

2019 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2226

2019 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Sheyenne River Room, State Capitol

SB2226
1/31/2019
#31962

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature : Pam Dever

Explanation or reason for introduction of bill/resolution:

Relating to state employee health plans; provide for a transfer; provide an appropriation

Minutes:

Att #1,2 -Joe Morrisette; Att # 3-4-Scott Miller
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Chairman Davison: Come to order. Attendance was taken and all were present. Let's open SB2226.

Sen Dick Dever, Dist. 32, Bismarck: I am introducing this by the budget of OMB. This represents policy and should be heard by a policy committee. It provides the three options for insurance that the governor referenced in his budget address. One option is the traditional plan that we have that is grandfathered plan. We have had for a few sessions that is a high deductible plan. PERS can share the numbers that participate in that. If I was young and healthy, I would be on that plan. Then there is a plan that would take us out of the grandfathered status as far as the affordable care act. It would offer greater benefits than in our plan at less money. How does that work? His plan employees would take that plan or pay an extra \$28/month to stay on their current plan. The difference is the size of the deductibles in the other plan. Both appropriations committees have made a decision to support the continuation of the existing plan, and not ask state employees to pay the additional \$28 as part of their compensation package. (3.08) Please give this bill due consideration. It is part of the total compensation package for state employees. (3.51) Any questions?

Chairman Davison: The PERS plan is a grandfathered plan. The talk is that a grandfathered plan is not that advantageous anymore. That is debatable long term. What knowledge do you have to keep a plan in grandfathered stage?

Sen Dever: Other people can respond. Last session, the governor asked that employees pay 5%. I understand that if you make changes to the plan that amount to more than 5%, than it becomes non-grandfathered. Last time, we changed the co-pays and deductibles that the plan designed. On the average, that represented just under 5%. If that becomes cumulative, then if we make additional changes. The difference between the governor's 5% is he wanted employees to have skin in the game. They would utilize their health benefits

more responsibly. What we did do, in changing the co-pay and deductibles, put that skin in the game.

Sen. Shawn Vedaa: You mentioned that some employees are on a high deductible plan. If this state pays for all employee's health insurance, why would they go on a high deductible plan? (7.36)

Sen Dever. The state premium into the high deductible plan, is less than before. At least a portion of the difference between the premium paid goes to their account to be used towards their deductible. PERS can respond better than I can.

Chairman Davison: More in support?

Joe Morrisette, Office of Management and Budget: I am here in support of SB2226. (att #1) (9.25-) This plan is a lower premium amount than our current grandfathered plan because of changes in the deductible and the co-insurance, which would be higher than the grandfathered plan. There are 340 people on the high deductible plan. Another provision of this bill, is there would be another offering on the table on the table to define who that difference is calculated. The high deductible has not had a high degree of participation. (11.55)

Chairman Davison: Do you know why this does not have a fiscal note? Am I missing something as far as fiscal impact this would have?

Joe: This is the policy side. (14.10) It is proposed in the executive budget for OMB.

Sen. Shawn Vedaa: What is the deductible in the high deductible plan?

Joe: (see att #2) This shows the comparison. Now the family is \$1500 under grandfathered plan. Under the high deductible it is \$4,000, and under the non-grandfathered plan it is \$3000.

Chairman Davison: If we are still putting in the health savings plan the difference between the two premiums, it would be neutral dollars.

Joe: Correct.

Scott Miller, Ex. Director of N.D. Public Employees Retirement System (PERS): (see att#3 & 4) I am here in a neutral position. Any questions?

Sen. Shawn Vedaa: HSAs say a young person decided to go with the high deductible and money goes into their saving plan. Is that for one year? When does that money stop going into their account? Two-year deal?

Scott: Today, as long as they stay in the high deductible plan there continue to be contributions to that person's account. In SB2226 that has the incentive for people to choose the high deductible plan, I understand that would be a \$500 a month per year incentive added into the HAS for two years. One they have an HAS, they get to keep it for life.

