there is no appropriation.

Representative Klein: I understand that but at the same time somebody has to do that work, and what is he going to do, maybe we should take away some of his FTEs if he has that much time. Somebody has got to do this work.

Representative Haas: that's absolutely right, you can't do this without a huge amount of time commitment and expect to get it done, what will happen is if we pass the amendment then 2

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House Government and Veterans Affairs Committee
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years from now they will be back and say well you know you told us you wanted us to do this, but we just can't get it done, and there will be FTEs in the budget, you can count on it.

We don't have enough people in the state for an outside company to come in here, and really develop a comprehensive provider network other than the one we have.

Rural hospitals are in desperate shape with regard to receiving enough money to keep on going to provide services.

Representative Devlin: I don't want to be in the game, of, we are going to subsidize them with state tax payers dollars to set up a network.

VOTE: 7-YES 7-NO 0-ABSENT.

Motion failed.

Representative Williams: I move we move the amendments for SB 2060.

Representative Potter: SECOND the amendments.

Representative Grande: I would like to amend the amendments. There is not suppose to be and appropriation so I have a question with page 1 line 6. I would like to amend out Section 4, and proceed with the bidding process until we have a provider list in place. and add in if the board develops a provider network, the provider network can only be used by the board and not by any insurance companies seeking access to the boards provider network.

Representative Kasper: I need clarification from Representative Grande amendments. No private insurance company may use the network?

Representative Grande: I said by any insurance company seeking access to the board provider network.

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Representative Kasper: I would say that Representative Grandes' amendments guts what the discussion is all about, because the key to holding down the health care costs of the PERS plan is when PERS has their own network negotiated then the private insurance sector will be able to use those rates and their bidding process, and her amendment appears to strip that out, so I would reject her amendments.

Representative Grande: I asked Sparb about these amendments and he was fine with them.

Representative Klemin: I would have difficulty comprehending these technical amendments without speaking to LC.

Representative Williams: I withdraw my amendments.

Representative Grande: I will get with Sparb and draw up the amendments.

Representative Kasper: I would also like to get with Sparb with these amendments.

Representative Klein: proceed.

Meeting adjourned.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2060

House Government and Veterans Affairs Committee

Conference Committee

Hearing Date 3-27-03

Tape Number	Side A	Side B	Meter #
2	x		0-17.1

Committee Clerk Signature *Jody Ranke*

Minutes: Chairman Klein: lets take up SB 2060. All committee members were present.

Representative Devlin: I move a **DO PASS** on SB 2060.

Representative Grande: **SECOND** the motion on SB 2060.

Representative Kasper: this is the bill where we talked about whether or not PERS should be able to try and contract for their own network. Some folks have told me in my discussion they thought my intent was to open up this network that PERS was going establish if the amendment were adopted to private insurance companies to sell private insurance products, that was not my intent if I mislead people I apologize for that , my point was that if this network was established member of PERS on the Senate side wanted to bring in that amendment and they had a fiscal note of \$150,000 and a couple of Ft.'s and Mr. Colleens took it out over here and he was going to try and do this with cost. What you are doing now you are back to the original bill without the PERS having the opportunity to attempt with no cost to holding up that network so they would control it.

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Representative Klein: I think part of the discussion was or led into the discussion with PERS people they thought it might take them up to 6 years to get this together and in their spare time the way I understood it because he didn't get the FTE's or the money, well I guess part of that was, it was very questionable whether he was going to get anything accomplished in that time. The amendments wouldn't have done anything, because we are looking at 6 years gathering this data, and then the discussion went on that PERS has Blue Cross Blue Shield, if there is money made on the thing they share half of that, if there is money lost on the program Blue Cross absorbs the loss. PERS has a pretty good deal.

Representative Kasper: that may be so but that is not germane to the amendments that we adopted. The only thing that those amendments do is allow him to try in his time without any FTE's or without any cost to the state of North Dakota.

Representative Williams : why don't we give them a try what are we risking?

Representative Klemin: it doesn't seem that it is feasible for one person to do this in their spare time, when it has taken all these other people a lot of time to keep up.

Representative Haas: there is another thing that we need to consider, I'm not sure that everyone is sold on this idea without a serious commitment, and without saying that we are going to put the resources behind that effort and do it in a sensible amount of time we are talking about a 20% of commitment or less to a iffy idea, that is not the right way to do business in state government.

Representative Devlin: I think we are making some other good improvements with this bill and we are losing sight of that over this argument, I agree with everything that Representative Haas, I know what Sparb at the podium that day, that it would take 6 years, I absolutely refuse to believe that there is a state worker sitting around with nothing to do that they can take the time that is

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needed to complete this project and not jeopardize the other things that they do and the other things that Sparb does for the state employees they are to vital to have him sitting out and playing this, with no money to do it and no extra FTE's, that is going to take time away from their other jobs. I can't buy into that.

