MICROFILM DIVIDER

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

ROLL NUMBER

DESCRIPTION

1071

2005 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1071

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1071

House Government and Veterans Affairs Committee

☐ Conference Committee

Hearing Date 2/3/05

Tape Number	Side A	Side B	Meter #
1	x		26.8-52.0

Committee Clerk Signature

Minutes: HB 1071 Acceptance and expenditures of funds by the retirement board for the uniform group insurance program from the third parties and bid negotiations for the health insurance plan and self-insurance and developed of a uniform group insurance program-specfic health care provider network.

14 members present, 0 absent.

Rod St. Aubyn-Blue Cross-Blue Shield of North Dakota-Oppose parts of the bill-Testimony Attached.

Sparb Collins-Executive Director of the North Dakota Public Employees Retirement System or PERS-for-Testimony Attached

Rep. Froseth: The fiscal note shows no impact whatsoever, if you are going to set up and manage your own health service network, it seems to me it going to be costly and require extra staff.

Sparb: We just went through a bidding process with Blue Cross and Blue Shield, so we have a six year contract, we are going to handle the resources that we have, looking at that fiscal note.

Rep. Klemin: You negotiated with Blue Cross and Blue Shield, so that takes care of the next six years?

Sparb: Out bidding process, we went out a few years ago and we didn't get anybody, but Blue Cross and Blue Shield. We do a bid for six years, subject to a two year renewal, two years from now we do a renewal with Blue Cross and Blue Shield ask them for a premium.We are always trying to improve the process, so we can get more people.

Rep. Klemin: Having the ability to be able to set up a new network, would not really take place until six years from now.

Sparb: Its usefulness would be six years from now. The advantage of doing it now and looking ahead, it is going to take a long time, it takes a lot of time to do this, so looking ahead, maybe we would be able to have a network by that time, six years from now. These don't go fast.

Chairman Haas: Have both of those, the PPO and the EPO that you had established have the both fallen by the way side now?

Sparb: No, the PPO is very strong, all the providers in our PPO network in the state of North Dakota. We have new contracts coming in every other week. The EPO, because of the capitated reimbursements structure we had in place and we have lost providers in some areas, we are now working with Blue Cross and Blue Shield to evolve.

Chairman Haas: Thank you very much. Anymore questions?

Rep. Grande: I move a Do Not Pass on HB 1071.

Rep. Horter: I second.

VOTE: YES 9 NO 5 ABSENT 0 DO NOT PASS

Voted three times--

FISCAL NOTE

Requested by Legislative Council
12/22/2004

Bill/Resolution No.: HB 1071

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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 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.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 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.*

No Fiscal effect

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:**	Public Employees Retirement System
Phone Number:	328-3901	**Date Prepared:**	12/30/2004

Proposed Amendment for HB 1071
February 11, 2005
Rep. Froseth

Page 1, delete lines 15 – 24.

Page 2, delete lines 1-31.

Page 3, delete lines 1-13.

Date: 2/11/05
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House House Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Did Not Adopt Amendment

Motion Made By Rep Froseth Seconded By Rep Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman C.B. Haas	✓		Rep. Bill Amerman		✓
Bette B. Grande - Vice Chairman	✓		Rep. Kari Conrad		✓
Rep. Randy Boehning	✓		Rep. Louise Potter		✓
Rep. Glen Froseth	✓		Rep. Sally M. Sandvig		✓
Rep. Pat Galvin	✓				
Rep. Stacey Horter	✓				
Rep. Jim Kasper		✓			
Rep. Lawrence R. Klemin		✓			
Rep. Lisa Meier	✓				
Rep. Margaret Sitte		✓			

Total (Yes) 7 No 7

Absent Ø

Floor Assignment tie

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

Froseth - not to adopt amendment
Grande - second

Date: 2/11/05
Roll Call Vote #: 2

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB1071

House House Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do PASS adopt Amendment