Sen. Erin Oban: Can you give me some examples that the non-grandfathered plan would provide that is not currently provided in the grandfathered plan?

Scott: There are some preventative and wellness benefits. Contraceptive will be 100% covered, colonoscopy will be 100%, PT for over 65 years of age, breast pumps, prenatal services and post-natal care are 100%. That comes at added cost. 3% of \$1400 is increase. We had to increase the out of pocket for members.

Sen. Shawn Veda: Does the state cover infertility?

Scott: N.D. has a very robust infertility treatment coverage.

Sen. Shawn Veda: I heard that the non-grandfathered plan, does it cover gender reassignment surgery?

Scott: That is a federal requirement.

Chairman Davison: Any more testimony? Any against? Seeing none we are closed.

2019 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Sheyenne River Room, State Capitol

SB2226
2/1/2019
31999

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Pam Dever

Explanation or reason for introduction of bill/resolution:

Relating to state employee health plans; provide for a transfer; provide an appropriation.

Minutes:

Chairman Davison: Look at SB2226. This has an appropriation so we have to vote. Any thoughts?

Sen. Kristin Roers: I got confused with the grandfathered and non-grandfathered.

Chairman Davison: They talk so you can distinguish between the two. It is a difference in flexibility.

Sen. Erin Oban: More about benefits than costs.

Chairman Davison: The health savings so that is not in the grandfathered plan.

Sen. Kristin Roers: they are transferring the money into HSA to offset the high deductible. You have more out of pocket up front.

Chairman Davison: To go to the HAS, if you look at appropriations side of things, that is the incentive dollars to use the high deductible plan. The incentive is \$500. It was in Joe's testimony page two. It is \$500 annually for two years. (5.49)

Sen. Kristin Roers: I like the idea of this plan.

Chairman Davison: What are the committee wishes?

Sen. Erin Oban: I move a DO PASS and rerefer to appropriations.

Sen. Richard Marcellais: I second.

Sen. Erin Oban: The benefits that are covered in the non-grandfathered plan are the things I hear the most complaints about in the younger employees.

Senate Government and Veterans Affairs Committee

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Page 2

Chairman Davison: Take the roll: **YES --7 NO -- 0 -0-absent PASSED and**
rerefer to Appropriations. Sen. Kristin Roers will carry the bill

Closed (7.53)

2/1/19

Date:
Roll Call Vote #:

2019 SENATE STANDING COMMITTEE

ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2226

Senate Government and Veterans Affairs Committee

☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☒ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Sen. Oban Seconded By Sen. Marcellais

Senators	Yes	No	Senators	Yes	No
Chairman Davison	/		Senator Marcellais	/	
Vice Chairman Meyer	/		Senator Oban	/	
Senator Elkin	/				
Senator Roers	/				
Senator Vedaa	/				

Total (Yes) 7 No 0

Absent - 0 -

Floor Assignment Sen. Roers

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

REPORT OF STANDING COMMITTEE

SB 2226: Government and Veterans Affairs Committee (Sen. Davison, Chairman)
recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee**
(7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2226 was rereferred to the
Appropriations Committee.

2019 SENATE APPROPRIATIONS

SB 2226

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

SB 2226
2/8/2019
Job # 32462

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Rose Laning
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Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact sections 54-52.1-06 and 54-52.1-18 of the North Dakota Century Code, relating to state employee health insurance plans; to provide for a transfer; and to provide an appropriation.

Minutes:

Testimony Attached # 1.

Legislative Council: Levi Kinnischtzke
OMB: Becky Deichert

Chairman Holmberg called the committee to order on SB 2226.

Senator Dever, District 32, Bismarck, ND

Introduced the bill. No written testimony.

This proposal was part of the OMB budget and is an additional plan. This plan would be a non-grandfathered plan and would include additional benefits that are not covered under the current plan but is a requirement of the Affordable Care Act for plans without grandfathered status.