Representative Haas: QUESTION.

Representative Klein: call the roll.

VOTE 9-YES 5-NO 0-ABSENT.

Motion Passes.

Representative Grande: will carry the bill to the floor.

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Date: 3-13-03

Roll Call Vote #:

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTE
SENATE BILL/RESOLUTION NO. SB. 2060

House GOVERNMENT AND VETERANS AFFAIRS Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep. Devlin Seconded By Rep. Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman M.M. Klein	X		B. Amerman		X
Vice Chairman B.B. Grande	X		L. Potter		X
W.R. Devlin	X		C. Williams		X
C.B. Haas	X		L. Winrich		X
J. Kasper		X			
L.R. Klemin	X				
L. Meier	X				
M. Sitte		X			
W.W. Tieman		X			
R.H. Wikenheiser	X				

Total (Yes) 7 No 7

Absent -0-

Floor Assignment failed

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

Date: 3-27-03

Roll Call Vote #:

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTE
SENATE BILL/RESOLUTION NO. 2060

House GOVERNMENT AND VETERANS AFFAIRS Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep Devlin Seconded By Rep Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman M.M. Klein	X		B. Amerman	X	
Vice Chairman B.B. Grande	X		L. Potter		X
W.R. Devlin	X		C. Williams		X
C.B. Haas	X		L. Winrich	X	
J.Kasper		X			
L.R. Klemin	X				
L. Meier	X				
M. Sitte		X			
W.W. Tieman		X			
R.H. Wikenheiser	X				

Total (Yes) 8 No 5

Absent -0-

Floor Assignment Rep Grande

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

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REPORT OF STANDING COMMITTEE (410)
March 27, 2003 12:25 p.m.

Module No: HR-55-5898
Carrier: Grande
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE
SB 2060, as engrossed: Government and Veterans Affairs Committee (Rep. M. Klein, Chairman) recommends **DO PASS** (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2060 was placed on the Fourteenth order on the calendar.

(2) DESK, (3) COMM

Page No. 1

HR-55-5898

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2003 TESTIMONY
SB 2060

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**Testimony
of
Sparb Collins
On SB 2060**

Madame Chair, members of the committee, my name is Sparb Collins and I am Executive Director of the Public Employees Retirement System (PERS). The administration of the group insurance program is part of our responsibilities and the reason for the proposed changes in SB 2060.

Section 1 of the Bill proposes to change the active employee eligibility requirements for the group insurance program. The purpose is to make the definition the same as it is for the retirement program resulting in a uniform eligibility requirement across all programs. Today a person is eligible for retirement if they "work 20 or more hours a week," however, they are eligible for health coverage if they "work 17 ½ or more hours per week". This difference causes confusion and, therefore, it would be beneficial to have a standard definition. Please note we are proposing that this would be effective for new employees after August 1 of 2003, thereby, grandfathering any existing employees that may not meet the new criteria for participation.

Section 2 of the bill relates to retiree eligibility for the group insurance program. Presently a person is eligible to participate in the group insurance program as long as they are receiving a retirement benefit. The

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problem is that with the present DC plan and TIAA/CREF, which are both defined contribution plans, members could run out of funds and, thereby, lose eligibility for our health insurance at potentially one of the most vulnerable times of their lives. Therefore, this change would mean that a person who is initially deemed to be eligible could continue on the plan as long as they pay the premium even though they may not be continuing to receive a retirement annuity.

Section 3 of the bill relates to participation of political subdivisions in the plan. This change would allow the PERS Board to establish a minimum employer contribution as a condition to participate in the group insurance program. This provision is important to prevent adverse selection to the plan that could occur as a result of an individual political subdivision's policy. An example of such a policy would be a subdivision that paid no portion of the premium but rather gave the employees the premium amount as additional salary. Those with health conditions would clearly join the plan, whereas healthy employees may not thus causing adverse selection. Adverse selection can increase the plans overall costs due to the risk characteristics of those joining.

Section 4 of the bill relates to the bidding requirement for the health insurance plan. The purpose of this change is to create more competition for the PERS plan and thereby potentially reduce the cost increases in future bienniums. One procedural requirement that seems to reduce interest in our plan is the formal bid requirement. This change to our statute would allow PERS to place the group health insurance plan (hospital & medical) without having to go out on formal bid should the board

decide it is in the best interest of the plan. Pursuant to this authority, PERS staff would be able to solicit other potential carriers during the upcoming years to determine their interest and abilities and assess their capabilities. This change would likely make our plan more attractive to others and make the possibility of such a change more practical. This added competitive pressure would also be an incentive for BCBS in submitting its bid. The bid requirement is maintained for other medical (vision, dental, LTC, EAP) and life benefits.

