NORTH DAKOTA Insurance Department

TESTIMONY SB 2160

John Arnold, Deputy Insurance Commissioner
House Industry, Business and Labor
March 17, 2025

Good afternoon, Chairman Warrey and members of the Committee. Thank you for the opportunity to speak today regarding the proposed changes to state employee health coverage under SB 2160. As it stands, this bill would transition the state health plan from grandfathered status to non-grandfathered status, effective January 1, 2027. While there are some benefits to this transition—such as increased coverages and the application of co-payments toward out-of-pocket maximums—I am here to express concerns about the long-term implications for state employees and the need for a third, non-grandfathered health plan option.

It is our opinion, from a recruitment standpoint, is that a non-grandfathered plan should be offered as a third option as an alternative to the grandfathered plan.

With a non-grandfathered plan, the premium charged to an employee for single coverage must meet the affordability standards set by the Affordable Care Act (ACA) to avoid employer penalties. However, this does not apply to family coverage. Once the single premium is considered affordable, anything beyond that can be charged to the employee at the employer's discretion. This is where we face uncertainty. Future legislators may choose to shift costs to employees more easily under a non-grandfathered plan. This possibility is a major concern for both employees and employers, particularly with regard to recruitment and retention.

On the other hand, our current grandfathered plan does have limitations in terms of coverage and cost-sharing. The visual document that I have attached to this testimony outlines these limitations in more detail. We acknowledge that our grandfathered plan is not without its drawbacks. However, it does provide more predictability and stability regarding costs to employees.

Employers may struggle to recruit and retain staff if costs to employees increase significantly, particularly for family coverage. A shift in costs could create an additional financial burden on state employees, ultimately affecting the workforce's morale, retention, and the state's ability to attract top talent. This uncertainty creates a challenging situation for both the state and its employees. Additionally, a shift in coverage may impact an applicant's willingness to consider employment with the state.

In conclusion, while we recognize the desire to provide enhanced benefits through the non-grandfathered plan, we strongly urge the committee to consider offering it as a third plan option. This would allow employees to choose between the grandfathered plan, the non-grandfathered plan, or other options that better suit their needs, while minimizing the risk of future cost shifts that could strain both employees and employers. The balance between offering competitive benefits and maintaining affordable healthcare options for employees is critical in ensuring the state remains a desirable place to work.

Thank you for your time and consideration.

NORTH DAKOTA
Insurance Department

Grandfathered Health Insurance Plans
for state employees

The State of North Dakota offers a grandfathered health plan to state employees. This is a health insurance policy that was in effect prior to the passage of the 2010 Affordable Care Act and has not had significant changes made to it. The North Dakota Insurance Department often hears of the scenarios below that our employees deal with due to this plan. Because of the complexity of insurance, these scenarios have been simplified. They also vary based on the grandfathered PPO Plan versus the Basic Plan.

Scenario 1
PPO (Current PERS Plan)

A $30 copay is paid for all visits, and 25% of allowed charges until the out-of-pocket maximum of $3500 is met. After the out-of-pocket max has been met, the copay is still required.

Child 1
Speech Therapy (2x/week)
$60 Copay

Child 2
Occupational Therapy (2x/week)
$60 Copay

Parent
Physical Therapy (2x/week)
$90 Copay

$210/week // $840/month // **$10,080 annually in copays only**

NOTE: this ONLY copays as 25% of charges in addition to the required copay. Once out of pocket max of $3,500 is met, the 25% charge is no longer needed, but co-pay is required all year.

Scenario 2
PPO (Current PERS Plan)

*Two family members require **non-formulary** prescription of $130 dollars per month each. Each prescription requires a $30.00 copay and 50% coinsurance for the remaining.*

Child 1
Medication
$30 + 50% coinsurance

Child 2
Medication
$30 + 50% coinsurance

$720 Total Annual Copay ($360/ea.)
$2,400 Total Annual Coinsurance ($1,200/ea.)
$3,120 total annual prescriptions for 2 children

NOTE: Non-formulary drugs do not contribute the the plan $1200 prescritiopn coinsurnace maximum.

Scenario 3
PPO (Current PERS Plan)

Family member undergoes a surgery where a deductible is required. The family from scenario 1 & 2, with kids in speech and OT and adult in PT and need prescriptions.

Family meets the $3500 out of pocket max (25% in scenario 1), but still pays copays........................$10,080
Another surgery is needed on a different parent or a separate injury occurs (needs to meet family deductible, not including 80/20 coinsurance..$1,500
Prescription Costs for year..$3,120
Out-of-pocket maximum met..$3,500
Total for employee family plan out-of-pocket..$18,200