The executive budget proposal has higher copays and deductibles. The non-grandfathered plan was \$28.46 less/month than the grandfathered. Three hundred forty people are on the high deductible health plan. If most people took the high deductible health plan, it would affect the cost of the grandfathered plan by adverse selection. We wouldn't be sharing the costs of people who don't use the services.

Considering we have made the decision to go to the grandfathered clause, I'm not so sure we need to forward this bill on beyond this, but it lays before us for that discussion.

Chairman Holmberg: any questions.

Joe Morrisette, Director, Office of Management and Budget

Testimony in support of SB 2226 - Attached # 1.

The components in this bill were originally proposed to be part of the original OMB bill. My testimony has some details about the current premium for the grandfathered plan, what that premium will increase in the next biennium and what the non-grandfathered plan would be. I would ask you to consider the proposal to provide the incentive for the participation in the

high deductible health plan. That is included in this bill. The high deductible health has been an option since 2011 and there are only 340 participants. We think it would be beneficial in the long term to incentivize participation and get people thinking about that and looking at the options that are currently on the table.

Senator Dever: If you're perception is different than mine. Don't hesitate to argue with me.

Joe Morrisette: Thank you, senator, but I have nothing to argue about regarding what was said about this bill.

Chairman Holmberg: You've been around long enough, Joe, to know that the legislature does, at times, change its mind. Sometimes if you're not in the legislature, you have no idea why they did it. Nothing is dead until May.
He closed the hearing on SB 2226.

Senator Poolman: Moved a Do Not Pass.

Senator Krebsbach: Seconded the motion.

A Roll Call Vote was taken: Yes: 13 No: 0 Absent: 1.

Senator Dever will carry the bill.

Date: 2-8-19
Roll Call Vote #: 1

2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2226

Senate Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☐ Do Pass ☒ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Poolman Seconded By Krebsbach

Senators	Yes	No	Senators	Yes	No
Senator Holmberg	X		Senator Mathern	X	
Senator Krebsbach	X		Senator Grabinger	X	
Senator Wanzek	X		Senator Robinson	X	
Senator Erbele	X				
Senator Poolman	X				
Senator Bekkedahl	X				
Senator G. Lee	X				
Senator Dever	X				
Senator Sorvaag	X				
Senator Oehlke	X				
Senator Hogue	X				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Dever

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

REPORT OF STANDING COMMITTEE

SB 2226: Appropriations Committee (Sen. Holmberg, Chairman) recommends **DO NOT PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2226 was placed on the Eleventh order on the calendar.

2019 TESTIMONY

SB 2226

Testimony in Support of Senate Bill No. 2226
Joe Morrisette, Director
Office of Management and Budget
January 31, 2019

SB 2226
1-31-19
AH #1
pg 1

Chairman Davison and members of the Senate Government and Veterans Affairs Committee, I am Joe Morrisette, Director of the Office of Management and Budget. I am here to testify in support of Senate Bill No. 2226 which provides statutory changes relating to the health insurance proposal included in the 2019-21 executive budget recommendation.

Executive Budget Proposal – Additional Plan Offering

The executive budget recommendation provides for a new state health plan to be offered in addition to the current main grandfathered plan and the existing high deductible health plan (HDHP). The proposed plan would be a non-grandfathered plan and would include additional benefits not covered under our current main plan but required under the Affordable Care Act for plans without grandfathered status.

The existing main plan has current biennium monthly premiums, based on the blended rate for single and family coverage, of \$1,265.34. The monthly amount billed to agencies is slightly different due to the use of reserves to pay a portion of premium costs during the 2017-19 biennium. The executive budget recommendation does not include the use of reserves to buy down the premium rate for the 2019-21 biennium. With no plan design changes, the monthly premium for this plan will increase to \$1,426.74 per month for the 2019-21 biennium, based on the current contract for the Sanford Health Plan. This is a biennial increase of 12.8%.