Motion Made By Rep Klemin Seconded By Rep Conrad

Representatives	Yes	No	Representatives	Yes	No
Chairman C.B. Haas		✓	Rep. Bill Amerman	✓	
Bette B. Grande - Vice Chairman		✓	Rep. Kari Conrad	✓	
Rep. Randy Boehning		✓	Rep. Louise Potter	✓	
Rep. Glen Froseth		✓	Rep. Sally M. Sandvig	✓	
Rep. Pat Galvin		✓			
Rep. Stacey Horter		✓			
Rep. Jim Kasper		✓			
Rep. Lawrence R. Klemin	✓				
Rep. Lisa Meier		✓			
Rep. Margaret Sitte	✓				

Total (Yes) 6 No 8

Absent

Floor Assignment

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

Date: 2/11/05
Roll Call Vote #: 3

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1071

House House Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Not Pass

Motion Made By Rep Grande Seconded By Rep Horter

Representatives	Yes	No	Representatives	Yes	No
Chairman C.B. Haas	✓		Rep. Bill Amerman		✓
Bette B. Grande - Vice Chairman	✓		Rep. Kari Conrad		✓
Rep. Randy Boehning	✓		Rep. Louise Potter		✓
Rep. Glen Froseth	✓		Rep. Sally M. Sandvig		✓
Rep. Pat Galvin	✓				
Rep. Stacey Horter	✓				
Rep. Jim Kasper	✓				
Rep. Lawrence R. Klemin		✓			
Rep. Lisa Meier	✓				
Rep. Margaret Sitte	✓				

Total (Yes) 9 No 5

Absent 0

Floor Assignment Rep Grande

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

REPORT OF STANDING COMMITTEE

HB 1071: Government and Veterans Affairs Committee (Rep. Haas, Chairman) recommends **DO NOT PASS** (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1071 was placed on the Eleventh order on the calendar.

2005 TESTIMONY

HB 1071

TESTIMONY OF
SPARB COLLINS
ON
HOUSE BILL 1071

Mr. Chairman, members of the committee, good morning. My name is Sparb Collins and I am Executive Director of the North Dakota Public Employees Retirement System or PERS. I appear before you today on behalf of the PERS Board and in support of this bill

House Bill 1071 relates to the PERS group insurance plan which includes the PERS health plan. The provisions of this bill include authority to address the new Medicare Rx program as it relates to our retiree plan and the other provisions are proposed to increase the competition to provide group insurance services to the State of North Dakota and to make the bidding process more effective and competitive. Some of the provisions of this bill were proposed last session and were unsuccessful. As proposed this session we have attempted to address those concerns with changes to the bill before you today.

Section 1 of the bill provides a continuing appropriation allowing PERS to accept and expend funds from sources other than premiums. This section is proposed in recognition of the new Medicare law that may provide subsidies to plans such as PERS for continuing to providing Rx benefits to our retirees. Allowing PERS to accept these funds to the extent they are available would reduce the cost to our retirees.

Section 2 of the bill allows PERS to negotiate with bidders on both price and specifications. According to previous guidance from the Attorney General PERS can negotiate only on price. As noted in the actuarial and technical review done by the health consultant on this bill for the Legislative Employee Benefits Committee:

> *Regarding the provision in the bill to allow PERS to negotiate with bidders on price and specifications, this is a relatively common among other public sector*

employers that we have worked with. Some states such as New Mexico, allow a "best and final" offer after the initial proposal. Others allow the plan sponsor to negotiate with the finalist or finalists as part of contracting.

The present provision is very restrictive and may not get the best value for the state and that is why the proposed change is offered

Section 3 of the bill allows PERS to self administer the plan and allows PERS to have an independent provider network. The self administration provision provides a continuing appropriation allowing PERS to set up such an operation and is intended to let bidders know that PERS has additional options available. The thought here is that if bidders know that they are competing against each other and a self administration option it may encourage them to put in the most competitive bid possible. In the health plan this is particularly applicable since there are a limited number of bidders. The second initiative proposed relates to establishing an independent provider network. PERS presently has a provider network with BCBS but it is not portable. The health consultant noted the following in its review of this bill for the Legislative Employee Benefits Committee:

The last provision of this proposed bill would allow PERS to establish its own proprietary health provider network or work to make its existing network portable. As Gallagher Benefits Services has very recently experienced while conducting PERS' medical RFP project, no managed care organization other than BCBSND has an established statewide physician and hospital network. Financially, it is not feasible for other carriers to establish a provider network unless they were assured of PERS' business. Until such time as BCBSND agrees to allow other organizations to access the existing PERS PPO and EPO networks, it is unlikely that PERS will be able to attract other bidders on its medical plan. Please note that PERS does presently have its own PPO network and EPO networks that were developed with BCBS as part of the present PERS/BCBS insurance plan. Therefore, the issue is not that PERS needs to create its own PPO network but rather making its existing PPO network portable.

