

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2347

2005 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2347

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2347

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date 2-01-05

Tape Number	Side A	Side B	Meter #
2	xxxx		70-2000
Committee Clerk Signature <i>Lisa VanBerkom</i>			

Minutes: **Chairman Mutch** opened the hearing on SB 2347. All Senators were present.

SB 2347 relates to cooperative agreements for group health care coverage.

John Jankowski, Superintendent of St. Mary's Central High School, introduced the bill.

See attached testimony.

Chairman Mutch : How many schools are doing this?

John: On the yellow handout there are forty two schools listed.

Senator Klein : Your goal would be to encompass more than that. As many as possible into a program to drive the premium down.

John: Ultimately, that could be a goal, again right now the insurance department tells us we can't do this at all, so they haven't researched what mandates would have to go with our plan.

Senator Krebsbach: How many people are involved in your North Dakota Educators Service Cooperative?

John: We have about one hundred schools currently in our group. We also deal with purchasing and helping schools with purchasing things from paper products to janitorial supplies, but we don't know that all of the schools would want to participate in our insurance group. It is a district decision.

Senator Krebsbach: Is this a combination of private and public schools or strictly private?

John: No, this is strictly public schools.

Chairman Mutch : Now in your private school, do you belong to a group?

John: My school is a nine to twelve school and we receive the print out that you have. We are treated as part of the pool in the state of North Dakota.

Senator Krebsbach: Private schools would not be allowed to be included in this bill?

John: As the joint powers legislation is currently written, we believe that to be correct.

Nancy Sand, North Dakota Education Association, spoke in support of the bill.

Nancy: We support this bill from the standpoint of giving school districts options. If they would choose to go into this, we would certainly advise them to go into this with their eyes wide open and with a great deal of caution. Too small of a group is going to fail. You need a large enough group to spread the risk. We do have some school districts in this state that are self-insuring. We have some school districts who do not offer any kind of insurance benefits. It is true that the increased cost of insurance is one of the biggest issues out there for our members. I don't know if this would be the answer, but it would provide an option.

There were no questions from the committee.

Chairman Mutch allowed neutral testimony to be heard at this time.

Senator Krebsbach: Is the Insurance Department going to speak to a cost involved in establishing this?

Dan Ulmer, Blue Cross Blue Shield, spoke to "educate" the committee.

Dan: One issue is the ability to self-insure, takes you out from state regulation. There are two types of insurance. The fully insured product and a self insured product. Self insured products are exempt from state regulation. The self funded trust went bankrupt, premiums spiraled. We took it over and paid their debts. We seem to be the clean up artists in the game as well. We are saying make sure your eyes are open.

Chuck Johnson, North Dakota Insurance Department General Council, spoke from a neutral standpoint.

Chuck: The impact of adding the words "self-insured" in this bill was the topic of conversation with Dan Ulmer and myself today. I'm not sure that it does what Dan represented to you. We learned that ARISA doesn't apply to things like governmental sponsored plans. I'm not sure if a school sponsored plan would in fact be a qualified plan. Putting the words "self-insured" into this wording would convert this group into an ARISA plan or ARISA exempt plan.

Senator Krebsbach: Have you given any thought to the fiscal impact on your department on this?

Chuck: We have given some thought to it and I think we would have to go through a rulemaking and it would require a certain amount of time. Because we already regulate insurance companies and our financial people are pretty experienced in what they would expect from a company that's assuming a risk like this. I don't think it would be a big impact. Mike Fix is here, he is our actuary.

Page 4

Senate Industry, Business and Labor Committee

Bill/Resolution Number SB 2347

Hearing Date 2-01-05

Mike Fix, Director of Life and Health Division of the Insurance Dept., spoke.

Mike: In terms of the rule making. Currently for a cooperative that is formed to purchase insurance and they would have to buy fully insured insurance, the coop has to provide a business plan to the commissioner and the business plan has to have some cost control information and services provided and officers and evidence of security and things like that.

