

Memo

Date: April 3, 2025

To: Rebecca Fricke - Executive Director, North Dakota Public Employees Retirement System
Representative Austen Schauer - Chair, Legislative Employee Benefits Programs Committee, North Dakota State Government

From: Tim Egan, Dan Plante, Ford Edgerton, and Karno Sarkar - Deloitte Consulting LLP

Subject: **FINANCIAL REVIEW OF PROPOSED BILL 25.0068.01005**

Deloitte Consulting LLP (Deloitte ¹) was engaged to review the proposed legislation and the potential financial impact to the Uniform Group Insurance Program (Program) administered by the North Dakota Public Employees Retirement System (NDPERS), as well as other considerations that may contribute to the evaluation of the legislation.

The information included in the review relies on data provided by NDPERS, as well as publicly available data and industry studies. From the data provided by NDPERS, some of these data sources were developed by NDPERS, while others were prepared or created by third parties and delivered to NDPERS.

As part of the review, all data were reviewed for reasonableness, but an audit was not performed on the data. To the extent the data contain errors or anomalies that were unknown at the time the data were provided, the analysis may be affected by those issues.

OVERVIEW OF PROPOSED BILL

The current Bill creates and enacts a new section to chapter 26.1-36 of the North Dakota Century Code relating to out-of-pocket expenses for health care services.

This Bill is an amendment to a prior Bill 25.0068.01000 that was previously introduced in 2024. The amendment changes the effective date of Bill 68 to January 1, 2026. After this date, all prescription drug member cost sharing expenses must apply towards a health plan's out-of-pocket maximum.

ESTIMATED FINANCIAL IMPACT

Based on the analysis of this bill, it is anticipated the proposed amendment will have a financial impact on the Uniform Group Insurance Program. It is estimated the financial impact of the proposed legislation on the Uniform Group Insurance Program is approximately \$5,313,000, or 0.62%, in the 2025 – 2027 biennium ending 6/30/2027.

The current health plans offered by the uniform group insurance program include a "grandfathered" health plan (PPO/Basic Grandfathered Plan) and two "non-grandfathered" health plans (PPO/Basic Non-Grandfathered Plan and High Deductible Health Plan (HDHP)).

In the PPO/Basic Grandfathered Plan, an enrollee's pharmacy copayment currently does not accumulate towards their out-of-pocket maximum. The proposed Bill, however, seeks to revise this aspect, requiring that copayments count towards an enrollee's out-of-pocket maximum. It is anticipated this amendment would lead more enrollees to reach their out-of-pocket maximum, thus shifting any additional claim liability to the Uniform Group Insurance Program, which can lead to higher costs.

A majority of the NDPERS membership resides in the PPO/Basic Grandfathered plan and could be impacted by this change. The non-grandfathered plans already include copayments in the out-of-pocket maximum; as a result, there would be no anticipated change or financial impact to those plans.

The financial impact estimate is based on the expected change to the percentage of prescription drug claims paid by enrollees under the current plan design that does not include copayments in the out-of-pocket maximum and the proposed design (per the proposed Bill) that would include copayments in the out-of-pocket maximum.

The development of the estimated claims impact utilized an internal Medical Rate Model, which includes medical and pharmacy benefit designs and is based on over 40 million active/non-Medicare retiree claims. The Medical Rate Model functions as a claims repayment model, applying detailed input plan provisions against the claims record database, effectively repricing the claims, and producing the expected plan claim payments versus allowed charges.

As a result of the modeling, it is estimated the plan design changes required as a result of the proposed Bill would produce a 0.62% increase to the expected total costs paid by the Uniform Group Insurance Program. This anticipated change to the expected claims costs was applied to the estimated biennium claims cost for NDPERS population enrolled in the PPO/Basic Grandfathered plan from 1/1/2026 to 6/30/2027, which were derived from the Sanford 2025 – 2027 renewal rates. Considerations were also made for seasonality of claims for the 18-month period that is impacted during the biennium, as well as the current mix of membership between grandfathered and non-grandfathered plans.

It is estimated the financial impact of the proposed legislation on the Uniform Group Insurance Program is approximately \$5,313,000, or 0.62%, in the 2025-2027 biennium ending 6/30/2027.

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