This initiative if approved and successfully implemented would hopefully attract more firms to bid on health plan business and therefore make the process more competitive. This was proposed last session but one of the concerns expressed was that PERS would allow such a network to be used by other groups besides PERS, therefore in recognition

of this concern we have modified our proposal to specifically state that such a network can only be used for the benefit of PERS.

The provisions of this bill have been reviewed by the PERS actuary who has determined this bill would have no adverse financial impact to PERS. In fact the consultant noted, "to the extent that this bill would create a more competitive environment for PERS' health plan business, it could result in lower costs. These provisions have also been reviewed by the Legislative Employee Benefits Committee and given a favorable recommendation. On behalf of the PERS Board I would request your favorable consideration of this bill. Mr. Chairman this concludes my testimony.

Testimony on HB 1071
House Government and Veterans Affairs Committee
February 3, 2005

Mister Chairman and Committee Members, for the record I am Rod St. Aubyn, representing Blue Cross Blue Shield of North Dakota. I appear before you today to oppose parts of this bill.

As you may or may not know, BCBSND administers the fully insured health plan for PERS. For your information, it is important to distinguish between a self funded plan and a fully insured plan. In a self-funded plan, the employer assumes all risks in case claims exceed the premiums. Employers typically will purchase stop loss insurance to protect themselves from catastrophic losses. If the claims are less than the premiums, the employer keeps those gains, typically in a reserve fund to use for future losses or to buy down future rates.

In a fully insured plan, the insurer assumes all risks and retains all gains. Those gains are also typically placed in reserves for future losses or to hold down future increases.

The PERS plan is actually a hybrid of both plans. This has varied from year to year based on bids and negotiations. BCBSND assumes all risks if there are losses. If there are gains, BCBSND shares those gains with PERS, based on a formula.

The first area of concern with this bill is in Section 2, page 2, lines 12-14. This is a significant change from standard government procurement. Let me explain how this situation could work. Let's assume you receive bids from three bidders – Bidder A, Bidder B, and Bidder C. If Bidder C submits the lowest bid, this change in law would allow PERS to go to Bidder A or Bidder B to see if they would be willing to lower their bids to meet or be lower than Bidder C. This could go on and on until the bidders refuse to change their bids anymore. The whole purpose of bidding is to secure each bidder's best or lowest bid. How many companies are going to be willing to bid, if they know the State reserves the right to negotiate the bids, after all bids have been opened? Bids are just that – bids. Companies offer their prices based on the specifications provided. Anytime you add uncertainty with bidding procedures, it will only reduce the number of potential bidders.

The second area of concern we have is in Section 3. One of the new provisions of this section (page 2, lines 24-28) allows PERS continuing appropriation authority to "completely self-administer a self-insurance plan under the uniform group insurance program, if the board determines **one or more** of these options is less costly than contracting with a carrier for underwriting the plan with equivalent contract benefits." Those options include an administrative services only (ASO) contract, a third-party administrator (TPA) contract, or a self-administered self-insurance plan. We don't object to the state having these options. However, please note that on page 2, line 26-27, the words "the lowest bid submitted by" have been deleted. The change in this language means that if you have 3 bids and the lowest bid was offered by Bidder A and the highest

bid was offered by Bidder C, PERS would have the legislative authority and continuing appropriation authority to self-administer a self insured plan if they were cheaper than the "**highest**" bidder. Even if the lowest bidder could do it cheaper, PERS would have the legislative authority because PERS could do it cheaper than "contracting with a carrier." I'm sure that this is **not** what they were intending, but the language definitely opens the door to this option.