What this bill would do is just add a self insurance element to it.

The hearing was closed. No action was taken.

Later that afternoon, Chairman Mutch allowed discussion and committee action of SB 2347.

Senator Nething moved a DO PASS.

Senator Klein seconded.

Roll Call Vote: 7 yes. 0 no. 0 absent.

Carrier: Senator Heitkamp

Date: 2-01-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2347

Senate Industry, Business, and Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Nothing Seconded By Klein

Senators	Yes	No	Senators	Yes	No
Chairman Mutch	X		Senator Fairfield	X	
Senator Klein	X		Senator Heitkamp	X	
Senator Krebsbach	X				
Senator Espegard	X				
Senator Nething	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Heitkamp

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

REPORT OF STANDING COMMITTEE (410)
February 2, 2005 7:51 a.m.

Module No: SR-22-1630
Carrier: Heltkamp
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2347: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2347 was placed on the Eleventh order on the calendar.

2005 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2347

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2347

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 3-1-05

Tape Number	Side A	Side B	Meter #
2		x	29.6-end
3	x		0-21.5
Committee Clerk Signature <i>Joey Reinke</i>			

Minutes:

Chairman Keiser: Opened the hearing on SB 2347.

Senator Wardner: Appeared in support of bill and also was a sponsor of the bill.

This is a cooperative agreement of group health care coverage between smaller schools, if they can get together and self insure.

John Jankowski, Superintendent, St. Mary's Central High School, Bismarck, North

Dakota: Appeared in support of bill and provided a written statement (SEE ATTACHED TESTIMONY).

Representative Froseth: Out of the 42 school districts, 850 contracts, how many of those do you feel the need to form a group before it becomes feasible.

John Jankowski: We think that close to 1,000 contracts are needed to have a good group, I believe that Fargo and Grand Forks are 900 to 1,000. What I don't want to happen as a school administrator, is, that like Hillsboro, that they just decided that they have given up, they dropped

their health care coverage, and so their employees are on their own. We want to give them a product that they can feel comfortable and can afford. It will take about 2 to 4 years that we are in a position that people fully understand that it will take the insurance department I imagine the committee wants to write the guide lines, to me the magic figure now that we are knocking on the door is \$10,000.00 premiums, when you are a beginning teacher making \$25,000 that is really difficult to deal with, that would be another reason not to go into education.

Joe Westby, Executive Director, NDEA: Appeared in support of bill. Health insurance costs are the single most concern of our members across the state of North Dakota, because the premiums are going up and the salaries are holding. So they really are not making much progress improving there overall compensation, this is a really big issue, this little change in this bill to self insure, to us, it seems like it should happen, it should give school districts the opportunity to work together as a group and provide coverage to their employees.

Chuck Johnson, Legal Counsel, Insurance Department: Appeared in committee on SB 2347 as neutral. This bill would allow any group to form. Our concern is our group be sound financially so they will be able to pay their claims as they come due. With other insurance companies, to organize, they have to have at least \$1, 000,000.00 capital in surplus to help you get started. We would expect school districts to commit on a long term basis, and aiming toward good financial assurance. There are a lot of hurdles for this group to get over before this develops.

Mike Fix, Director, Life and Health Division, Actuary, Insurance Department: I just want to briefly mention to you that what the bill does is just adds the words "or to self insure", so there is a number of things right now that are in the administrative rule for groups that want to

Page 3

House Industry, Business and Labor Committee

Bill/Resolution Number SB 2347

Hearing Date 3-1-05

form a cooperative to purchase health insurance. These would be looked at and tweaked to handle those self insured. We want to make sure that they are going to have their benefits paid, somehow.

Representative Kasper: I move a DO PASS on SB 2347.

Representative Nottestad: SECOND the DO PASS motion.

Motion carried. **VOTE: 14-YES 0-NO 0-ABSENT.**

Representative Froseth will carry the bill on the floor.

