

**2015 HOUSE INDUSTRY, BUSINESS AND LABOR**

**HB 1300**

# 2015 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee  
Peace Garden Room, State Capitol

HB 1300  
2/2/2015  
22956

- Subcommittee  
 Conference Committee



## Explanation or reason for introduction of bill/resolution:

A bill for an act to amend and reenact section 54-52.1-04 of the North Dakota Century Code, relating to provider networks for the public employees uniform group insurance program.

## Minutes:

Attachment #1 #2

**Vice Chairman Sukut:** Opens hearing on HB 1300

**Representative Kasper:** The HB 1300 is simple and Sparb is here he can answer all the technical questions. A long time ago there was an arrangement made so the Blue Cross Blue Shield of North Dakota has a competitive advantage for the PERS Health plan. What they are able to do is to achieve an additional five percent discount from the providers that they pay for health insurance claims which is not available to other insurance carriers in our state or out of our state. So when the PERS board goes up for bid for the health insurance plan Blue Cross has a five percent competitive advantage out the door with the other carriers not having that and that's my opinion on favorable competition. So what this bill does is simply this, it allows any bidder for the health insurance plan in the state of North Dakota to be able to have the five percent discount that would be negotiated by PERS when they bid for the health insurance plan in our state if they so choose. It doesn't require that any other thing happens except to open the field up to fair and open competition.

**Representative Boschee:** Is the five percent or negotiated by PERS and Blue Cross had now or was it negotiated by Blue Cross and brought into the contract?

**Representative Kasper:** I don't know for sure.

**Representative Ruby:** Were other companies prohibited from doing this before and this obviously allows it but could they not have worked it into a contract as well before this?

**Representative Kasper:** They are not prohibited, but in order to have a discount like Blue Cross enjoys the other carriers would have to go to every provider in the state of North Dakota and negotiate individual contracts and the providers would have to agree to do it.

So this is a special situation for the North Dakota PERS health plan that is available to only Blue Cross.

**Sparb Collins-Executive Director of the North Dakota Public Employees Retirement System (PERS) Board:** (Attachment 1).

**Representative Beadle:** How was the creation of the network done?

**Collins:** Back in the late 1980's the health insurance plan went through some struggles financially. It was around 1990 that the board directed me to move forward and see if we could go into the market place and get some more favorable financing arrangements. So it was based upon that direct that we talked with Blue Cross Blue Shield about doing this. They indicated that they were willing to support that effort but they also indicated that in order to do it, it needed to be a three way arrangement. At that time what go the effort started was it went to the governor, he wrote letters about PERS health plan. Jointly we met and sought these financial plans. Ours was simple, a five percent. We will in the future get back into the market.

**Representative Laning:** The saving of 4.7 million dollars per year, is that because of the five percent discount?

**Collins:** Yes

**Representative Laning:** That is because of the PERS network or the BCBS (Blue Cross Blue Shield)?

**Collins:** PERS network. The BCBS network in Stanley is substantially higher than that. This is just on top of theirs.

**Representative Boschee:** One concern I have is if we as a state go in and create and essentially duplicate a partnership that has already been created through the work of a private company that we have partnered with and now we have created this network and we sell this network to essentially the lowest bidder with each RFP aren't we creating a problem for ourselves and the state of inserting ourselves in the competition of private business?

**Collins:** I look at it differently. This was a network that was created at the request of our board with our staff resources as well as BCBS for the benefit of our members and because of the lack of authority to be able to do this we are not able to make that network equally accessible over any vendor that we select and as a result we created a disadvantage.

**Representative Boschee:** I understand that standpoint. I'm wondering if we base things on the lowest bidder, won't we be creating a slippery slope?

**Collins:** You are to a certain degree. If you look in the medical area it's not without precedent that this is done and conceivable PERS is the only one in the business in the state that may not be allowed to do that.

**Representative Becker:** I'm looking at the bill and at first glimpse I'm thinking I'm very strongly in favor it, because I strongly oppose government sanctioned or government enforced competitive advantage and we shouldn't be in that arena. On the other hand as I'm looking at it just a little bit more I'm looking at this whole PPO concept and I'm wondering if the PPO is almost really a proprietary thing for BCBS. I'm wondering did PERS develop that or did BCBS? I would suspect that if we looked at it we would say well that's BCBS network that they were able to bring to the table to be part of PERS. Probably the network is the most valuable thing that an insurance company can have without a network, that's the whole purpose of being able to have some strong competition. So I'm wondering if it would be construed as saying we are going to take what you have given us and now we are going to use it to work against you?