On page 3, lines 2-4, I'm not sure why this is being deleted.

Probably the greatest concern that we have is the new language being added on Page 3. This basically gives the PERS Board the authority to add whatever staff they wish to administer their program. What is most distressing for our company is included in lines 9-13. Our company has spent millions of dollars over many years to develop our network with medical providers of all types. This new language allows PERS to use state dollars to develop their own network and make that network available to other bidders. Nothing has stopped other companies from developing their own provider network in North Dakota over the past many years. Because we have been successful in developing this network, this bill actually invests state dollars to help out-of-state companies bid against us. I think this is bad public policy. What comes next? Will the state decide to invest in new utility lines throughout each community and offer those lines to other utility companies to bid for electrical services in the community? As I indicated, we feel this is poor public policy.

I think legislators could possibly justify this if the state were in fact getting poor service or too high of insurance rates. However, I would argue neither is true. As evidence, I have attached a chart from the National Conference of State Legislatures (NCSL). This chart has been updated as recently as 9/28/04. You will note that North Dakota has the lowest premiums of all the states listed. In fact, our premiums are 58.5% of the national average. The rates listed range from ND's at $488.70 to a high of $1,354.68 in Maine.

For all the reasons I have identified, we would urge you to seriously consider these issues. Mister Chairman and committee members, I would be willing to answer any questions you may have.