Hearing closed.

Date: 3-1-05

Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2347

House INDUSTRY, BUSINESS AND LABOR Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep. Kasper Seconded By Rep. Nottestad

Representatives	Yes	No	Representatives	Yes	No
G. Keiser-Chairman	X		Rep. B. Amerman	X	
N. Johnson-Vice Chairman	X		Rep. T. Boe	X	
Rep. D. Clark	X		Rep. M. Ekstrom	X	
Rep. D. Dietrich	X		Rep. E. Thorpe	X	
Rep. M. Dosch	X				
Rep. G. Froseth	X				
Rep. J. Kasper	X				
Rep. D. Nottestad	X				
Rep. D. Ruby	X				
Rep. D. Vigesaa	X				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Rep. Froseth

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

REPORT OF STANDING COMMITTEE (410)
March 1, 2005 3:11 p.m.

Module No: HR-37-3897
Carrier: Froseth
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2347: Industry, Business and Labor Committee (Rep. Kelsner, Chairman) recommends DO PASS (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2347 was placed on the Fourteenth order on the calendar.

2005 TESTIMONY

SB 2347

Testimony for SB 2347

My name is John Jankowski, currently Superintendent at St. Mary's Central High School here in Bismarck, and former administrator in Larimore and Richardton. I've been the President of the North Dakota Educators Service Cooperative for the past six years. Our members joined together for the specific purpose of trying to do something about rising health care costs for our employees. We have tried obtaining another fully insured program for our employees besides Blue Cross and Blue Shield of North Dakota, knowing that competition is good for all businesses. However we have failed. We haven't been able to find a company that can provide a fully insured program for all schools across the state.

I'm here today to ask you to give consideration to SB 2347. This simple bill will allow Mr. Poolman and the Insurance Department the flexibility to research and write guidelines to give groups the opportunity to have a Self-Funded/Insured Health Insurance Program.

When I say group, I specifically mean small schools joining together whether it be in our cooperative or some other joint powers arrangement and have the opportunity to have a Self Funded Health Insurance program. We know that several of the larger schools in the state have self-insured programs for employees. Fargo, Grand Forks, and Minot are examples. However the way the current law reads, schools cannot join together to be Self Funded. For example, Fargo and West Fargo would have to separate programs.

I have given you several handouts to help you further understand our dilemma.

Handout #1

Is the rate sheet provided to schools each year listing the different types of fully insured programs and the monthly premium cost.

Handout #2

The Group Experience Summary for the group Educators Plus 100.

Note that the family premium this year is \$9337.20. Also note that the premium the last 3 years has averaged an increase of about 10% each year. Thus we could predict that the family premium next year will be over \$10,000.00.

If you look at the bottom half of this printout you will notice the history of this group in Income, Paid claims, and Admin. Costs, Net Gain, and Accumulated Net Gain/Lost. It appears over the last 10 years, 3 of the years BC/BS suffered a loss for this group. Also note however, that we don't know anything about their Stop Loss protection.

I also want to emphasize that during the last 4 years while the rates were going up 10% each year BC/BS collected \$8,586.404 in administration fees, Conversion and Reserve fees.

This testimony isn't intended to sound as an indictment towards BC/BS. Far from it! All of us enjoy the many benefits from having the safety of our card in our pockets. We know that fully insured programs have many mandates, which ultimately drive up the cost of fully insured programs.

So, we're back to why SB 2347. Handout #3 is a document available on the Internet from BC/BS. It outlines the many advantages of having a Self-Funded Insurance program.

Page three addresses the benefits of Self Insured program which include:

1. Flexibility
2. Potential lowering of Health Care Costs
3. Elimination of Carrier Risk
4. Most groups are exempt form state mandate benefits
5. Control of plan's reserve
6. Significant cash flow benefits may result
7. Promotes greater cost awareness and consumerism

A group gets to decide what a group needs. Board members, administrators, teachers, cooks, janitors, secretaries, and all school employees can help decide what benefits a group should have. Employees can to design their plan.

