

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
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ROLL NUMBER

DESCRIPTION

2396

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10/22/03

Date

2003 SENATE EDUCATION

SB 2396

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2396

Senate Education Committee

☐ Conference Committee

Hearing Date 02-03-03

Tape Number	Side A	Side B	Meter #
1	x		31.9 - 47.5
1		x	45.5 - end
2	x		0 - 8.5
Committee Clerk Signature <i>Andrew Johnson</i>			

Minutes: CHAIRMAN FREBORG called the committee to order. Roll Call was taken with all (6) members present.

CHAIRMAN FREBORG opened the hearing on SB 2396 which relates to school districts providing self-insurance health programs through joint powers agreements.

Testimony in support of SB 2396:

SENATOR DAVID O'CONNELL, Dist. 6, testified that he supports the bill.

JOHN JANKOWSKI, ND Educator Service Cooperative, Supt. St. Mary's Central, Bismarck, spoke in support of the bill and explained why the bill is important. This issue goes back 7 - 8 years when a group of Supt. by Minot got together to discuss how to control rising health care costs. Six years ago he had asked for legislation that would permit public schools to bid health insurance every five years. Six years ago when they went for bids, they failed. Five years ago, they again tried to bid insurance and they had one bid which was not in the best interest of their teachers and staff. Four years ago they asked for bids, and again received none. There are about

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Senate Education Committee
Bill/Resolution Number SB 2396
Hearing Date 02-03-03

45 school districts in their group (cooperative). For some reason, the Insurance Department has led them to believe that school districts that go together cannot become self-funded in health insurance. Single school districts can become self-funded and he feels this is unfair. He would like to see it in statute that schools that go together in JPA's can have self-funded health insurance. He distributed a document from BCBS on self-funding (see attached). He further feels they should be able to look at that self-funding could hold down premium costs. He feels this would help all teachers.

NANCY SAND, NDEA, would support any effort to control costs of health insurance. She would hope this would not be a part of the negotiated agreements in a JPA. She feels employees should be part of the decision making process. Some agreements are already in place and she would not want them negated without input from the employees affected.

There was no opposition to SB 2396.

The hearing was closed on SB 2396.

Tape 1, Side B, 45.5 - end, Tape 2, Side A, 0 - 8.5

SENATOR CHRISTENSON wondered why BCBS offered no testimony. SENATOR FREBORG stated that BCBS has stop/loss coverage. They probably make about as much money as if they would fully insure. Stop/loss eliminates the amount of risk. SENATOR FREBORG questioned if two school districts would be enough to self-fund.

SENATOR COOK moved a DO NOT PASS. Seconded by SENATOR FLAKOLL.

SENATOR CHRISTENSON asked why a do not pass. SENATOR COOK feels this bill has many small concerns. If this is a consortium bill, it needs to be looked at as such. SENATOR CHRISTENSON asked if we could amend out "2 or more". SENATOR FREBORG feels there

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Senate Education Committee
Bill/Resolution Number SB 2396
Hearing Date 02-03-03

should be minimum requirements. He feels that to form a JPA, there should be four or more districts. Cooperative agreements could be done with any amount of districts. SENATOR FLAKOLL referenced to an amendment that would propose "2" to "6" districts. SENATOR COOK feels we must be careful with JPA's. He feels there are many and some are with only two districts.

Roll Call Vote: 4 YES. 2 NO. 0 Absent. Motion Carried.

Carrier: SENATOR COOK

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FISCAL NOTE
Requested by Legislative Council
01/28/2003

Bill/Resolution No.: SB 2396

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.

This bill does not impose any additional duties on the Insurance Department so it will not have a fiscal impact on our budget or on the general fund. The bill requires that the Insurance Commissioner adopt rules, but the cost of the rulemaking is expected to be included within the present appropriation.

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

Name:	Charles E. Johnson	Agency:	Insurance Department
Phone Number:	328-2440	Date Prepared:	01/31/2003

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Date: 2/03/03
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. *SB 2396*

Senate **EDUCATION**

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Not Pass

Motion Made By Sen. Cook Seconded By Sen. Flakoll

[illegible]

Total (Yes) 4 No 2

Absent 0

Floor Assignment Sen. Cook

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

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1022103

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REPORT OF STANDING COMMITTEE (410)
February 3, 2003 1:12 p.m.

Module No: SR-20-1525
Carrier: Cook
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2396: Education Committee (Sen. Freborg, Chairman) recommends DO NOT PASS
(4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2396 was placed on the
Eleventh order on the calendar.

(2) DESK, (3) COMM

Page No. 1

SR-20-1525

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2003 TESTIMONY

SB 2396

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Self-Funding

Alternative Financial Arrangements for Group Benefit Plans



BlueCross BlueShield
of North Dakota

An independent licensee of the Blue Cross & Blue Shield Association

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SELF-FUNDING

Since the early 1980s, Self-Funding with Stop-Loss has been an increasingly popular mechanism for managing the costs of employees' health, dental and vision care.