**Collins:** We are not talking about taking anything with BCBS. The only one we are talking about here is the one on the table. After we had a contract we went to them and said we want to build this additional network. Together we went out and built it. It came from the PERS board. We asked that the plan design be modified to put this PPO level in. This was not something that they built that was theirs. Initially those contracts were signed by us, BCBS and by the provider. Since then after years of establishment they migrated away from us but initially it was a three way contract.

**Representative Amerman:** If this were to passed, and some other insurance company came in and you picked XYZ because it would be better, is there any input from the 28,000 families that use this or if you were to switch to something else is that a board decision?

**Collins:** If we were to switch to another vender besides BCBS that is out for bid right not. That is something board will be deciding here in February. Yes there is at this time there are two competitors and that would be the PERS board decision. One of the things the board struggles with is that we would have to build a new PPO network if we went to someone else. That affects two things not only the 4 million dollars, but that PPO level of benefits that are in our plan design that a member gets are slightly higher.

**Representative Ruby:** You developed this network in partnership as you stated more ownership by pers. At the time you did that why didn't you make it more portable at that time?

**Collins:** We didn't have legislative authority. Secondly, we are fully insured by BCBS and they take all the risk. We have to work with this because they took the risk. If we were self-insured we would not have had to do that.

**Representative Ruby:** To use another vendor, do you have to redevelop a network under a different vendor?

**Collins:** Today we would, but if this bill passes we would go out and make those PERS contracts so that they were assigned to PERS so the next time we went to bid we would be able to say that a successful provider would be able to access our network in addition to their network.

**Representative Amerman:** Sounds like there are two provider networks, there is only so many providers do they ever cross lines?

**Collins:** Our PPO network is in addition to BCBS. BCBS goes out they negotiate contracts with the entire BCBS network. I don't know what those contracts entail, it's their proprietary business.

**Representative Lefor:** There is a health insurance network in North Dakota that's is also a healthcare provider. My question is would this force PERS patients to go to another facility or do they get to keep their healthcare plan the way it is now?

**Collins:** Keep the health plan the way it is not. How our PPO network does work is if you use one of our PPO providers you're out of pocket expenses are less.

**Representative Lefor:** Have the 20,000 families that are covered been consulted about this? Do they know what you are attempting to do or how does that work?

**Collins:** They are aware of the PPO networks, because they make a choice. It's what we call a point of service network. Anytime they like to go to a provider they know who is a PPO provider.

**Representative Becker:** The collaborative work, you mentioned you worked as partners as kind of a three providers. I would like you to respond a little bit more, because as I see it it would seem to be as you wanted to have a network for its employees BCBS has already a vast network completely in place and they come to the table and say we have the entirety just sitting in here on a silver platter. What we can do is just ask these providers if they want to provide services to the whole state employee program at an additional five percent discount? We can send those out and say yes and then we are set. What did you as a partner in this collaboration bring to the table to create the network?

**Collins:** The network was already up and BCBS did structures, the next step was to go out and meet with the providers, after that we followed up and set up meetings. What providers would say to us is why should we give you a five percent discount? Well because we have 60,000 members, you give us a discount and in our plan design we will make it less expensive for our members to go see you. It was a trade. So our plan design has in there if you sign the discount it's cheaper for our members to go to your facility.

**Representative Laning:** Clarify for me if you could, if the PERS developed their own network, what was the motivation for the legislature not to allow you to have it portable? Why didn't they want you to have it portable?

**Collins:** When we did it we initially did it with BCBS. At that time there wasn't much to talk about. Today that network has become successful and it's there so there is something to talk about. It is now actually acting as something to inhibit competition for the plan.

**Representative Laning:** What prevents you from considering it portable right now? Is there something in code that actually says you cannot do that?