Section 5 of the Bill proposes two changes to the statute. The first change is also intended to create more competition for the PERS health insurance plan. In placing the plan with a carrier there are two basic costs that are examined; the administration charge and the cost of the claims. The first change addresses the administrative charges and would allow PERS to self-administer the group insurance plan. This creates a new benchmark for the level of administrative fees that are reasonable. That benchmark is the cost of self-administering versus the fees of a carrier such as BCBS. By establishing this additional benchmark, it should act as an additional consideration by carriers in determining what administrative fees they will propose. Also to make this change an effective competitive consideration, it provides continuing appropriation authority to PERS and authorizes all necessary FTE's. The second change relates to the cost of the claims. Many carriers cannot compete in ND because they do not have a provider network which means that the cost of claims for them is higher. This provision authorizes the board to establish an independent provider network. If PERS has its own provider network then it can offer it to other carriers in the bidding process thereby making it more feasible for other

carriers to compete, thus creating more competition. This network is critical to creating a more competitive system

Section 6 of the Bill relates to establishing an employer based wellness program. The Health Department identified in the "Building a Healthy North Dakota " seminar that while the leading causes of death in North Dakota are heart disease, cancer, accidents and diabetes the real causes of death are tobacco use, diet, inactivity, alcohol and other parameters. We believe that an employer based wellness program to address some of the real causes would help to reduce future costs. This change is to provide an incentive for employer based wellness programs by providing either a premium increase to those that do not have a program or a decrease to those that do have a program. By actively involving the employers in helping to address these real causes it will provide an additional mechanism to encourage our members to maintain a healthy lifestyle.

Section 7 & 8 of the Bill changes the confidentiality provisions for the group insurance program and the flex comp program. This change is pursuant to the HIPAA law passed by the federal government and is part of our compliance effort.

Section 9 of the Bill provides an appropriation to PERS to work on the implementation of the competitiveness provisions (creating additional interest, provider network, etc) and the wellness program. A part of this position would work with health care providers to get contracts signed for the independent provider network and the other aspect of the position would be to develop wellness strategies for employers and work with

Page 4 of 5

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employers in getting a program established. While this is an immediate investment of funds, if it can reduce the future rate of increase by just 1/10 of 1% it will pay for itself.

Madame Chair, members of the committee, this concludes my testimony.

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10 SECTION 1. AMENDMENT. Subsection 4 of section 54-52.1-01 of the North Dakota
 11 Century Code is amended and reenacted as follows:
 12 4. "Eligible employee" means every permanent employee who is employed by a
 13 governmental unit, as that term is defined in section 54-52-01. "Eligible employee"
 14 includes members of the legislative assembly, judges of the supreme court, paid
 15 members of state or political subdivision boards, commissions, or associations,
 16 full-time employees of political subdivisions, elective state officers as defined by
 17 subsection 2 of section 54-06-01, and disabled permanent employees who are
 18 receiving compensation from the North Dakota workers' compensation fund. As
 19 used in this subsection, "permanent employee" means one whose services are not
 20 limited in duration, who is filling an approved and regularly funded position in a
 21 governmental unit, and who is employed at least seventeen and one-half hours per
 22 week and at least five months each year ~~or~~ for those first employed after August 1,
 23 2003, is employed at least twenty hours per week and at least twenty weeks each
 24 year of employment. For purposes of sections 54-52.1-04.1, 54-52.1-04.7,
 1 54-52.1-04.8, and 54-52.1-11, "eligible employee" includes retired and terminated
 2 employees who remain eligible to participate in the uniform group insurance
 3 program pursuant to applicable state or federal law.

This section changes the eligibility requirement for the group insurance program, making it the same as the requirement for the retirement plan.