Blue Cross Blue Shield of North Dakota has specialized in adding value to Self-Funded plans with provider arrangements, accrual accounting for Stop-Loss claims, and competitive administrative fees. No other company in the area can provide all the features we offer.

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Why Self-Fund your benefits program?

- Flexibility through a custom-designed benefit plan.
- Potential lowering of health care costs.
- Elimination of carrier risk charge.
- Most self-funded groups are exempt from state-mandated benefits.
- Control of plan's reserve.
- Significant cash flow benefits may result.
- Promotes greater cost awareness and consumerism.
- Immediate Individual Stop-Loss protection.

What to consider:

- What are the demographics of your employee group?
- What is the health care utilization of your group?
- Do you have the financial resources to meet cash flow fluctuations?
- Would a Self-Funded plan be an affordable alternative to standard health care coverage?
- Will the additional risk jeopardize your business?

You decide what your company needs.

An increasing number of employers are looking for a better way to manage their health care costs. Self-Funding allows you to design your company's own employee health care plan. Under a self-funded plan, you contract with Blue Cross Blue Shield of North Dakota to process your claims, manage claims costs and pay providers directly on your behalf.

With Self-Funding you gain greater control by actively participating in the design of your plan. You'll have the advantage of containing health care costs by Self-Funding the expected claims and transferring the unexpected risk to Blue Cross Blue Shield of North Dakota.

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Help control the costs associated with Self-Funding.

1. Administrative Costs

- Administrative fees are assessed only when a claim is paid.
- All services, such as employee Summary Plan Descriptions, claims payment, managed benefits and certain reporting are included in this fee.

2. Stop-Loss Premium

- Claims experience is pooled with other groups to avoid wide fluctuation from year to year.
- Our rates remain very competitive at all Stop-Loss levels.

3. Claims Payment

- Our contracts and financial arrangements with 99% of North Dakota's physicians and 100% of our state's hospitals lower the cost of paying claims.
- Discounts received by Blue Cross Blue Shield of North Dakota help control the increasing costs of your health care program.
- If you have employees residing or traveling outside North Dakota, you can also take advantage of provider discounts through the BlueCard® program. More than 85 percent of health care providers nationwide participate with a Blue Cross Blue Shield plan and its universal BlueCard.

How does Self-Funding work?

In a traditional insurance plan, you pay a premium to your health insurance carrier. In return, the carrier processes and pays claims according to your plan. The carrier is solely responsible for all risk.

By examining your employee's past claims experience, demographics and plan design, we can estimate the expected claims for your group. We can then suggest how much you should set aside each month to cover expected claims and related costs. As claims are submitted, Blue Cross Blue Shield of North Dakota will process and pay them from your designated account.

Administrative fees are charged only when a claim is processed. Claims will be paid from the account you designate. In most instances, this is done weekly.

Actual claims and administrative costs will vary monthly, and cash flow fluctuations are limited by a stop-loss insurance arrangement.

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A vertical strip of 15 grayscale images showing the progression of a handwritten letter 'S'. The images are arranged vertically, with the first image at the top and the last at the bottom. The sequence starts with a simple, dark, curved stroke that forms the basic shape of the letter. As the images progress, the stroke becomes increasingly complex, with more pronounced curves, loops, and a more defined, stylized form. The final image at the bottom shows a highly stylized, almost calligraphic version of the letter 'S' with a thick, dark, and slightly irregular outline. The background of the strip is white, and the images are separated by thin white lines.

Self-funded businesses may be exempt from having to provide mandated benefits in accordance with North Dakota law. Many groups, however, do include these benefits in their plans.

Deanna Ballis
Operator's Signature

1022103

Date _____

Your guide to understanding general terminology in a Self-Funded plan:

Administrative Services

These services include medical review, processing and payment of claims, processing of employee applications, maintenance of membership files, conversion plans for terminating employees, assistance in the development and preparation of Summary Plan Description, distribution of identification cards, and completion of actuarial and statistical reports.

ASO Contract

(Administrative Services Only)

Providing such services as: actuarial, benefit plan design, claim processing, data recovery and analysis, assistance with employee benefits communication, financial advice, medical care conversions, preparation of data for reports to governmental units, etc. These services are provided on a contract basis by an administrator or its subsidiary. Stop-Loss protection is not provided under this contract.

Aggregate Stop-Loss

The maximum level of claims payment for which the Self-Funded employer has liability. Claims in excess of this level are reimbursed by the Stop-Loss carrier. Such a plan is set for the contract year based on a percentage of expected claims during the contract period.

Aggregate Stop-Loss Attachment Point

The total dollar amount of paid or incurred benefits for all members per contract period, beyond which the insurance carrier will reimburse you, up to the maximum reimbursement.