This document goes on to stay that 35% of all BCBSND groups members are covered by a Self-Funded plan.

The final document in this packet is the printout for the calendar year of 2003 for most of our member schools. We weren't able to obtain other data at this time. I have blacked out the school names for HIPPA protection.

You will see that with 850.0 contracts \$4,448.787 in premium was generated with \$3,693.447 in payments. Leaving \$755,339 for Admin. Costs, Conversion and Reserve costs.

We believe that 850 does provide a nice number for a Self Insured group. It took 42 school districts to generate this number.

Now the passage of SB 2347 is not the final step. Once this bill is passed the torch is then passed to the Insurance Department to write the necessary guidelines. Then schools have to decide if this is the right direction for their employees. I do know that it will open a dialogue in every district on how to control health care costs.

I have the confidence that the Insurance Department will be able to develop the rules and guidelines in a timely fashion. I ask that you pass SB 2347 so that the department has the authority to make the next step.

Thank you for your consideration.

Group Number: [REDACTED]

Group Name: [REDACTED]

Anniversary Date: OCTOBER, 2004

CURRENT PLAN

<u>Health</u>	<u>Single</u>	<u>SPD</u>	<u>Family</u>
BlueChoice	\$278.40	\$490.10	\$724.00

OPTIONAL PLANS

<u>Health</u>	<u>Single</u>	<u>SPD</u>	<u>Family</u>
SelectChoice 100	\$282.90	\$497.80	\$735.40
SelectChoice 250	\$271.20	\$477.30	\$705.20
SelectChoice 500	\$259.00	\$455.80	\$673.40
CompChoice 250	\$271.80	\$478.40	\$706.60
CompChoice 500	\$259.60	\$456.80	\$674.80
CompChoice 1000	\$242.40	\$426.50	\$630.10
Classic Blue 100	\$294.50	\$517.90	\$765.20
Classic Blue 250	\$283.00	\$498.00	\$735.90
Classic Blue 500	\$271.00	\$476.80	\$704.60
Basic Blue 0	\$264.60	\$465.90	\$688.20
Basic Blue 250	\$243.00	\$427.80	\$631.90
Basic Blue 500	\$227.30	\$400.20	\$590.20
Basic Blue 80 250	\$261.80	\$461.10	\$681.00
Basic Blue 80 500	\$243.90	\$429.50	\$633.40
Ed Plus 100	\$299.40	\$526.70	\$778.10
Ed Plus 250	\$287.00	\$504.90	\$745.80

Basic
224

Dental

\$50 Deductible-80/20-50-50

\$29.90 \$77.10 \$77.10

Basic
225

Dental

\$50 Deductible-80/20-50-50

Includes Orthodontia \$36.60 \$95.50 \$95.50

Basic
37

Vision

\$100 Frame Allowance

every 2 years \$10.00 \$21.30 \$21.30

GROUP EXPERIENCE SUMMARY

BLUE CROSS BLUE SHIELD OF NORTH DAKOTA

<i>Group Name:</i>	Pooled Schools		
<i>Location:</i>	Statewide	<i>Group Number:</i>	Various
<i>Current Enrollment:</i>	Single:	2049	<i>Anniversary Month:</i>
	SPD:	392	
	Family:	1446	

RATE HISTORY

Effective Date	<i>Benefit Plan:</i>	<i>Institutional:</i>	<i>Educators Plus 100 '03</i>	
		<i>Professional:</i>	Single	SPD
10/01/2001	Educators Plus 100 '99		231.10	406.60
10/01/2002	Educators Plus 100 '99		255.30	449.20
10/01/2003	Educators Plus 100 '03		272.40	479.30
10/01/2004	Educators Plus 100 '03		299.40	526.70
				Family
				600.70 7208.40
				663.60 7963.20
				708.00 8496.00
				778.10 9337.20

