



Deloitte Consulting LLP
50 South 6th Street
Minneapolis, MN 44402
USA
Tel: 612-659-2782
Fax: 612-659-2782
www.deloitte.com

Memo

Date: December 30, 2014
To: Sparb Collins
From: Josh Johnson and Pat Pechacek
Subject: REVIEW OF PROPOSED BILL 15.0403.01000 RELATING TO PROVIDER NETWORKS FOR THE PUBLIC EMPLOYEES UNIFORM GROUP INSURANCE PROGRAM.

The following summarizes our review of the proposed legislation:

OVERVIEW OF PROPOSED BILL

As proposed, this bill would amend section 54-52.1-04 of the North Dakota Century Code to allow the PERS board to develop a proprietary medical provider network to be utilized by the board or its selected insurance carrier/ plan administrator to provide health insurance coverage to PERS members.

EXPECTED FINANCIAL IMPACT

Historically, BCBSND has been the only health plan in North Dakota with an established provider and facility network with adequate breadth and discounts to successfully administer the NDPERS program. Although at least one other health plan has been aggressively growing its network in North Dakota, BCBSND still holds a significant advantage due to additional discounts negotiated with providers and facilities specifically for NDPERS members. As we are seeing in the health plan RFP currently in process for coverage effective July 1, 2015, it is very difficult for other health plans to compete with the network discounts offered by BCBSND without already being selected as the NDPERS health plan.

If NDPERS were able to make the current PPO network created in conjunction with BCBSND portable, or if new proprietary contracts were negotiated with North Dakota providers, it would make the PERS health plan less dependent on one plan administrator and would create legitimate competition for the administration of the NDPERS program.

Development and maintenance of a proprietary network requires significant expertise and resources. NDPERS would likely need to contract with consultants and/or the selected

To: Sparb Collins

Subject: REVIEW OF PROPOSED BILL 15.0403.01000

Date: December 30, 2014

Page 2

medical plan administrator in order to accomplish the required provider contracting, credentialing, relations, etc. that would be required.

Currently, participating professional providers in the NDPERS network have agreed to approximately 5% additional discounts in addition to the standard BCBS negotiated discount level. Another option could be for NDPERS to negotiate this type of additional NDPERS specific discount to be applied in addition to any health plan's standard network discount level. This would allow NDPERS to rely on the selected health plan to manage and maintain the underlying provider network limiting the resources required by NDPERS.

In summary, creating a proprietary provider network would likely require significant effort on the part of NDPERS and its consultant and/or plan administrator. Negotiating an additional NDPERS specific professional discount to be applied to any health plan's network might be another option that could yield similar results with less effort required by NDPERS. Regardless of the method used to develop NDPERS specific network arrangements, the ability to utilize the network with any insurance carrier or plan administrator would foster competition in the North Dakota market potentially creating savings for NDPERS. In addition, making multiple health plans viable in North Dakota could potentially benefit other employers and individuals in the State when purchasing health insurance or plan administration services.