The executive budget proposal provides a new plan with added coverage, but higher copayments and deductibles, at a premium of \$1,398.28 per month. This is a biennial increase of 10.5%. The premium for this new plan would be fully paid by the state for all state employees.

The difference in 2019-21 monthly premium between the current grandfathered plan and the proposed non-grandfathered plan is \$28.46 per month. State employees electing to remain in the current grandfathered plan would be required to pay this difference in monthly premium. State employees electing to receive coverage under the proposed non-grandfathered plan would not be required to provide a monthly contribution towards the premium. It would continue to be fully paid by the state.

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Att #1
pg 2

The \$28.46 monthly contribution equals just 2% of the monthly premium. We believe this is a reasonable approach to the state benefits package with the following benefits:

- It maintains the current grandfathered plan with no changes to benefits, coinsurance amount, or deductibles.
- It provides more choice for state employees by providing a non-grandfathered plan option that delivers benefits valued by participants.
- It continues to provide a fully-state paid family health insurance benefit, which is a valuable recruitment and retention tool for the state.

Executive Budget Proposal – High Deductible Health Plan Incentive

The HDHP has been authorized in state law since 2011, but currently has less than 400 participants. We believe the state could benefit from additional participants who elect to assume a larger portion of their health-related costs and have a more vested interest in managing those costs. A benefit of electing the HDHP is the related health savings account (HSA). Under current law, the state makes a monthly contribution into the employee's HSA equal to the difference in premium between the main plan and the HDHP. For a participant with family coverage, the current state-paid monthly contribution to the HSA is \$185.88. Under the executive budget proposal, the monthly contribution to the HSA would be calculated based on the difference between the proposed non-grandfathered plan and the HDHP premium. Under the executive budget proposal, the state-paid monthly contribution for a participant with family coverage would be \$180.70 per month.

In addition to the existing incentive of state-paid monthly contributions to an HSA, the executive budget proposal includes an additional incentive for the 2019-21 biennium of a \$500 annual contribution for members who elect to participate in the HDHP. A member electing to participate in January 2020 would receive the additional \$500 deposited into their HSA in January 2020. If they elect to continue participating for 2021, they would receive an additional \$500. These contributions are funded from a one-time appropriation of \$1.5 million (\$800,000 from the general fund and \$700,000 from special funds) included in the executive budget for the Office of Management and Budget.

Section 1

Section 1 of SB2226 provides a change to NDCC Section 54-52.1-06 to allow the offering of an additional state health insurance plan and the employee contribution for employees electing to remain in the existing grandfathered plan.

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A# #1
pg 3

Section 2

Section 2 of the bill clarifies the calculation of the monthly contribution to the HSA for participants in the high deductible health plan as being the difference between the premiums for the HDHP and the proposed non-grandfathered plan.

Section 3

Section 3 of the bill includes the appropriation to OMB for the HSA incentive pool. This appropriation would be transferred to each agency with new participants in the HDHP during the 2019-21 biennium.

Mr. Chairman and committee members, this concludes my testimony. I ask your support for Senate Bill 2226. I would be happy to answer any questions.