INCOME AND CLAIMS EXPERIENCE SUMMARY

Period	Income	Premium Tax	Paid Claims	Adjustment to IBNR Claims*	Admin. Cost, Conversion & Reserve	Net Gain (Loss)	Accumulated Net Gain/(Loss)
10/01/1993-09/30/1994	\$15,205,466	266,096	11,485,395	84,913	1,401,020	1,968,042	\$1,968,042
10/01/1994-09/30/1995	\$14,581,850	255,182	14,990,626	(101,817)	1,669,012	(2,231,153)	(\$263,111)
10/01/1995-09/30/1996	\$14,910,935	260,941	14,397,636	53,472	1,706,643	(1,507,758)	(\$1,770,869)
10/01/1996-09/30/1997	\$15,574,969	272,562	13,761,968	107,893	1,782,574	(350,028)	(\$2,120,897)
10/01/1997-09/30/1998	\$15,625,472	273,446	13,399,941	(117,624)	1,966,725	102,984	(\$2,017,913)
10/01/1998-09/30/1999	\$16,089,678	281,569	14,296,626	60,347	2,212,331	(761,195)	(\$2,779,107)
10/01/1999-09/30/2000	\$16,070,227	281,229	15,234,851	(2,529)	2,209,656	(1,652,981)	(\$4,432,088)
10/01/2000-09/30/2001	\$17,059,413	298,527	14,030,914	128,594	2,345,658	255,720	(\$4,176,368)
10/01/2001-09/30/2002	\$17,666,099	309,144	14,269,646	78,869	2,198,113	810,327	(\$3,366,041)
10/01/2002-09/30/2003	\$19,191,478	335,838	16,309,823	198,299	2,302,981	44,537	(\$3,321,504)
10/01/2003-06/30/2004	\$15,436,800	270,135	12,367,028	180,820	1,739,652	879,165	(\$2,442,339)

*Estimated outstanding claims liability as of 6/30/2004 = \$2,675,712
 Income does not reflect 1994 premium credit.

Self-Funding

*Alternative
Financial
Arrangements
for Group
Benefit Plans*



**BlueCross BlueShield
of North Dakota**

An independent licensee of the Blue Cross & Blue Shield Association

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.

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.

SELF-FUNDING

3

SELF-FUNDING

We 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.

Stop-Loss Protection-limits your risk.

Most Self-Funded groups limit their risk by purchasing Stop-Loss coverage. Stop-Loss insurance protects against claims that exceed a certain predetermined amount. Blue Cross Blue Shield of North Dakota offers two types of Stop-Loss insurance: one for an individual and one for your entire company.

Stop-Loss insurance premiums are billed monthly and list each employee covered by your group insurance program.

Your Individual Stop-Loss insurance will begin paying once you meet your predetermined Stop-Loss level. For example, if your Stop-Loss level is \$25,000, once you reach \$25,001, your Stop-Loss insurance is automatically calculated and credited to your payment.

Self-Funding may provide alternatives to North Dakota state Mandates.

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.

SELF-FUNDING

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.

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.

SELF-FUNDING

SELF-FUNDING

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.

Questions and Answers:

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.

SELF-FUNDING

SELF-FUNDED STOP-LOSS

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.

Home Office

4510 13th Ave. S.W.

Fargo, North Dakota 58121-0001

Telephone (701) 277-2227

Fargo District Office

4510 13th Ave. S.W.

Telephone 282-1149

Jamestown Office

Meidinger Sq. - 311 1st Ave. S., Suite 5

Telephone 252-6101

Bismarck District Office

Tuscany Square - 107 W. Main

Telephone 223-6348

Dickinson Office

208 1st Avenue East

Telephone 225-8092

Grand Forks District Office

American Office Park - 2810 19th Ave. S.