**Collins:** I can tell you we do not have any specific authorization to do that in code.

**Representative Beadle:** You had mentioned that this bill draft had been reviewed by the employee benefits committee and given on a favorable recommendation, so I just went back and started looking through the employee benefits committee and their minutes so I could try to find the discussion they had on it and I couldn't find either the bill draft or any mention of it. That might just be a flaw in the minutes or my tired eyes not seeing it, but I'm wondering why when it was brought to that committee if they had any substantial discussion that we are missing here and why the bill ended up not being introduced on behalf of PERS?

**Collins:** The bill was introduced late and heard December 5<sup>th</sup> legislative employees benefits committee meeting. We have submitted this bill in the past and it was unsuccessful at that time. We submitted it in 2003 and it was unsuccessful. Both times it got a positive recommendation from the legislative employee benefits committee. In 2003 one of the major concerns was that it did not have the language in there that it could only be used by PERS. One of the objections came up that PERS might take this and we might start licensing it and not using it just for us.

**Representative Ruby:** The new language doesn't talk about the portability of an existing network. It talks about developing a network. I'm just kind of wondering why its worded the way it is?

**Collins:** I would have to talk to our attorney.

**Chairman Keiser:** Where is the fiscal note for the bill?

**Collins:** We weren't requested for a fiscal note.

**Chairman Keiser:** You made reference to Medicaid and workers comp. You do know that the reason we do approach Medicaid expansion the way we did is because we didn't want additional FTEs in the department. You cannot develop a provider network without adding a whole bunch of employees.

**Collins:** That's not the type of network we are talking about. I wouldn't disagree with you if we went out and tried to replicate a network like BCBS.

**Chairman Keiser:** You need no FTE's?

**Collins:** What we are thinking about doing here is just a discount.

**Chairman Keiser:** Why can't you do that now?

**Collins:** Because the contracts are not portable.

**Chairman Keiser:** You are assigning new contracts one day I assume.

**Collins:** We would have to go out and get new contracts. We are not trying to build a fee schedule but just to get a discount.

**Representative Hanson:** These networks that were set up in the 1990s with BCBS there was no piece of legislation in the 1990s that set this up or required that you set it up through BCBS correct?

**Collins:** No.

**Chairman Keiser:** If what you want to do is offer is a discount, can this language be changed to address that without giving you full authority to set up a provider network?

**Collins:** We could certainly look at that.

**Chairman Keiser:** Anyone else here to testify on HB 1300 in support or opposition?

**Megan Houn-Director of Government Relations at Blue Cross Blue Shield of North Dakota:** (Attachment 2).

**Representative Lefor:** You have 99.6 percent of the coverage in North Dakota, how many FTEs did it take to get to that point and or how many does it take to maintain the type of network coverage?

**Houn:** I can't answer that question, because it has been over 70 years of relationship building with providers out there. It's one of the many values to our product. We have an entire department dedicated to provider relationships.

**Representative Lefor:** An entire department dedicated to continuing these relationships, how many people are in that department?

**Houn:** Over 15.

**Representative Ruby:** According to the previous testimony, it was stated that BCBS wanted it as a 3 way contract. That tells me that BCBS didn't want to take full ownership of that network that it was a collaborative effort but it was going to be in conjunction with PERS and the providers and stated that BCBS has its own. Do you have different take than that?

**Houn:** My take is that there isn't a separate PERS network that theirs a negotiated discount involved with that.

**Mike Potts-Vice President of Health Innovation and Practice Transformation:** We have a group participation agreement which we have with our participating providing network which is independent of PERS. That's really the basis for our relationship so we contract with all hospitals in our state and a vast majority of all professional providers including medical doctors and other professionals. That contract really outlines all of those provisions that have been mentioned. We have basic mechanisms in place to credential providers and so they may be licensed in North Dakota but we go through a process to