State [redacted]ployee Health Benefits - Monthly premium costs

Compiled by NCSL Health Program - Richard Cauchi - Revised June 2004

	1999 Family		2000 Family		2002 Family		2003 Family			2004 Family				
State cost	$ 361.24		$ 399.75		$ 512.60		$ 608.62			$ 674.31				State cost
Employee	$ 106.84		$ 115.56		$ 149.86		$ 166.13			$ 161.13 (40 states)				Employee
Ave. Total	$ 465.78		$ 512.55		$ 662.46		$ 774.75			$ 835.44				Ave. Total
	State	Empl.	State	Empl.	State	Empl.	State	Employee	Premium Total	Note	State	Employee	Premium Total	period	notes
AL	$ 320.00	$ 164.00	$ 320.00	$ 164.00	$ 445.00	$ 164.00	$ 490.00	$ 164.00	$ 654.00		$ 550.00	$ 164.00	$ 714.00		
AK	$ 488.50	$ 84.50	$ 488.50	$ 84.50	$ 575.00	$ 82.00	$ 630.00	$ 72.00	$ 792.00		$ 705.00	$ 162.00	$ 867.00	7/1-6/30	
AZ	$ 359.86	$ 75.00	$ 387.92	$ 75.00	$ 461.88	$ 125.00	$ 549.92	$ 125.00	$ 674.92		$ 620.78	$ 125.00	$ 745.78		
AR	$ 261.00	$ 198.00	$ 261.00	$ 198.00	$ 261.00	$ 221.86	$ 581.60	$ 218.90	$ 800.50		$ 493.13	v			
CA	$ 410.00	v	$ 452.00	v	$ 473.00	v	$ 589.00	$ 84.95	$ 673.95		$ 756.00	$ 38.00	$ 794.00		
CO	$ 240.88	$ 245.12	$ 240.62	$ 108.78	$ 310.00	$ 365.93	$ 310.62	$ 386.16	$ 580.06	[1]	$ 310.62	v			
CT	$ 461.42	$ 79.42	$ 549.60	$ 97.24	$ 631.52	$ 111.71	$ 723.10	$ 127.90	$ 851.00		$ 828.87	$ 146.61	$ 975.48		
DE	$ 550.54	$ 0.00	$ 553.78	$ 0.00	$ 697.38	$ 0.00	$ 753.00	$ 0.00	$ 753.00		$ 825.52	v			
FL	$ 362.62	$ 107.61	$ 391.60	$ 116.20	$ 450.34	$ 133.62	$ 508.88	$ 150.98	$ 659.86	[2]	$ 590.30	$ 175.14	$ 765.44		
GA	$ 368.46	$ 121.96	$ 374.34	$ 131.72	$ 415.65	$ 147.10	$ 566.45	$ 173.70	$ 740.15	[3]	$ 646.58	$ 180.28	$ 826.86		
HI	$ 243.36	$ 162.26	$ 229.40	$ 159.60	$ 284.44	$ 189.64	*$ 465.08*	*$ 186.62*	$ 651.70	[4]	v	v			
ID	$ 258.51	$ 38.80	$ 283.33	$ 43.00	$ 369.96	$ 56.11	$ 389.42	$ 56.11	$ 445.53		$ 457.58	$ 81.00	$ 538.58		
IL	$ 456.60	$ 145.00	$ 600.56	$ 145.00	$ 703.50	$ 196.50	$ 889.40	$ 207.00	$ 1,096.40	[6]	$ 887.28	$ 223.50	$ 1,110.78		
IN	$ 454.55	$ 87.49	$ 649.70	$ 45.18	$ 742.26	$ 51.61	$ 826.83	$ 57.49	$ 884.32		$ 834.17	$ 131.15	$ 965.32		
IA	$ 325.73	$ 145.66	$ 352.18	$ 185.60	$ 619.57	$ 211.28	$ 693.79	$ 242.90	$ 936.69		$ 777.90	$ 229.98	$ 1,007.88		
KS	$ 317.37	v	$ 363.42	$ 284.53	$ 487.36	$ 319.44	$ 466.02	$ 363.08	$ 831.10	[13	$ 513.58	$ 402.36	$ 915.94		updated 9/28/04-KS Ins
KY	$ 203.00	$ 200.00	$ 214.00	$ 300.00	$ 245.00	v	$ 287.00	$ 540.80	$ 827.80	[5]	$ 286.16	v			
LA	$ 203.28	$ 203.28	$ 223.62	$ 223.64	$ 344.74	$ 249.62	$ 412.38	$ 313.40	$ 725.78		$ 492.86	$ 298.82	$ 791.68	7/1-6/30	
ME	$ 443.32	$ 110.84	$ 469.92	$ 117.49	$ 509.04	$ 151.00	$ 762.00	$ 190.00	$ 952.00		v	v			
MD	$ 475.20	$ 118.80	$ 428.16	$ 86.50	$ 565.41	$ 141.36	$ 632.86	$ 158.22	$ 791.08		$ 591.93	$ 121.17	$ 713.10		
MA	$ 678.23	$ 156.09	$ 688.60	$ 121.52	$ 769.40	$ 131.33	$ 895.10	$ 157.96	$ 1,053.06	[9]	$ 1,083.74	$ 270.94	$ 1,354.68	7/1-6/30	
MI	$ 517.92	$ 27.26	$ 605.97	$ 31.89	$ 752.61	$ 39.61	$ 752.62	$ 39.61	$ 792.23		$ 903.13	$ 47.53	$ 950.66		