Telephone 795-5340

Devils Lake Office

516 Hwy. 2 East

Telephone 662-8613

Minot District Office

1600 South Broadway

Telephone 858-5000

Williston Office

1137 2nd Ave. W., Suite 105

Telephone 572-4535

Call toll-free

1-800-342-4718

Fargo area call 277-2227

To find out more about our products and services, visit our web site at

www.BCBSND.com



BlueCross BlueShield of North Dakota

An independent licensee of the Blue Cross & Blue Shield Association

Nordian Mutual Insurance Company

Quarterly NDESC Reporting
Utilization Expenditures Report
Claims Paid 01/01/2003 - 12/31/2003

Group	Name	Average		Premium		Payments				Total		
		Contracts	Members	Income	Average	Hospital	Physician	Pharmacy	Pharmacy	Payments	Member	Premium
		31.5	75.9	\$158,923	\$32,718	\$17,014	\$31,639	\$17,014	\$31,639	\$81,371	\$1,072	\$77,552
		63.7	155.9	\$339,730	\$220,003	\$91,028	\$32,449	\$91,028	\$32,449	\$343,479	\$2,203	(\$3,750)
		9.0	18.5	\$40,384	\$11,589	\$23,176	\$4,874	\$23,176	\$4,874	\$39,640	\$2,143	\$8,744
		7.2	10.2	\$32,533	\$7,678	\$9,919	\$9,390	\$9,919	\$9,390	\$26,987	\$2,648	\$5,546
		29.5	82.7	\$171,563	\$30,717	\$35,298	\$20,071	\$35,298	\$20,071	\$86,087	\$1,041	\$85,476
		43.0	102.1	\$217,118	\$100,997	\$63,862	\$16,180	\$63,862	\$16,180	\$181,040	\$1,773	\$36,078
		34.0	76.7	\$180,296	\$25,822	\$19,179	\$18,979	\$19,179	\$18,979	\$63,981	\$834	\$116,315
		14.6	50.2	\$92,891	\$128,578	\$78,970	\$14,135	\$78,970	\$14,135	\$221,882	\$4,418	(\$128,791)
		19.5	39.3	\$105,731	\$74,758	\$29,905	\$14,921	\$29,905	\$14,921	\$119,584	\$3,043	(\$13,853)
		27.7	60.8	\$130,408	\$14,399	\$16,051	\$9,009	\$16,051	\$9,009	\$39,449	\$849	\$90,858
		16.2	18.5	\$54,176	\$22,326	\$13,182	\$4,092	\$13,182	\$4,092	\$39,800	\$2,141	\$14,577
		0.0	0.0	\$0	\$0	\$41	\$0	\$41	\$0	\$41	\$0	(\$41)
		48.4	153.8	\$320,604	\$184,099	\$91,002	\$51,973	\$91,002	\$51,973	\$327,074	\$2,127	(\$6,469)
		25.5	57.0	\$115,108	\$22,344	\$23,081	\$11,453	\$23,081	\$11,453	\$56,878	\$998	\$58,228
		13.8	24.7	\$54,114	\$1,071	\$7,517	\$5,977	\$7,517	\$5,977	\$14,586	\$390	\$39,548
		12.2	31.2	\$75,432	\$5,896	\$8,471	\$5,389	\$8,471	\$5,389	\$19,756	\$333	\$55,676
		48.2	103.0	\$242,563	\$98,232	\$73,751	\$23,817	\$73,751	\$23,817	\$195,799	\$1,901	\$46,764
		7.3	17.5	\$42,803	\$33,704	\$24,199	\$6,454	\$24,199	\$6,454	\$64,357	\$3,678	(\$21,554)
		19.6	38.5	\$86,693	\$19,289	\$23,822	\$6,443	\$23,822	\$6,443	\$49,555	\$1,287	\$37,139
		8.3	14.3	\$30,062	\$12,667	\$8,483	\$2,658	\$8,483	\$2,658	\$23,808	\$1,665	\$6,255
		4.2	15.0	\$33,049	\$6,343	\$4,094	\$2,506	\$4,094	\$2,506	\$12,944	\$863	\$20,105
		17.7	42.2	\$87,484	\$41,576	\$27,313	\$10,665	\$27,313	\$10,665	\$79,554	\$1,985	\$7,910
		15.9	38.5	\$89,245	\$20,535	\$17,644	\$11,998	\$17,644	\$11,998	\$50,167	\$1,374	\$39,078
		6.2	12.0	\$28,123	\$3,619	\$5,348	\$6,760	\$5,348	\$6,760	\$15,727	\$1,311	\$12,396
		12.0	24.7	\$57,180	\$8,203	\$7,161	\$20,715	\$7,161	\$20,715	\$36,079	\$1,461	\$21,101
		15.9	44.4	\$94,275	\$26,475	\$27,167	\$7,411	\$27,167	\$7,411	\$61,053	\$1,375	\$33,222
		25.0	34.3	\$96,956	\$96,229	\$35,117	\$19,110	\$35,117	\$19,110	\$150,456	\$4,386	(\$53,500)
		13.0	36.5	\$70,972	\$2,273	\$8,916	\$8,520	\$8,916	\$8,520	\$19,708	\$640	\$51,264
		13.5	25.9	\$61,279	\$25,934	\$18,149	\$11,691	\$18,149	\$11,691	\$55,774	\$2,153	\$5,505
		16.5	37.6	\$82,067	\$8,016	\$16,305	\$12,483	\$16,305	\$12,483	\$36,804	\$979	\$45,263
		18.2	58.3	\$120,986	\$23,937	\$22,316	\$11,194	\$22,316	\$11,194	\$57,447	\$985	\$63,539
		28.7	72.4	\$158,686	\$31,350	\$48,005	\$25,608	\$48,005	\$25,608	\$102,963	\$1,422	\$53,725
		28.1	86.2	\$164,938	\$55,824	\$41,477	\$24,937	\$41,477	\$24,937	\$122,239	\$1,418	\$42,699