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 Date: *10/15/03*

4 SECTION 2. AMENDMENT. Subsection 3 of section 54-52.1-03 of the North Dakota
5 Century Code is amended and reenacted as follows:
6 3. A retiree who has accepted a periodic distribution from the defined contribution
7 retirement plan pursuant to section 54-52.6-13 who the board determines is eligible
8 for participation in the uniform group insurance program or has accepted a
9 retirement allowance from the public employees retirement system, the highway
10 patrolmen's retirement system, the teachers' insurance and annuity association of
11 America - college retirement equities fund (TIAA-CREF) for service credit earned
12 while employed by North Dakota institutions of higher education, the retirement
13 system established by job service North Dakota under section 52-11-01, the
14 judges' retirement system established under chapter 27-17, or the teachers' fund
15 for retirement may elect to participate in the uniform group under this chapter
16 without meeting minimum requirements at age sixty-five, when the member's
17 spouse reaches age sixty-five, upon the receipt of a benefit, or when the spouse
18 terminates employment. If a retiree or surviving spouse does not elect to
19 participate at the times specified in this subsection, the retiree or surviving spouse
20 must meet the minimum requirements established by the board. Subject to
21 sections 54-52.1-03.2 and 54-52.1-03.3, each retiree or surviving spouse shall pay
22 directly to the board the premiums in effect for the coverage then being provided.
23 A retiree who has met the initial eligibility requirements of this subsection to begin
24 participation in the uniform group insurance program remains eligible as long as
25 the retiree maintains the retiree's participation in the program by paying the
26 required premium pursuant to rules adopted by the board.

Presently a person is eligible to participate in the group insurance program as long as they are receiving a retirement benefit. The problem is that with the present DC plan and TIAA/CREF, which are both defined contribution plans, members could run out of funds and thereby lose eligibility for health insurance at potentially one of the most vulnerable times of their life. Therefore this change would mean that a person who is initially deemed to be eligible could continue on the plan as long as they pay the premium even though they may not be continuing to receive a retirement annuity.

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27 SECTION 3. AMENDMENT. Section 54-52.1-03.1 of the North Dakota Century Code

28 is amended and reenacted as follows:

29 54-52.1-03.1. Certain political subdivisions authorized to join uniform group
30 insurance program - Employer contribution. A political subdivision may extend the benefits
31 of the uniform group insurance program under this chapter to its permanent employees, subject

- 1 to minimum requirements established by the board and a minimum period of participation of
- 2 sixty months. If the political subdivision withdraws from participation in the uniform group
- 3 insurance program, before completing sixty months of participation, the political subdivision
- 4 shall make payment to the board in an amount equal to any expenses incurred in the uniform
- 5 group insurance program that exceed income received on behalf of the political subdivision's
- 6 employees as determined under rules adopted by the board. The political subdivision may
- 7 determine the amount of the employer's monthly contribution toward the total monthly premium
- 8 amount required of each eligible participating employee.

This change would allow the PERS Board to establish a minimum employer contribution as a condition to participate in the group insurance program. This provision is important to prevent adverse selection to the plan that could occur as a result of an individual political subdivisions policies. An example of such a policy would be a subdivision that paid no portion of the premium but rather gave the employees the premium amount as additional salary. Those with health conditions would clearly join the plan, whereas healthy employees may not thus causing adverse selection. Adverse selection can increase the plans overall costs due to the risk characteristics of those joining.

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9 SECTION 4. AMENDMENT. Section 54-52.1-04 of the North Dakota Century Code is
 10 amended and reenacted as follows:
 11 54-52.1-04. Board to contract for insurance. The board shall receive bids for the
 12 providing of ~~hospital-benefits-coverage, medical benefits coverage, life insurance benefits~~
 13 coverage for a specified term, and employee assistance program services, and shall accept the
 14 bid of and contract with the carrier that in the judgment of the board best serves the interests of
 15 the state and its eligible employees. The board is not required to solicit bids for the providing of
 16 hospital benefits coverage and medical benefits coverage, but shall contract with the carrier that
 17 in the judgment of the board best serves the interests of the state and its eligible employees.
 18 Solicitations ~~for bids or a contract~~ must be made not later than ninety days before the expiration
 19 of an existing uniform group insurance contract. Bids must be solicited by advertisement in a
 20 manner selected by the board that will provide reasonable notice to prospective bidders. In
 21 preparing bid proposals and evaluating bids ~~or other proposals~~, the board may utilize the
 22 services of consultants on a contract basis in order that the bids ~~or proposals~~ received may be
 23 uniformly compared and properly evaluated. In determining which bid ~~or proposal~~, if any, will
 24 best serve the interests of eligible employees and the state, the board shall give adequate
 25 consideration to the following factors:
 26 1. The economy to be effected.
 27 2. The ease of administration.
 28 3. The adequacy of the coverages.
 29 4. The financial position of the carrier, with special emphasis as to its solvency.
 1 5. The reputation of the carrier and any other information that is available tending to
 2 show past experience with the carrier in matters of claim settlement, underwriting,
 3 and services.
 4 The board may reject any or all bids and, in the event it does so, shall again solicit bids as
 5 provided in this section. The board may establish a plan of self-insurance for providing health
 6 insurance benefits coverage only under an administrative services only (ASO) contract or a
 7 third-party administrator (TPA) contract.