Executive Recommendation (Subject to Additional Legislation*)**

NDPERS DAKOTA PLAN: 7/2019 – 6/2021

State Options	Grandfathered Plan		High Deductible Health Plan		Non-Grandfathered Plan	
PLAN FEATURES	BASIC	PPO	BASIC	PPO	BASIC	PPO
Deductible for Non-Physician Services						
Single (individual)	\$500	\$500	\$2000	\$2000	\$1000	\$1000
Family	\$1500	\$1500	\$4000	\$4000	\$3000	\$3000
Copayment Amounts						
Office Visits	\$35	\$30			\$35	\$30
Emergency Room Visits	\$60	\$60			\$60	\$60
Coinsurance	75/25	80/20	75/25	80/20	75/25	80/20
Coinsurance Maximum						
Single (individual)	\$1500	\$1000	\$2000	\$1500	\$2500	\$2000
Family	\$3000	\$2000	\$4000	\$3000	\$5000	\$4000
Total Out-of-Pocket per Benefit Period*						
Single (individual)	\$2000	\$1500	\$4000	\$3500	\$3500	\$3000
Family	\$4500	\$3500	\$8000	\$7000	\$8000	\$7000
Preventive Care Services	Standard Cost Share		100%		100%	
Prescription Drugs						
Generic Prescription	\$7.50 copay, 12% coins		20% coinsurance		\$10 copay	
Brand Name Prescription	\$25 copay, 25% coins		20% coinsurance		\$25 copay, 25% coins	
Nonformulary Prescription	\$30 copay, 50% coins		20% coinsurance		\$30 copay, 50% coins	
Prescription Drug Coinsurance Maximum	\$1,200		Included in Medical		Included in Medical	
Notes:***	\$28.46 Employee Premium***		\$0 Premium - HSA Contribution		\$0 Employee Premium	

* - Excludes Copayments.

Premium Notes:

Projected State Premiums	\$1426.74	\$1426.74	\$1398.28
Single	\$ 686.70	\$ 598.38 (\$ 74.64 HSA**)	\$ 673.02
Family	\$1656.04	\$1442.26 (\$180.70 HSA**)	\$1622.96

** - Difference in HDHP and Non-Grandfathered plan is contributed to Health Savings Account (HSA).

*** - Statute Change Required

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1-31-19
AH #2
pg 1

original

make copy

SB 2226
1-31-19

QH #3
pg 1

TESTIMONY OF SCOTT MILLER

Senate Bill 2226 – New Health Insurance Option

Good Morning, my name is Scott Miller. I am the Executive Director of the North Dakota Public Employees Retirement System. I am here today to provide testimony in a neutral position regarding Senate Bill 2226.

SB 2226 directs NDPERS to create a new option in our group health insurance program that state employees may elect, and provides that the new option is the plan that the state would fully fund for its employees. The bill also requires employees who elect to remain in the existing grandfathered plan to pay the difference in premium between the grandfathered plan and the new, non-grandfathered plan. Currently, we offer two different health plan options to state employees: a "grandfathered" PPO/Basic plan, and a High Deductible Health Plan (HDHP), which is a non-grandfathered plan.

SB 2226 directs NDPERS to create a third health plan option, which is a PPO/Basic non-grandfathered plan. A non-grandfathered plan, under the Affordable Care Act (ACA), is required to provide additional wellness and preventive care benefits, which Sanford Health Plan has estimated will add approximately 3% to the premium cost. This plan would be designed to be slightly less expensive than the PPO/Basic grandfathered plan. In order to make it so, out-of-pocket costs for the employees would be increased.

SB 2226 would also change the plan for which the State would be required to pay the full family premium. Right now the State pays the full blended premium for the PPO/Basic plan. SB 2226 would require the State to pay the full blended premium for the slightly less expensive new PPO/Basic non-grandfathered plan. It then gives employees the option to pay the difference between the cost of the PPO/Basic non-grandfathered plan and the PPO/Basic grandfathered plan if they want to be on the PPO/Basic grandfathered plan. Based on the plan design we asked Sanford Health Plan to model, that difference is about \$28. It also changes the amount deposited into an HDHP participant's HSA to the difference between the HDHP blended premium and the new PPO/Basic non-grandfathered plan blended premium, which is a slight reduction.

Regardless of which plan the employee elects, the State contribution will equal the blended premium for the new PPO/Basic non-grandfathered plan. The estimated financial impact to the State premium contributions is \$28.46 per month for each State employee, resulting in a total reduction of approximately \$10.8 million for the 2019-21 biennium.

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1-31-19

AH #3

pg 2

SB 2226 also provides funding for a health savings account incentive payment, which is designed to provide additional incentive for state employees to choose the HDHP plan. The appropriation language gives the Office of Management and Budget the authority to develop guidelines for that incentive.