MN	$ 245.20	$ 27.24	$ 301.45	$ 33.49	$ 456.63	$ 50.74	$ 590.28	$ 59.03	$ 649.31		$ 848.39	$ 93.21	$ 941.60		
MS	$ 162.00	$ 221.00	$ 172.00	$ 243.00	$ 205.00	$ 325.00	$ 356.00	$ 325.00	$ 681.00		$ 228.00	$ 356.00	$ 584.00		
MO	$ 228.00	$ 152.00	$ 335.00	$ 190.00	$ 682.00	$ 240.00	$ 735.00	$ 246.00	$ 981.00		$ 829.00	$ 272.00	$ 1,101.00		
MT	$ 245.00	$ 75.36	$ 258.64	$ 91.00	$ 293.64	$ 145.00	$ 334.60	$ 191.00	$ 525.00		$ 410.00	v			
NE	$ 467.50	$ 94.82	$ 464.02	$ 171.73	$ 742.19	$ 197.29	$ 827.27	$ 219.91	$ 1,047.18		$ 856.98	$ 227.80	$ 1,084.78		
NV	$ 264.51	$ 211.95	$ 327.20	$ 227.85	$ 357.50	$ 256.35	$ 465.78	$ 256.59	$ 722.37		$ 495.68	$ 270.95	$ 766.63		
NH	$ 495.42	$ 0.00	$ 689.10	$ 0.00	$ 895.53	$ 0.00	$ 1,027.71	$ 0.00	$ 1,027.71		$ 1,304.40	$ 0.00	$ 1,304.40		
NJ	v	$ 0.00	$ 299.00	$ 0.00	$ 558.51	$ 0.00	$ 875.58	$ 0.00	$ 875.58	[10	$ 742.27	$ 0.00	$ 742.27		
NM	$ 251.11	$ 167.42	$ 261.04	$ 174.00	$ 330.98	$ 220.65	$ 483.60	$ 161.20	$ 644.80		v	v			
NY	$ 305.84	$ 70.02	$ 414.90	$ 92.56	$ 538.72	$ 84.08	$ 575.02	$ 129.36	$ 704.38		$ 707.60	$ 158.57	$ 866.17		
NC	$ 144.60	$ 216.18	$ 187.98	$ 281.04	$ 244.38	$ 365.36	$ 244.38	$ 365.36	$ 609.74		$ 285.92	$ 427.48	$ 778.94		
ND	$ 301.00	$ 0.00	$ 349.72	$ 0.00	$ 409.09	$ 0.00	$ 409.09	$ 0.00	$ 409.09		$ 488.70	$ 0.00	$ 488.70		
OH	$ 406.03	$ 45.12	$ 464.68	$ 46.47	$ 669.77	$ 66.98	$ 707.54	$ 78.61	$ 786.15		$ 807.92	$ 81.37	$ 889.29		
OK	$ 172.77	$ 172.78	$ 379.46	$ 100.00	$ 625.95	v	$ 735.15	$ 0.00	$ 735.15		v	v			
OR	$ 430.31	$ 0.00	$ 531.97	$ 0.00	$ 571.01	$ 0.00	$ 654.07	$ 0.00	$ 654.07		$ 721.62	$ 0.00	$ 721.62		updated 8/5/04-PEBB
PA	$ 403.89	$ 0.00	$ 410.91	$ 0.00	$ 410.91	$ 0.00	$ 410.91	$ 0.00	$ 410.91		$ 509.17	$ 22.44	$ 531.61		
RI	$ 468.30	$ 0.00	$ 579.94	$ 0.00	*$ 770.00*	$ 0.00	$ 904.96	$ 0.00	$ 904.96		$ 904.56	$ 0.00	$ 904.56		
SC	$ 253.75	$ 142.12	$ 337.37	$ 142.12	$ 466.72	$ 159.12	$ 466.72	$ 196.60	$ 683.32		$ 466.72	$ 234.68	$ 701.40		
SD	$ 225.37	$ 218.39	$ 247.69	$ 218.39	$ 298.50	$ 254.33	$ 336.36	$ 267.26	$ 603.62		$ 399.33	$ 280.62	$ 679.95		
TN	$ 462.54	$ 102.90	$ 410.27	$ 102.90	$ 589.77	$ 147.44	$ 737.21	$ 184.30	$ 921.51		$ 788.82	$ 197.20	$ 986.02		
TX	$ 371.65	v	$ 371.65	v	$ 588.86	$ 262.84	$ 600.96	$ 294.34	$ 895.24		$ 586.39	$ 286.12	$ 872.50		
UT	$ 457.15	$ 0.00	$ 489.62	$ 0.00	$ 615.90	$ 46.37	$ 689.82	$ 51.91	$ 741.73		$ 748.45	$ 56.33	$ 804.78		
VT	$ 671.83	$ 134.37	$ 581.54	$ 145.38	$ 859.11	$ 214.78	$ 1,022.34	$ 255.59	$ 1,277.93		$ 1,055.62	$ 263.91	$ 1,319.53		
VA	$ 397.00	$ 170.00	$ 406.00	$ 185.00	$ 462.00	$ 218.00	$ 557.00	$ 240.00	$ 797.00		$ 690.00	$ 99.00	$ 789.00		
WA	$ 341.75	$ 36.00	$ 391.15	$ 10.00	$ 457.29	$ 146.00	$ 710.00	$ 109.00	$ 819.03		$ 518.00	$ 90.00	$ 608.00		
WV	$ 441.10	$ 48.00	$ 452.10	$ 48.00	$ 486.00	$ 72.00	$ 544.00	$ 109.00	$ 653.00	[11	$ 620.00	v		7/1-6/30	
WI	$ 511.92	$ 14.95	$ 544.90	$ 15.09	$ 705.00	$ 70.00	$ 902.57	$ 31.02	$ 933.59	[12	$ 1,021.21	$ 89.67	$ 1,110.88		
WY	$ 175.00	$ 229.82	$ 200.00	$ 268.16	$ 225.00	$ 412.23	$ 352.00	$ 518.58	$ 870.58		$ 828.29	$ 140.39	$ 968.68		