The purpose of this change is to create more competition for the PERS plan and thereby potentially reduce the cost increases in future bienniums. One procedural requirement that seems to reduces interest in our plan is the formal bid requirement. This change to our statute would allow PERS to place the group insurance plan without having to go out on formal bid should the board decide it is in the best interest of the plan. Pursuant to this authority, PERS staff would be able to solicate other potential carriers during the upcoming years to determine their interest and abilities and assess their capabilities. This change would likely make our plan more attractive to others and make the possibility of such a change more practical. This added competitive pressure would also be a consideration to BCBS in submitting a bid.

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10/15/03

Date

8 SECTION 5. AMENDMENT. Section 54-52.1-04.2 of the North Dakota Century Code
9 is amended and reenacted as follows:
10 54-52.1-04.2. Self-insurance plan for hospital and medical benefits coverage. The
11 board may establish a self-insurance plan for providing health insurance benefits coverage
12 under an administrative services only (ASO) contract or a third-party administrator (TPA)
13 contract under the uniform group insurance program, or the board may completely
14 self-administer a self-insurance plan under the uniform group insurance program, if it is
15 determined by the board that an administrative services only or third-party administrator plan
16 determines one or more of these options is less costly than the lowest bid submitted by
17 contracting with a carrier for underwriting the plan with equivalent contract benefits. Upon
18 establishing a self-insurance plan, the board shall solicit bids for an administrative services only
19 or third-party administrator contract only every other biennium, and the board is authorized to
20 renegotiate an existing administrative services only or third-party administrator contract during
21 the interim. In addition, individual individual stop-loss coverage insured by a carrier authorized
22 to do business in this state must be made part of any self-insured plan. All bids under this
23 section are due no later than January first, and must be awarded no later than March first,
24 preceding the end of each biennium. All bids under this section must be opened at a public
25 meeting of the board. If the board implements a self-administered self-insurance program,
26 there is appropriated to the board on a continuing basis the total amount of all premiums
27 received for purposes of paying claims and administrative expenses of this section, and the
28 board is authorized to create whatever full-time equivalent staff is necessary to properly and
29 efficiently implement and administer the program. Regardless of whether the board chooses to
30 self-insure under one of these options, the board is authorized to develop a provider network by
31 negotiating and contracting with health care providers and associations.

1 SECTION 6. A new section to chapter 54-52.1 of the North Dakota Century Code is
2 created and enacted as follows:
3 Wellness program. The board shall develop an employer-based wellness program.
4 The program must encourage employers to adopt a board-developed wellness program by
5 either charging extra health insurance premium to nonparticipating employers or reducing
6 premium for participating employers.

This change is also intended to create more competition for the PERS health insurance plan. This change would allow PERS to self administer the group insurance plan. This creates a new benchmark for the level of administrative fees that are reasonable. That benchmark is the cost of self administering versus the fees of a carrier such as BCBS. By establishing this additional benchmark it should act as additional consideration by carriers in determining what administrative fees they will charge. Also to make this change an effective competitive consideration it provides continuing appropriation authority to PERS and authorizes all necessary FTE's.

This provision authorizes the board to establish a independent provider network. This network is critical to creating a more competitive system since many insurance companies cannot compete in ND because they do not have a provider network.

This change is to provide an incentive for employer based wellness programs. By actively involving the employers in helping to control costs it will provide an additional mechanism to encourage our members to maintain a health lifestyle.

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Operator's signature
Joseph R. Rickford
Date
10/15/03

7 SECTION 7. AMENDMENT. Section 54-52.1-11 of the North Dakota Century Code is
8 amended and reenacted as follows:

9 54-52.1-11. Confidentiality of employee records. Information pertaining to an
10 eligible employee's group medical records for claims, employee premium payments made,
11 salary reduction amounts taken, history of any available insurance coverage purchased, and
12 amounts and types of insurance applied for under the supplemental life insurance coverage
13 under this chapter is confidential and is not a public record. The information and records may
14 be disclosed, under rules adopted by the board, only to:

- 15 1. A person to whom the eligible employee has given written ~~consent~~ authorization to
16 have the information disclosed.
- 17 2. A person legally representing the eligible employee, upon proper proof of --
18 representation, and unless the eligible employee specifically withholds consent
19 authorization.
- 20 3. A person authorized by a court order.
- 21 4. A person or entity to which the board is required to disclose information pursuant to
22 federal or state statutes or regulations.
- 23 5. ~~If involved in a dissolution proceeding, the member's spouse or former spouse, that~~
24 ~~person's legal representative, and the judge presiding over the member's~~
25 ~~dissolution proceeding. Any person or entity if the purpose of the disclosure is for~~
26 ~~treatment, payment, or health care operations.~~