Mr. Chairman, that concludes my testimony.

SP 2226
1-31-19

Scott

QH #4
pg 1

Benefit	NDPERS Current Grandfathered Plan	If NDPERS Plan were Fully Insured Non-Grandfathered Plan (Changes Required to be ACA Compliant)
Copayments	Do NOT accumulate towards Out-of-Pocket Maximum	Do accumulate towards Out-of-Pocket Maximum
Outpatient Sterilization for Women		Covered at 100%
Well Child Care	Visit Coverage goes to age 6: <ul style="list-style-type: none"> • 7 visits birth through 1 year • 3 visits 13-24 months • 1 visit a year 25-72 month 	Visit Coverage goes to age 18: <ul style="list-style-type: none"> • Limits in accordance with American Academy of Bright Futures Pediatric schedule
Vaccines Covered for Children	<ul style="list-style-type: none"> • DPT (Diphtheria-Pertussis-Tetanus); • MMR (Measles-Mumps-Rubella); • Hemophilus; • Influenza B; • Hepatitis; • Polio; • Varicella (Chicken Pox); • Pneumococcal Disease; • Influenza Virus 	Everything recommended by: <ul style="list-style-type: none"> • Centers for Disease Control (CDC) • Prevention Advisory Committee on Immunization Practices (ACIP) • Health Resources and Services Administration (HRSA)
Preventive Screening for Adults	Copay Office Visits	Covered at 100%
Tobacco Cessation Services	Not Covered	<ul style="list-style-type: none"> • 8 Counseling Sessions • 180 medication coverage
Physical Therapy for Members age 65 and older at risk for falls	Not mentioned	Covered at 100%
Contraceptive Services	Not mentioned	Covered at 100%
Breast Pumps	Not mentioned	Covered at 100%
Routine Prenatal and Postnatal Care	Covered at Co-insurance (not counting healthy pregnancy program)	Covered at 100%
Lactation Counseling	Not mentioned	Covered at 100%
Aspirin to prevent cardiovascular disease	Not mentioned	Covered at 100%
Routine Diagnostic Screenings	Benefits include: <ul style="list-style-type: none"> • Routine diagnostic screenings. • Routine screening procedures for cancer • Screenings recommended with a rating of "A" or "B" by the United States Preventive Services Task Force. • \$200 Benefit Allowance for other screenings 	Screenings include, but are not limited to the following: <ul style="list-style-type: none"> • Abdominal Aortic Aneurysm Screening; L • Anemia screening – Hemoglobin or Hematocrit (one or the other); • Basic Metabolic Panel; one (1) per Member per year. • Cholesterol Screening; coverage for frequency of Lipid Profile is dependent on Member age..

		<ul style="list-style-type: none"> • Diabetes Screening; benefit allowance of one (1) per Member per year. • Hepatitis B Virus infection screening. • Hepatitis C Virus (HCV) infection screening; • Lung Cancer Screening; • Osteoporosis Screening • Sexually Transmitted Disease (STD) Screening; • Genetic counseling and evaluation for BRCA Testing and BRCA lab screening
Cervical Cancer Screening	Not mentioned	Covered at 100%
Colorectal Cancer Screening for Members ages 50 and older	Fecal Occult Blood Test Covered at 100%	Covered at 100% <ul style="list-style-type: none"> • Fecal Occult Blood Test • Colonoscopy • Sigmoidoscopy
Prostate Cancer Screening	Covered at Co-Insurance	Covered at 100%
Folic Acid Supplements	Not mentioned	Covered at 100% for women
Pre-Natal Vitamins	Not mentioned	Covered at 100% for women
Vitamin D supplements	Not mentioned	Covered at 100% for 65 and older
Formulary breast cancer preventive medication	Not mentioned	Covered at 100% for 65 and older

Testimony in Support of Senate Bill No. 2226
Joe Morrisette, Director
Office of Management and Budget
February 8, 2019

/ SB 2226
2-8-2019
pg 1

Chairman Holmberg and members of the Senate Appropriations Committee, I am Joe Morrisette, Director of the Office of Management and Budget. I am here to testify in support of Senate Bill No. 2226 which provides statutory changes relating to the health insurance proposal included in the 2019-21 executive budget recommendation.