BlueCard®

This program allows you the freedom to choose a Blue Cross Blue Shield provider anywhere in the United States - an important advantage if you receive services outside North Dakota. More than 85% of all hospitals and health care providers nationwide are participating with a Blue Cross Blue Shield plan.

Claims Administrator

A company appointed by the employer to handle all administrative duties including the processing and paying of claims from the employer's designated account.

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Coordination of Benefits (C.O.B.)

A method of integrating benefits payable under more than one group health benefit plan.

Covered Charges

Charges for medical care or supplies which, if incurred by a participant or other covered person, create a liability for the insurer under the terms of a group policy.

Experience

This factor considers what has been sent in by you in the form of funding and what we have paid out in the form of claims. Experience must also consider the insurance company's administrative costs, what must be paid to the state for premium tax and what the reserve requirements are. Group experience is combined with group demographics to reduce year-to-year fluctuation in funding rates.

Incurred Claims Basis

The date a service or supply is provided, or a person earns periodic payment due to total disability. Individual Stop-Loss is based on the incurred date of the claim.

Individual Stop-Loss

The dollar amount per individual per contract year which is the employer's responsibility. Also referred to as Specific Stop-Loss.

Immediate Stop-Loss Protection

Coverage that begins immediately once the Individual Stop-Loss amount has been reached. This limits the employer's maximum claims responsibility.

Maximum Reimbursement

The maximum amount of benefit payments payable to or for a member under the terms of the plan.

Paid Claims Basis

Individual and Aggregate Stop-Loss is based on the date the claim is paid.

Retention

That portion of the funding retained by the administrator for expenses, contingencies and contributions to surplus.

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Risk Charge

That portion of a group insurer's retention intended to be used for any of the following:

- 1) to spread the cost of catastrophic or epidemic losses over all groups;
- 2) to pay certain claims which may be "pooled" and not charged against the experience of a particular group;
- 3) to cover the experience deficits arising on the poorer risks in a given class;
- 4) to provide a contribution to the insurer's general surplus as protection against major losses affecting its entire group business.

Risk Corridor

The difference between expected claims and the aggregate stop-loss attachment point. This is the risk the employer is accepting in the Self-Funded plan.

Self-Funding

A group benefit plan which places health care risks with the employer rather than the health insurance company. The employer assumes responsibility for the organization's health care expenses.

Stop-Loss Insurance

A supplemental protection plan employers may purchase to establish a cap on their claims responsibility. Provides protection against catastrophic or unpredictable losses.

Suggested Funding Level

The recommended dollar amount you should set aside per contract, per month, to adequately fund claims expenses, administrative costs and stop-loss premium. This dollar level helps build a sufficient claims reserve for your program.

Trend

Expresses the year to year pattern of claims activity for a group. Describes the effects of inflation, increased usage of services, technological changes, deductible leveraging, and all other factors which increase the cost of claims.

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Q. Why is it necessary to have an accurate census of my employees?

A. Reliable census information helps us determine premiums and liability limits for your Stop-Loss policy.

Q. I understand that under the Employee Retirement Income Security Act of 1974 (ERISA) Self-Funded employers may be exempt from providing the various mandated benefit requirements that all 50 states impose on insured plans. Is this true?

A. Yes. The U.S. Supreme Court has ruled that under ERISA, most employer self-funded health care programs are exempt from state laws imposing benefit requirements on fully insured plans.

Q. What percentage of group insurance (involving 50 or more employees) sold by Blue Cross Blue Shield of North Dakota is Self-Funded?

A. Approximately 35% of all BCBSND group members are covered by a Self-Funded plan.

Q. How large does the group need to be to qualify for a Self-Funded Insurance program?

A. We recommend a minimum of 50 employees for Self-Funding a group.

Q. If my Self-Funding arrangement isn't working, can I terminate the program?

A. Yes. In most cases, a fully insured program will be available on anniversary month. However, application to convert the group's policy must be made in writing within 31 days prior to the date of termination.

Q. Are specific and aggregate Stop-Loss Insurance administered on an incurred or paid claim basis?

A. Both methods are available. Most businesses in North Dakota choose an incurred claim basis, largely because the accrual of claims over the course of a 12-month experience period adds more insurance value.

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Q. Why do I need Stop-Loss Insurance?

A. A Stop-Loss policy will limit your financial responsibility. A "catastrophic claim" could seriously impact your company's finances. A Stop-Loss policy will pay claims once they exceed a certain level. Stop-Loss coverage is strongly recommended for companies with fewer than 1,000 employees.

Q. When will my Stop-Loss coverage be administered?

A. Your Individual Stop-Loss policy will begin when claims exceed a specified maximum dollar amount.

Q. Are there different types of Stop-Loss coverage?

A. Yes. There are two types of Stop-Loss coverage: individual and aggregate. Individual Stop-Loss coverage will provide a limit to your liability on an individual member basis; aggregate Stop-Loss coverage limits your liability on a total group claims basis. Most Self-Funded arrangements combine both types of coverage.

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