verify licensure, to verify education, to verify a number of their specific credentials to make sure we have a high quality network. In addition to that we talked a little bit about reimbursement and it defines not only the level of fee schedule but coding and billing requirements, policy and procedures in place to make sure we are getting the most value. With that we also have an entire medical department which is not included in that 15 plus employee group which puts the number much higher. Those basic contracts in place represent the frame work. When we were approached by PERS in the early 90s the approach was let's build on what is currently in place. I think the most recent discount numbers for 2013 was over 127 million dollars in state for those basic agreements. We also have access to BCBS network nationwide through what we call our blue card network which has yielded another 18 million dollars to that. So we built another network on top of that. We went out together with PERS, we approached providers, we offered them these PPO contracts we also offered EPO contracts at the time. Our understanding they were going to be jointly signed. It would be three party agreements. In terms of the relationship and whether or not those be independent at some point in the future of BCBS, I don't recall that we ever discussed that possibility. I believe at the time our understanding was that they were related to our relationship to providers which was formulated by that group participation agreement. At appoint about 10 years ago we went through some recon tracking with providers and we felt at the time it necessitated a changed from a three party contract back to a two party contract just between BCBS and the provider committee. As we talked through it with providers we wanted to ensure that that network remained strong that we maintained access across the state which we were able to do at that time.

**Representative Ruby:** Were you willing to work on this network mainly because you had one large costumer that was coming on.

**Potts:** Yes, as it was mentioned earlier, certainly ND PERS group is our largest customer for our group line of business and as also mentioned it's a fully insured product line so there was some benefit we felt to the arrangement that we had with them from a premium stand point as well. So those things were factored in and they subsequent renewal cycles as we are able to maintain that network from one biennium to another.

**Representative Ruby:** Those providers that approached about this additional discount, did they give that because it was also that large customer base that's available?

**Potts:** Yes, from a providers stand point. When they look at their bottom line and their revenue it comes from a lot of different sources. They certainly have government payers like Medicare and Medicaid and then they have commercial payers like BCBS and other carriers. So for them there certainly is an element of leverage in terms of relationship we have a strong market share in North Dakota and we have been able to work with them to try and balance that need for access across the state as well as balancing the need for a very favorable discount arrangement. We look at those together and I think it ties back to the strength of the contract. Our total enrollment today in state is over 400,000 total members. We think that has a part to play in terms of this long term discussion.

**Representative Ruby:** It sounds like the position of BCBS is that you're opposed to the state developing its own network and using state funds to do that, but would you be

opposed if basically they just had the legislative authority to work with another five percent discount on another company's network?

**Hous:** What we are opposed to is taking our network and making it portable.

**Chairman Keiser:** We know, outside of the PERS program, what the administrative cost BCBS of the North Dakota are. They are about the lowest in the country. Do you know the administrative costs in the PERS contract? How many dollars of every premium paid goes to health care providers?

**Hous:** Over 92 percent of every dollar goes to medical costs not administration in the PERS.

**John Godfrey- North Dakota chamber:** We do oppose this bill.

**Rod St.Aubyn- Pharmacy Care Management Associations:** I was reluctant to say whether I was going to speak opposed to the bill. I just can't really tell from this bill if this would directly impact pharmacy benefit management services, because as it talks about on page 1 line 9 may receive beds separately from prescription drug coverage. Typically what happens as part of the prescription drug coverage is really part of the health plan. They bid both of those but the state does have that authority if they wanted to bid that separately. When you look at the new language I don't see where it's limited to just the health benefits. That's what I fear that we would possibly have if it does include for the PBM. That is a significant role for the PBM; they go out and contact with all the pharmacies in the state or try to have a large enough market. Based on federal laws they have to have an adequate network so if there is situations out there that we can't get some of the rural pharmacies based on the reimbursement we may have to contract for a higher rate.

**Representative Ruby:** If this was written more specific to the discount, would you have any problem with that?

**Aubyn:** I'm not sure because if it's a situation where someone else is going to be involved in dealings with that particular provider, we would probably still have some issues with it.

**Chairman Keiser:** Is what you're proposing in this legislation that PERS could go to all of the providers and negotiate directly a discount and then take that discount and market it to the various insurance companies to manage whatever part of the PERS contract that the customer wants, is that what you are trying to do here?

**Collins:** I think so. If it's a discount or like we have with our ETO program capitulated arraignments those types of things, to that extent we have developed programs that have helped to reduce the costs and they would be available to any of our vendors.

**Chairman Keiser:** In theory, you can get a bigger discount.

**Collins:** We are not going to market any of our vendors. Otherwise we have created a competitive disadvantage to these other vendors.