Data based on family coverage "standard benefit package", using lowest cost full-service HMO as example.
Most states offer multiple plans and options, so individual employees often pay a different rate.
Base figures were compiled annually by Workplace Economics (c), Washington, D.C., editions 1999-2004.
Supplemented with state research and NCSL telephone interviews with state agencies, 2001-2003.
Acknowledgment to Segal Co. and AFSCME for providing comparative data for individual cases.

v = $ varies [1] CO: Kaiser HMO - the widest available lower-cost plan

[2] FL:

[3] GA: figure is the average of 10 different managed care plans; lowest cost basic is $117.33 in '03

[4] HI varies by union bargaining unit. State contribution varies from $419 to $466 in '03. [6] IL tiered by income; figures for $26-40k

[5] KY varies by county, up to $397 for state share; $287 is the average in '03. For '04-'05, employee share varies by salary brackets.

[9] MA has ten plan offerings, including 5 HMOs, which average $62.55

[10] NJ includes a separate prescription drug plan, covered by the state.

[11] WV employee share varies by income- example is for $30-$36k annual income.

[12] WI varies by county.

[13] KS: premiums listed include both HMO policy premiums plus the separate Rx benefit package.

Information for Bill 1071

Establishing and maintaining a provider network is very laborious and expensive. A mutually beneficial relationship exists between the provider community and Blue Cross Blue Shield of North Dakota. This is based on a long-standing relationship, which has matured and developed over time. The provider's benefit from correct and timely payment of claims. This assures them of needed cash flow for operations. Blue Cross, in return benefits from lower contracted rates. The providers are willing to negotiate lower than charge reimbursement based on our claims adjudication accuracy, timeliness and on the large number of members that carry our insurance.

There are many functions that are necessary to establish and maintain a network: network contracting, establishment of provider reimbursement, provider relations, and provider services. I will elaborate on each area and discuss the associated costs.

NETWORK CONTRACTING

Functions:

- Write provider contracts for the following providers:
  - Hospital
  - MD
  - Advance Practice Nurse
  - Audiologists
  - Certified Diabetic Educator
  - Chiropractor
  - Dentist
  - Licensed Addiction Counselor
  - Licensed Independent Social Worker
  - Licensed Professional Clinical Counselor
  - Licensed Registered Dietitian
  - Occupational Therapist
  - Optometrist
  - Physical Therapist
  - Physician Assistant
  - Psychologist
  - Speech Language Therapist
- Credential physicians
- Maintain provider information for directories

Associated Annual Costs = $596,000

PROVIDER REIMBURSMENT
Functions:

- Develop fee schedules
- Analyze CMS regulations
- Assess claims history
- Educate providers on payment methodologies
- Determination of payment levels for new codes
- Perform post impacts of payment methodologies by facility as requested by providers
- Development and maintenance of provider manuals

Associated Annual Costs = $1,331,000

PROVIDER RELATIONS
Functions:

- Facilitate the relationship with providers
- Service Provider Contracts
- Conduct provider seminars
- Conduct provider educations sessions

Associated Annual Costs = $823,000

PROVIDER SERVICE
Functions:

- Answers providers questions concerning claims adjudication

Associated Annual Costs = $1,489,000

CUMULATIVE COSTS = $4,239,000