Quarterly NDESC Reporting
Utilization, Expenditures Report
Claims Paid 01/01/2003 - 12/31/2003

Group	Name	Average		Premium		Payments				Total	
		Contracts	Members	Income	Hospital	Physician	Pharmacy	Pharmacy	Payments	Paid Per Member	Premium Difference
		14.4	27.7	\$64,139	\$129,042	\$23,694	\$14,709	\$14,709	\$167,445	\$6,045	(\$103,306)
		26.8	40.8	\$100,575	\$58,588	\$29,749	\$8,422	\$8,422	\$98,760	\$2,383	\$3,814
		10.0	23.0	\$56,132	\$42,452	\$17,441	\$8,853	\$8,853	\$68,748	\$2,989	(\$12,615)
		16.2	28.1	\$70,782	\$29,876	\$31,622	\$5,479	\$5,479	\$66,977	\$2,384	\$3,805
		31.0	76.6	\$174,087	\$32,506	\$28,038	\$34,278	\$34,278	\$94,822	\$1,238	\$79,266
		0.0	0.0	\$646	\$0	\$0	\$0	\$0	\$0	\$0	\$646
		9.0	22.6	\$48,877	\$76,770	\$25,605	\$5,435	\$5,435	\$107,810	\$4,770	(\$58,933)
		31.1	77.6	\$202,731	\$130,661	\$65,185	\$28,060	\$28,060	\$223,906	\$2,885	(\$21,175)
		17.0	50.2	\$88,467	\$29,152	\$28,195	\$13,987	\$13,987	\$71,333	\$1,421	\$17,134
Totals		850.9	2,005.1	\$4,448,787	\$1,926,242	\$1,184,492	\$582,714	\$582,714	\$3,693,447	\$1,842	\$755,339