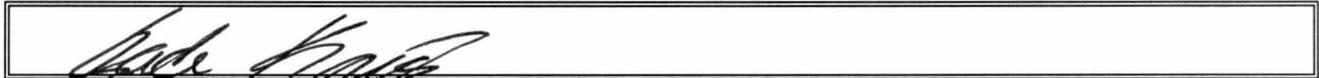
**Chairman Keiser:** Anyone wish to appear neutral? Seeing none we close the hearing on HB 1300.

# 2015 HOUSE STANDING COMMITTEE MINUTES

## Industry, Business and Labor Committee Peace Garden Room, State Capitol

HB 1300  
2/4/2015  
23208

- Subcommittee  
 Conference Committee



### Explanation or reason for introduction of bill/resolution:

A bill for an act to amend and reenact section 54-52.1-04 of the North Dakota Century Code, relating to provider networks for the public employees uniform group insurance program.

### Minutes:



**Chairman Keiser:** I told them we had one bill we needed to move and as it turns out we may have three that we need to take action on, but it won't take long. Before we did discuss two of these items and we held them because Representative Kasper wasn't here and request some potential input. The first one would be the PERS program HB 1300. What are the wishes of the committee?

**Representative Ruby:** As I listen to the discussion to set up a network agreement is very technical, theres all these different codes you have to go to and every charge code and for all the various types of providers, its really complicated and he said were not planning to do that, but then that's kinds of what the language stated that the were but basically what it sounds like in the end what they really want to do is just whatever vender they work with, who may already have their own network set up they are just going to use the flex and muscle of the size of PERS and request another five present and work with the different providers and negotiate that with. Apparently the state has done that with BCBS without legislation so I don't know that we need to have anything pass that allows them to keep doing it. I Move a Do Not Pass.

**Representative Beadle:** I second

**Chairman Keiser:** Any further discussion? I always get nervous when a department says they are going to do something new and they don't need FTEs. That's one way you get your bill passed I guess. Somehow this is an expansion of the work load, maybe it's not that great but I do get concerned.

**Representative Kasper:** The intent of the bill is not the way the bill is written. So form the perspective of what the bill allows compared to what we would have hoped it would allow I probably can't support the bill. I just want to make the comment that the insurance

companies that come into North Dakota or want to compete for the PERS plan, have told me that because BCBS has been able to obtain an additional five percent discount from the providers they cannot compete. From the perspective of what the BCBS has been able to do more power to them. Why have they, because they control the market and have about 80 percent of the market and they can negotiate like that. Down the road, we have to come up a way to come up with a way to allow competition in North Dakota for our health insurance in the big groups and this is one of them. As I said the bill isn't the way I had hoped it would be and looking at it I probably missed what the real intent.

**Representative Becker:** I'm going to support the motion of the do not pass. It doesn't look like the word portable is in here, that's the word I have a problem with. Certainly another provider could come in and offer a five percent discount if they wanted to as far as the whole economy of scale that its more easy for larger networks to provide it, sure that's true but that's one way to try and increase your market share is to take the hit on a front end and hope for the best. I don't like the idea of a portability of product that you questionably don't own or didn't come up with.

**Chairman Keiser:** Further discussion? Seeing none I ask the clerk to take the role on a Do Not Pass on HB 1300.

Motion for Do Not Pass

Motion made by Representative Ruby.

Seconded by Representative Beadle.

Total Yes 14. No 0. Absent 1.

Floor assignment Representative Ruby.

Date: Feb 4, 2015

Roll Call Vote: 1

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1300

House Industry, Business & Labor Committee

Subcommittee  Conference Committee

Amendment LC# or Description: \_\_\_\_\_

Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerefer to Appropriations

Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By Rep Ruby Seconded By Rep Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	x		Representative Lefor	x	
Vice Chairman Sukut	x		Representative Louser	x	
Representative Beadle	x		Representative Ruby	x	
Representative Becker	x		Representative Amerman	x	
Representative Devlin	x		Representative Boschee	x	
Representative Frantsvog	Ab		Representative Hanson	x	
Representative Kasper	x		Representative M Nelson	x	
Representative Laning	x				

Total (Yes) 14 No 0

Absent 1

Floor Assignment Rep Ruby

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1300: Industry, Business and Labor Committee (Rep. Keiser, Chairman)**  
recommends **DO NOT PASS** (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).  
HB 1300 was placed on the Eleventh order on the calendar.