Executive Budget Proposal – Additional Plan Offering

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The existing main plan has current biennium monthly premiums, based on the blended rate for single and family coverage, of \$1,265.34. The monthly amount billed to agencies is slightly different due to the use of reserves to pay a portion of premium costs during the 2017-19 biennium. The executive budget recommendation does not include the use of reserves to buy down the premium rate for the 2019-21 biennium. With no plan design changes, the monthly premium for this plan will increase to \$1,426.74 per month for the 2019-21 biennium, based on the current contract for the Sanford Health Plan. This is a biennial increase of 12.8%.

The executive budget proposal provides a new plan with added coverage, but higher copayments and deductibles, at a premium of \$1,398.28 per month. This is a biennial increase of 10.5%. The premium for this new plan would be fully paid by the state for all state employees.

The difference in 2019-21 monthly premium between the current grandfathered plan and the proposed non-grandfathered plan is \$28.46 per month. State employees electing to remain in the current grandfathered plan would be required to pay this difference in monthly premium. State employees electing to receive coverage under the proposed non-grandfathered plan would not be required to provide a monthly contribution towards the premium. It would continue to be fully paid by the state.

The \$28.46 monthly contribution equals just 2% of the monthly premium. We believe this is a reasonable approach to the state benefits package with the following benefits:

- It maintains the current grandfathered plan with no changes to benefits, coinsurance amount, or deductibles.
- It provides more choice for state employees by providing a non-grandfathered plan option that delivers benefits valued by participants.
- It continues to provide a fully-state paid family health insurance benefit, which is a valuable recruitment and retention tool for the state.

Executive Budget Proposal – High Deductible Health Plan Incentive

The HDHP has been authorized in state law since 2011, but currently has less than 400 participants. We believe the state could benefit from additional participants who elect to assume a larger portion of their health-related costs and have a more vested interest in managing those costs. A benefit of electing the HDHP is the related health savings account (HSA). Under current law, the state makes a monthly contribution into the employee's HSA equal to the difference in premium between the main plan and the HDHP. For a participant with family coverage, the current state-paid monthly contribution to the HSA is \$185.88. Under the executive budget proposal, the monthly contribution to the HSA would be the difference between the proposed non-grandfathered plan and the HDHP premium, which for the 2019-21 biennium would be \$180.70 per month.

In addition to the existing incentive of state-paid monthly contributions to an HSA, the executive budget proposal includes an additional incentive for the 2019-21 biennium of a \$500 annual contribution for members who elect to participate in the HDHP. A member electing to participate in January 2020 would receive the additional \$500 deposited into their HSA in January 2020. If they elect to continue participating for 2021, they would receive an additional \$500. These contributions are funded from a one-time appropriation of \$1.5 million (\$800,000 from the general fund and \$700,000 from special funds) included in the executive budget for the Office of Management and Budget.

Section 1

Section 1 of SB2226 provides a change to NDCC Section 54-52.1-06 to allow the offering of an additional state health insurance plan and the employee contribution for employees electing to remain in the existing grandfathered plan.

Section 2

Section 2 of the bill clarifies the calculation of the monthly contribution to the HSA for participants in the high deductible health plan as being the difference between the premiums for the HDHP and the proposed non-grandfathered plan.

Section 3

Section 3 of the bill includes the appropriation to OMB for the HSA incentive pool. This appropriation would be transferred to each agency with new participants in the HDHP during the 2019-21 biennium.

Mr. Chairman and committee members, this concludes my testimony. Your Senate Government and Veterans Affairs Committee supported this bill with a unanimous Do Pass recommendation. I ask your support for Senate Bill 2226. I would be happy to answer any questions.