This change is pursuant to the HIPAA law passed by the federal government and is part of our compliance effort. This change relates to the group insurance program

27 SECTION 8. AMENDMENT. Section 54-52.3-05 of the North Dakota Century Code is
28 amended and reenacted as follows:

29 54-52.3-05. Confidentiality of program records. Any records and information
30 pertaining to a public employee's medical and dependent care reimbursement under the pretax
31 benefits program are confidential and are not public records subject to section 44-04-18 and

1	section 6 of article XI of the Constitution of North Dakota. The records and information may be	
2	disclosed, under rules adopted by the board, only to:	
3	1. A person to whom the employee has given written consent <u>authorization</u> to have	
4	the information disclosed.	
5	2. A person legally representing the employee, upon proper proof of representation.	
6	3. A person authorized by a court order.	
7	4. <u>A person or entity to which the board is required to disclose information pursuant to</u>	
8	<u>federal or state statutes or regulations.</u>	
9	5. <u>Any person or entity if the purpose of the disclosure is for health care treatment,</u>	
10	<u>payment, or operations.</u>	
11	SECTION 9. APPROPRIATION. There is appropriated out of any moneys from special	
12	12 funds derived from income, not otherwise appropriated, the sum of \$132,561, or so much of the	
13	13 sum as may be necessary, to the public employees retirement system board for the purpose of	
14	14 fulfilling the requirements imposed by this Act. The public employees retirement system board	
15	15 is authorized one additional full-time equivalent position to implement this Act.	

This change is also part of our compliance effort with HIPAA. This change relates to the Flex Comp program.

This section provides an appropriation to PERS to work on the implementation of the competitiveness provisions (creating additional interest, provider network, etc) and the wellness program.

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Operator's Signature: *Debra Rickford* 10/15/03
Date

**Health Insurance Premium Information
Regional State Governments**

The following table is summarized from the 2002 Central States Compensation Association Benefit Survey. This summary is an attempt to show the range of premiums for insurance coverage and to show the range of share paid by the various states and the share paid by their employees.

The range in premiums can be attributed to variations in coverage and levels of co-payments and deductibles for which the employee is responsible. Where there are ranges in the premium or splits within a state, it is due to options in coverage (i.e. traditional insurance, PPO plans, HMO's).

The total employee only premium among the 10 states ranges from \$214 to \$366.36. North Dakota's single rate is \$190.

The total family premium ranges from \$428 to \$1,080. North Dakota's family rate is \$470.

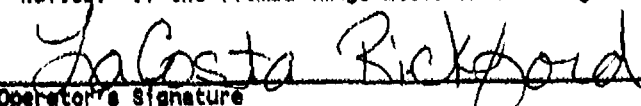
State	Estimated Total Single Premium	Single Premium Split		Estimated Total Family Premium	Family Premium Split	
		Employer	Employee		Employer	Employee
CO	information not available					
IA	\$214 - \$348	100%	0%	\$754 - \$814	75 - 80%	25 - 20%
KS	\$259 - \$288	95%	5%	\$725 - \$827	61 - 63%	39 - 37%
MN	\$261	100%	0%	\$718	93%	7%
MO	\$289 - \$332	90%	10%	\$901 - \$1,071	73 - 77%	27 - 23%
MT	\$294	100%	0%	\$428	64%	36%
NE	\$265 - \$304	79%	21%	\$939 - \$1,080	79%	21%
OK	\$228 - \$236	100%	0%	\$660 - \$705	89 - 96%	11 - 4%
SD	\$366.36	100%	0%	\$561 - \$634	58 - 65%	42 - 35%
WY	\$225	100%	0%	\$469	48%	52%
ND *	\$190	100%	0%	\$470	100%	0%

* Family & Single premium breakdown provided by NDPERS, state premiums paid at \$409 per contract.

NOTE: North Dakota's state agencies budget and pay a flat rate of \$409 per contract regardless of single or family coverage.

Prepared by: **Central Personnel Division**
January 2003

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Testimony of Sparb Collins On Engrossed Senate Bill 2060

Mr. Chairman, members of the committee, my name is Sparb Collins and I am Executive Director of the Public Employees Retirement System (PERS). The administration of the group insurance program is part of our responsibilities and the reason for the proposed changes in SB 2060.

Section 1 of the Bill proposes to change the active employee eligibility requirements for the group insurance program. The purpose is to make the definition the same as it is for the retirement program resulting in a uniform eligibility requirement across all programs. Today a person is eligible for retirement if they "work 20 or more hours a week," however, they are eligible for health coverage if they "work 17 ½ or more hours per week". This difference causes confusion and, therefore, it would be beneficial to have a standard definition. Please note we are proposing that this would be effective for new employees after August 1 of 2003, thereby, grandfathering any existing employees that may not meet the new criteria for participation.