Testimony for SB 2347

Good Morning House Industry, Business, and Labor Committee:

Chairman Keiser and Committee Members

My name is John Jankowski, currently Superintendent at St. Mary's Central High School here in Bismarck, and former administrator in Larimore and Richardton. I've been the President of the North Dakota Educators Service Cooperative for the past six years. Our members joined together for the specific purpose of trying to do something about rising health care costs for our employees. We have tried obtaining another fully insured program for our employees besides Blue Cross and Blue Shield of North Dakota, knowing that competition is good for all businesses. However we have failed. We haven't been able to find a company that can provide a fully insured program for all schools across the state.

I'm here today to ask you to give consideration to SB 2347. This simple bill will allow Mr. Poolman and the Insurance Department the flexibility to research and write guidelines to give groups the opportunity to have a Self-Funded/Insured Health Insurance Program.

When I say group, I specifically mean small schools joining together whether it be in our cooperative or some other joint powers arrangement and have the opportunity to have a Self Funded Health Insurance program. We know that several of the larger schools in the state have self-insured programs for employees. Fargo, Grand Forks, and Minot are examples. However the way the current law reads, schools cannot join together to be Self Funded. For example, Fargo and West Fargo would have to separate programs.

I have given you several handouts to help you further understand our dilemma.

Handout #1

Is the rate sheet provided to schools each year listing the different types of fully insured programs and the monthly premium cost.

Handout #2

The Group Experience Summary for the group Educators Plus 100.

Note that the family premium this year is \$9337.20. Also note that the premium the last 3 years has averaged an increase of about 10% each year. Thus we could predict that the family premium next year will be over \$10,000.00.

If you look at the bottom half of this printout you will notice the history of this group in Income, Paid claims, and Admin. Costs, Net Gain, and Accumulated Net Gain/Lost. It appears over the last 10 years, 3 of the years BC/BS suffered a loss for this group. Also note however, that we don't know anything about their Stop Loss protection.

I also want to emphasize that during the last 4 years while the rates were going up 10% each year BC/BS collected \$8,586.404 in administration fees, Conversion and Reserve fees.

This testimony isn't intended to sound as an indictment towards BC/BS. Far from it! All of us enjoy the many benefits from having the safety of our card in our pockets. We know that fully insured programs have many mandates, which ultimately drive up the cost of fully insured programs.

So, we're back to why SB 2347. Handout #3 is a document available on the Internet from BC/BS. It outlines the many advantages of having a Self-Funded Insurance program.

Page three addresses the benefits of Self Insured program which include:

1. Flexibility
2. Potential lowering of Health Care Costs
3. Elimination of Carrier Risk
4. Most groups are exempt form state mandate benefits
5. Control of plan's reserve
6. Significant cash flow benefits may result
7. Promotes greater cost awareness and consumerism

A group gets to decide what a group needs. Board members, administrators, teachers, cooks, janitors, secretaries, and all school employees can help decide what benefits a group should have. Employees can to design their plan.

This document goes on to say that 35% of all BCBSND groups members are covered by a Self-Funded plan.

The final document in this packet is the printout for the calendar year of 2003 for most of our member schools. We weren't able to obtain other data at this time. I have blacked out the school names for HIPPA protection.

You will see that with 850.0 contracts \$4,448.787 in premium was generated with \$3,693.447 in payments. Leaving \$755,339 for Admin. Costs, Conversion and Reserve costs.

We believe that 850 does provide a nice number for a Self Insured group. It took 42 school districts to generate this number.

Now the passage of SB 2347 is not the final step. Once this bill is passed the torch is then passed to the Insurance Department to write the necessary guidelines. Then schools have to decide if this is the right direction for their employees. I do know that it will open a dialogue in every district on how to control health care costs.

I have the confidence that the Insurance Department will be able to develop the rules and guidelines in a timely fashion. I ask that you pass SB 2347 so that the department has the authority to make the next step.

Thank you for your consideration.