Senate Bill No. 2179

Presented by: Jon Godfread
Commissioner
North Dakota Insurance Department

Before: Senate Human Services Committee
Senator Judy Lee, Chairwoman

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Madam Chair and members of the Senate Human Services Committee, my name is Jon Godfread and I am North Dakota's Insurance Commissioner. I appear before you today in opposition to Senate Bill 2179, the telehealth payment parity bill. For those of you who are unaware, we recently completed a study at the direction of the 66th Legislative Assembly to look at health care cost within the state of North Dakota. If you have not had a chance to review that study, I would encourage you to look at this comprehensive study.

The study highlighted a number of important issues in the North Dakota Hospital market including:

- **Hospital Utilization.** North Dakota has seen an increase in hospital usage. North Dakota Hospitals are seeing longer hospital stays than the national average, and utilization is growing faster in North Dakota than most of the rest of the country.
- **Hospital Expenses.** Hospital Expenses are ranking higher than the national average (usually top 5) and continuing to grow at higher than national average rates (also top 5 rankings)
- **Hospital Operating Revenue.** North Dakota hospitals are seeing high revenue and high revenue growth.
- **Medicare Revenue.** Medicare revenue is also very high and growing for North Dakota Hospitals
- **Hospital Reimbursement.** Private hospital reimbursement based on Medicare rates grew from 170 percent of Medicare in 2010 to over 200 percent of Medicare in 2018.
- **Acute Care vs. Critical Access Hospitals.** Critical access hospitals appear to be reimbursed at a much lower rate (149% of Medicare) than acute care hospital (211% of Medicare)
- **Premiums.** North Dakota premiums are largely average as compared to national average.
- **Claims.** Insurer claims are averaging slightly higher than the national average and are growing at higher than the national average.
- **Administrative costs.** Insurer administrative expenses remain low, but the administrative expenses are growing at a very fast rate.

The data clearly shows a number of warning signs in the North Dakota market. For the Hospitals, Commercial, Medicare, and Medicaid revue appears to be showing sizable growth. Hospitals appear to be offering more services and longer stays. In health insurance, administrative costs have grown substantially – though still generally at or below the national average. These trends bear watching.

I stand before you in opposition to Senate Bill 2179 because it would utilize telehealth to perpetuate many of these issues, despite the potential role that telehealth could play in addressing these issues.

Telemedicine depends on technological innovation that should reduce the cost structure of providing care. If so, those providers should compete on price. Markets can adapt to serve customers' needs under a certain burden of regulation of safety and standardization, but it is very hard for markets to adapt efficiently to regulated prices. If providers are not competing on price, they are not properly competing at all.

We will be unable to realize the cost-cutting and health care delivery modernization with a regulated price floor, the key to successful adoption of telemedicine is to restore a greater share of patient's health spending to their direct control, not impose price regulation.

Imposing payment parity removes any incentive for the health care system to innovate and examine their health care delivery model. I understand the desire for payment parity, but given our most recent and exhaustive health care cost study, it has never been more clear to me that it's our delivery model that needs modernizing and mandating price parity for services that are inherently different does not seem logical and would only further kick the health care delivery discussion down the road.

Some innovator is going to figure this out, some hospital system will figure this out, with payment parity in place it removes the incentive from solving this delivery model problem and only further exacerbates the issues we have with the cost of health care. Telemedicine should lead to a reduction of health care costs for our consumers. For this reason we oppose this bill.

If structured properly, telehealth services may increase access to needed care while also controlling costs. In a rural state like North Dakota, telehealth can provide the opportunity to access medical specialists without time consuming travel. For those with mental health issues, telehealth can be an important lifeline. With more frequent visits and early interventions available, telehealth can help avoid costly delays in care (such as undiagnosed conditions that becomes worse with time) and, in situations where an in-person visit may not be required, virtual encounters may be priced at a lower rate than in-person care (if there is no state mandate requiring payment parity).

For North Dakota, proper utilization of telehealth could have an overwhelming impact considering the 6,000+ percent increase in telehealth visits in the midwestern U.S. between April 2019 and April 2020.Consumers are increasingly becoming accustomed to telehealth.

There are several issues that states should examine to create a permanent infrastructure that supports widespread adoption and utilization of telehealth:

Licensure: Many states have significant licensing barriers that control providers' ability to use telehealth. Provider licensing boards should be encouraged to embrace telehealth, allowing providers to establish relationships remotely as long as necessary conditions are met and the standard of care is upheld. State boards should consider the interstate compacts available, as well as other flexibilities that may enhance providers ability to practice telemedicine.

Payment: Rather than considering legislation that would stifle competition, establish guidance through which insurers and providers set appropriate rates based on the delivery of service. Perhaps looking at

payments based on access to care, or the needs of community. Rural parity would be an area we would be interested in further study, but blanket parity does not seem to make logical sense.

Software: Consumers and medical providers should be allowed to agree on the use of any software service. States shouldn't pick winner and losers.

Scope of practice: The pandemic has allowed many new types of service to be delivered by telehealth. States should look closely at their telehealth practice requirements and permanently modernize the statutes.

Thank you, madam chair and members of the committee, I am happy to attempt to answer any questions you may have.