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October 25, 2010

Representative Bette Grande, Chair
Legislative Employee Benefits Committee
State Capital
600 East Boulevard
Bismarck, North Dakota 58505-0360

Dear Representative Grande:

RE: REVIEW OF PROPOSED BILL 10009.0100 PUBLIC EMPLOYEES RETIREMENT SYSTEM MEDICAL BENEFITS COVERAGE FOR AUTISM SPECTRUM DISORDERS

The following summarizes the proposed legislation as well as our assessment of the financial and technical impacts of the bill.

OVERVIEW OF PROPOSED BILL

As proposed, this bill would modify the North Dakota Century Code relating the Public Employees Retirement System Medical Benefits as follows:

- The PERS board shall provide coverage for the diagnosis and the treatment of an autism spectrum disorder in an eligible individual.

- An eligible individual is under eighteen years of age, under twenty six and attending a postsecondary education institution, or over eighteen and in high school but diagnosed as having a developmental disability at eight years of age or under.

- Coverage is not subject to any limit on the number of visits. However, the bill does state a limit on benefits to a maximum of $25,000 per year and a lifetime maximum of $75,000. The dollar limits would be in direct conflict with federal health reform and the Patient Protection and Affordable Care Act ("PPACA").

EXPECTED FINANCIAL IMPACT

PERS currently purchases health insurance on a fully insured basis from Blue Cross Blue Shield of North Dakota. Based on a November 2004 Autism Prevalence Report from FightingAutism (data source: U.S. Department of Education and the Individuals with Disabilities Education Act), we estimate approximately 85 PERS members would receive treatment for autism spectrum disorder at a cost to the plan of $25,000 to $35,000. The equates to a per member per month cost of $3.08 to $4.31 or approximately $2,125,000 to $2,975,000 annually.

TECHNICAL COMMENTS

The Patient Protection and Affordable Care Act that was signed into law on March 23, 2010. Subtitles A and C include a ban on annual and lifetime limits as well as outlining provisions for grandfathered plans.

We do not believe that PPACA would allow for annual or lifetime limits on the coverage of autism spectrum disorder and would therefore have an unlimited maximum. Based on a Harvard School of

Public Health estimate and various other statistics, we estimate the average cost of diagnosis and treatment to be $35,000. As some components of treatment (e.g. pharmacy, psychological) may be covered today, we are estimating a range of costs from $25,000 to $35,000.

For the biennium beginning July 1, 2011, PERS group health insurance plan intends to be a "Grandfathered Plan". Section 1251 of the Patient Protection and Affordable Care Act ("PPACA") exempts from certain of the PPACA's group health plan reforms any group health plan in existence on March 23, 2010 ("grandfathered plans"). Losing grandfather status means losing the benefit of the exemption and subjecting the plan to additional requirements, such as mandatory coverage for certain preventive services, nondiscrimination rules for fully-insured plans, and special claims procedure requirements.

Interim final regulations (dated June 17, 2010) state that if a plan has a new or modified annual limit that imposes an overall annual limit on the dollar value of benefits would cease to be a grandfathered plan.

If NDPERS were to lose its grandfathered status the following additional mandates may apply (subject to final rules and regulations):

1. Meet the rules on deductible maximums and out of pocket maximums

   We believe that this will have little or no impact since the maximums would most likely align with the levels associated with HSA qualified plans.

2. Required coverage of preventive services with no cost sharing (BCBS has indicated that complying with this could cost between $10 – $14 per contract per month)

   As we understand it, the plan would need to cover additional amounts beyond the $200 limit currently in place for this benefit. We believe that this will have a cost impact. We don't have the level of claim detail that BCBS has to develop such an estimate at this time. We would be happy to review the information and cost development by BCBS.

3. Internal and external appeal process

   We believe that this should be of minimal cost impact, but would increase administrative costs for PERS.

4. No prior authorization for ob-gyn visits

   Based on our experience with clients that allow ob-gyn visits without prior authorization, we suspect that this would have minimal cost impact.

5. Emergency care must have same payment in and out of network, authorization

   Again, we suspect that the cost impact will be minimal given that it is for emergency care only.

6. Nondiscrimination in both insured and self-insured plans

   Should not be an issue for the PERS plan.

7. Coverage of treatment for those in clinical tests

   We would expect that this would have some cost impact, but depends upon the future guidance on clinical trial qualification and coverage levels.

Sincerely,

Patrick L. Pechacek, CEBS
Director

Peter Roverud
Senior Manager

CC: Sparb Collins, NDPERS