Section 2 of the bill relates to retiree eligibility for the group insurance program. Presently a person is eligible to participate in the group insurance program as long as they are receiving a retirement benefit. The problem is that with the present DC plan and TIAA/CREF, which are both defined contribution plans, members could run out of funds and, thereby,

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lose eligibility for our health insurance at potentially one of the most vulnerable times of their lives. Therefore, this change would mean that a person who is initially deemed to be eligible could continue on the plan as long as they pay the premium even though they may not be continuing to receive a retirement annuity.

Section 3 of the bill relates to participation of political subdivisions in the plan. This change would allow the PERS Board to establish a minimum employer contribution as a condition to participate in the group insurance program. This provision is important to prevent adverse selection to the plan that could occur as a result of an individual political subdivision's policy. An example of such a policy would be a subdivision that paid no portion of the premium but rather gave the employees the premium amount as additional salary. Those with health conditions would clearly join the plan, whereas healthy employees may not thus causing adverse selection. Adverse selection can increase the plans overall costs due to the risk characteristics of those joining.

Section 4 of the Bill relates to establishing an employer based wellness program. The Health Department identified in the "Building a Healthy North Dakota " seminar that while the leading causes of death in North Dakota are heart disease, cancer, accidents and diabetes the real causes of death are tobacco use, diet, inactivity, alcohol and other parameters. We believe that an employer based wellness program to address some of the real causes would help to reduce future costs. This change is to provide an incentive for employer based wellness programs by providing either a

premium increase to those that do not have a program or a decrease to those that do have a program. By actively involving the employers in helping to address these real causes it will provide an additional mechanism to encourage our members to maintain a healthy lifestyle.

Section 5 & 6 of the Bill changes the confidentiality provisions for the group insurance program and the flex comp program. This change is pursuant to the HIPAA law passed by the federal government and is part of our compliance effort.

Three sections of the original bill were removed by the Senate and relate to several initiatives by PERS to create more competition for the states health insurance business. We believe that by creating an environment with more competitive pressure it may help to restrain future proposed increases in health insurance premiums. Consequently we have evaluated our existing methods and determined the following:

- that the formal bid requirements in statute results in little or no bidders for the states business except for the interest of BCBS (please note we have appreciated their interest and have been pleased with our working relationship);
- that with no competition for our business there is no competitive pressures relating to administrative expenses of the vendor;
- that one reason why other carriers do not bid is that they cannot compete since they have no provider network in North Dakota.

In recognition of the above we are proposing the following changes:

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First, relating to the bidding requirement for the health insurance plan we are proposing to change the methodology that has been used in the past to a new approach that may create more competition and thereby potentially reduce the cost increases in future bienniums. One procedural requirement that has not created much interest in our plan is the formal bid requirement. Our history has indicated that this requirement has not produced much interest by other providers except BCBS in the fully insured option. Consequently PERS is suggesting changing our statute to allow PERS to place the group health insurance plan (hospital & medical) without having to go out on formal bid should the board decide it is in the best interest of the plan. Pursuant to this authority, PERS staff would be able to solicit other potential carriers during the upcoming years to determine and encourage their interest. This change would likely result in more discussion with other carriers concerning providing services to the state and make the possibility of such a change more practical. This added competitive pressure would also be an incentive for BCBS in submitting its offer to provide the lowest price. We feel this change will create a more competitive atmosphere for the states business which could be beneficial in the ultimate pricing of the plan. We know that maintaining the status quo will continue to produce the historical results. Please note the bid requirement is maintained for other medical (vision, dental, LTC, EAP) and life benefits.

Second, concerning administrative charges we are suggesting wording that would allow PERS to self-administer the group insurance plan. This creates a new benchmark for the level of

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administrative fees that are reasonable. That benchmark is the cost of self-administering versus the fees of a carrier such as BCBS. By establishing this additional benchmark, it should act as an additional consideration by carriers in determining what administrative fees they will propose. Also to make this change an effective competitive consideration, it provides continuing appropriation authority to PERS and authorizes all necessary FTE's.

Third, is to allow PERS to set up an independent provider network. This change relates to the cost of the claims incurred by our members. Claims account for about 94% of our costs. Many carriers cannot compete in ND because they do not have a provider network which means that the cost of claims for them is higher. This provision authorizes the board to establish an independent provider network. If PERS has its own provider network then it can offer it to all carriers in the PERS solicitation process thereby making it more feasible for many carriers to compete, thus creating more competition. This network is critical to creating a more competitive system. Please note that PERS presently has its own PPO and EPO network but they are linked by contract to BCBS. This change would allow us to have the same provider network but be independent.

