

EMPLOYEE BENEFITS PROGRAMS COMMITTEE BILL NO. 33

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Before: Interim Employee Benefits Programs Committee
Representative Bette Grande, Chairman

Date: July 29, 2008

ANALYSIS FOR COMMITTEE

Employee Benefits Programs Committee Bill No. 33 proposes a uniform insurance program for North Dakota with the following general details:

1. The proposal establishes a Uniform Group Insurance Program for North Dakota residents providing hospital, medical and life insurance coverage for eligible citizens.
2. Eligibility would include individuals under age 65 who have maintained a place of permanent abode in North Dakota for at least 12 months and maintain a substantial presence in the state. There are some additional eligibility criteria as well included in the Summary Outline.
3. It involves creating a Board ("*Healthy North Dakota Authority*"); an Office of Outreach, Enrollment and Advocacy; and an Advisory Committee, each with defined duties and membership.
4. The *Healthy North Dakota Authority* is charged with, among other things, establishing and administering a health care system; and establishing, managing and funding the Health Care Plan.

5. Funding of the Plan will come from assessments based on Social Security wages or income, collected through the Tax Department.
6. Benefits provided by the Plan will be the same as the current state PERS plan.
7. "Service Areas" of the state are established for the purpose of receiving bids from qualifying health care networks with the goal to maximize competition and increase provider choices available.

Any administrative implications of the proposal would include, but not be limited to:

1. The proposal assigns significant duties and responsibilities to the *Healthy North Dakota Authority*, basically to design and administer a new health care system for North Dakota and then to design, manage and fund the Plan.
2. The Healthy North Dakota Authority is responsible for calculating assessments; paying providers; providing a mechanism to enroll every eligible resident; auditing health care networks and providers; and establishing policies to ensure that North Dakota residents are the healthiest in the United States by 2020.
3. There does not appear to be a mechanism to cover shortfalls in funding because of higher than anticipated claim costs and administrative expenses. (The only funding source is additional assessments against North Dakota residents.)

Additional considerations:

1. Under this proposal, there would be no regulation by the North Dakota Insurance Department for the Plan. Regulation by the Insurance Department is focused on consumer protection and solvency, so these important functions must be assumed by the Board.
2. How strong is the protection for the consumer? Currently, an insurance company is regulated by the Insurance Department and, if a consumer is wronged, the Department can assess a fine, or ultimately suspend or revoke the insurer's authority to conduct business in North Dakota. Under this proposal, the ultimate recourse for a consumer would probably be the Board. Consumers would probably expect the Insurance Department to be able to resolve questions/concerns, but this would not be the case.
3. Will the amount of assessments be sufficient to fund the benefits paid and expenses of operation? The benefits provided by the Plan will be expensive with maximum limits for out-of-pocket costs, and a number of no-cost prevention services. While these are good benefits for the members, they will be costly. Outside actuaries should be involved in determining appropriate assessment levels. When there will be fluctuations in claims that are not covered by assessments, will there be additional funding available to pay claims? This is one of the reasons for companies to hold surplus. Minimum surplus levels are required to be a health insurance company licensed in North Dakota, and subsequent levels of surplus are monitored by the Insurance Department. Regulatory action is required if surplus levels (RBC) reduce to specified levels.
4. Between the Healthy North Dakota Authority and the Advisory Committee, there are 35 individuals directing the Program.

5. Some of the duties assigned to the Healthy North Dakota Authority would be challenging. For example:
- a. Ensure all eligible persons have access to high-quality, timely and affordable health care.
 - b. Every resident must have access to affordable, comprehensive health care services.
 - c. Health care reform must maintain and improve choice of providers and high-quality services.
 - d. Health care reform must implement cost-containment strategies that retain and assure affordable coverage for all residents.
 - e. Establish (with North Dakota Health Department) policies to ensure residents are the healthiest in the United States by 2020.

This list is not intended to be exhaustive. As discussion continues on this proposal, additional questions and issues will likely arise.