Lastly to implement the above we requested an appropriation and FTE for PERS to work on the implementation of the competitiveness provisions (creating additional interest, provider network, etc) and the wellness program that was not approved by the Senate. Given the existing fiscal constraints we are not requesting that in the attached amendment with the recognition that it will take us a longer period of time to accomplish some of

Page 5 of 6

LaCosta Rickford
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Date

these objectives. History has indicted to us that if the above provisions are enacted it will take some time to implement. For example, in setting up our existing provider networks it took 6 years or more to get a statewide network in place. While it may take awhile, these changes in the long run should create a more competitive atmosphere for the state's health business which should help to reduce costs. If the above is successful in reducing future health costs by only 1% it would mean over one million a year in savings.

Mr. Chairman, members of the committee, we would appreciate your support of this bill and the attached amendments. This concludes my testimony.

Page 6 of 6

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PROPOSED AMENDMENTS TO SENATE BILL NO. 2060

Page 1, line 2, remove "and"

Page 1, line 4, after "54-52.1-03.1" Insert "54-52.1-04, 54-52.1-04.2,"

Page 1, line 5, after "program" Insert ", contracting for group insurance coverage,"

Page 1, line 6, after "program" Insert "; and to provide a continuing appropriation"

Page 3, after line 7 Insert:

"SECTION 4. AMENDMENT. Section 54-52.1-04 of the North Dakota Century Code is amended and reenacted as follows:

54-52.1-04. Board to contract for insurance. The board shall receive bids for the providing of ~~hospital benefits coverage, medical benefits coverage,~~ life insurance benefits coverage for a specified term, and employee assistance program services, and shall accept the bid of and contract with the carrier that in the judgment of the board best serves the interests of the state and its eligible employees. The board is not required to solicit bids for the providing of hospital benefits coverage and medical benefits coverage, but shall contract with the carrier that in the judgment of the board best serves the interests of the state and its eligible employees. Solicitations for bids or a contract must be made not later than ninety days before the expiration of an existing uniform group insurance contract. Bids must be solicited by advertisement in a manner selected by the board that will provide reasonable notice to prospective bidders. In preparing bid proposals and evaluating bids or other proposals, the board may utilize the services of consultants on a contract basis in order that the bids or proposals received may be uniformly compared and properly evaluated. In determining

which bid or proposal, if any, will best serve the interests of eligible employees and the state, the board shall give adequate consideration to the following factors:

1. The economy to be effected.
2. The ease of administration.
3. The adequacy of the coverages.
4. The financial position of the carrier, with special emphasis as to its solvency.
5. The reputation of the carrier and any other information that is available tending to show past experience with the carrier in matters of claim settlement, underwriting, and services.

The board may reject any or all bids and, in the event it does so, shall again solicit bids as provided in this section. The board may establish a plan of self-insurance for providing health insurance benefits coverage only under an administrative services only (ASO) contract or a third party administrator (TPA) contract.

SECTION 5. AMENDMENT. Section 54-52.1-04.2 of the North Dakota Century Code is amended and reenacted as follows:

54-52.1-04.2. Self-insurance plan for hospital and medical benefits coverage. The board may establish a self-insurance plan for providing health insurance benefits coverage under an administrative services only (ASO) contract or a third party administrator (TPA) contract under the uniform group

Insurance program, or the board may completely self-administer a self-insurance plan under the uniform group insurance program, if it is determined by the board that an administrative services only or third party administrator plan determines one or more of these options is less costly than the lowest bid submitted by contracting with a carrier for underwriting the plan with equivalent contract benefits. Upon establishing a self-insurance plan, the board shall solicit bids for an administrative services only or third party administrator contract only every other biennium, and the board is authorized to renegotiate an existing administrative services only or third party administrator contract during the interim. In addition, individual individual stop-loss coverage insured by a carrier authorized to do business in this state must be made part of any self-insured plan. All bids under this section are due no later than January first, and must be awarded no later than March first, preceding the end of each biennium. All bids under this section must be opened at a public meeting of the board. If the board implements a self-administered self-insurance program, there is hereby appropriated to the board on a continuing basis the total amount of all premiums received for purposes of paying claims and administrative expenses of this section, and the board is authorized to create whatever full time equivalent staff is necessary to properly and efficiently implement and administer the program. Regardless of whether the board chooses to self-insure under one of these options, the board is authorized to develop a provider network by negotiating and contracting with health care providers and associations."

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Renumber accordingly.

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