**2015 TESTIMONY**

**HB 1300**

#1  
HB 1300  
2-2-15

TESTIMONY OF  
SPARB COLLINS  
ON  
HOUSE BILL 1300

Mr. Chairman, members of the committee my name is Sparb Collins I am the Executive Director of the North Dakota Public Employees Retirement System (PERS). I appear before you today on behalf of the PERS Board and in support of this bill.

This bill allows PERS to have an independent provider network. PERS presently has a provider network with BCBS but it is not portable. That is in order for us to set this up in the 1990's, since we did not have the statutory authority to do it independently we had to set it up through BCBS. Since the contracts are through them that means that if we were to retain another firm we would have to duplicate this effort in order to set it up with them. By allowing us to have the authority to do this directly it would mean that whoever we have the contract with would be able to use our network. Our network today generates savings of about \$4.7 million per year, which is about \$15 per contract per month. While this is a beneficial benefit for our employers and members one of the side effects of this is that it makes it harder for other firms to bid on the states business. Since the network is not portable or available to other bidders it makes it more difficult for them to compete when we go out to bid and gives the existing carrier a substantial advantage. Our existing consultant noted this in its review of this bill for the Legislative Employee Benefits Committee when it stated:

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.

By making our network portable it would help to level the process and encourage others to bid on our health plan. In addition, in that report for the Legislative Employee Benefits Committee our consultant went on to say:

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

In addition several years ago we studied this concept and our health consultant then noted the following about allowing PERS to establish its own network which would be portable:

*As Gallagher Benefits Services has very recently experienced while conducting PERS' medical RFP project, no managed care organization other than BCBSND has an established statewide physician and hospital network. Financially, it is not feasible for other carriers to establish a provider network unless they were assured of PERS' business. Until such time as BCBSND agrees to allow other organizations to access the existing PERS PPO and EPO networks, it is unlikely that PERS will be able to attract other bidders on its medical plan. Please note that PERS does presently have its own PPO network and EPO networks that were developed with BCBS as part of the present PERS/BCBS insurance plan. Therefore, the issue is not that PERS needs to create its own PPO network but rather making its existing PPO network portable.*

This initiative, if approved and successfully implemented, would hopefully attract more firms to bid on health plan business and therefore make the process more competitive from a pricing standpoint. The irony with today's procedure is that the more successful we are at creating innovative provider relationships the less competitive our plan becomes in the bidding process.

These provisions of this bill have been reviewed by the Legislative Employee Benefits Committee and given a favorable recommendation. On behalf of the PERS Board, I would request your favorable consideration of this bill. Mr. Chairman this concludes my testimony.

## 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

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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.

#2  
 HB 1300  
 2-2-15

Testimony on HB 1300  
 House Industry Business and Labor Committee  
 February 9, 2015

Chairman Keiser and committee members, my name is Megan Houn and I am the Director of Government Relations at Blue Cross Blue Shield of North Dakota.

BCBSND is privileged to administer the fully insured health plan for our state's public employees and we greatly appreciate the long-standing relationship that we have with NDPERS.

BCBSND works very hard to deliver a high quality, benefit-rich plan to North Dakota's state employees, while holding premium costs down. Below, Figure 1 includes an excerpt of a national survey of state health plan premiums. At an average annual premium of \$427 per employee, our premium rates are among the best in the nation for state employee plans.

**Figure 1: State Health Plan Premiums, Employee Contribution Arrangements Vary**  
 Average premiums, employee contribution percentages US and ND averages, 2013

State	Average total premium; employee only	Average employer contribution; employee only	Average employee contribution; employee only	Average total premium; employee plus dependents	Average employer contribution; employee plus dependents	Average employee contribution; employee plus dependents	Average total premium per employee	Average employer premium contribution percentage	Average employee premium contribution percentage
US average	\$570	\$502	\$68	\$1,233	\$1,004	\$230	\$959	84%	16%
ND	\$427	\$427	\$0	\$1,029	\$1,029	\$0	\$855	100%	0%

Reference: Milliman Atlas of Public Employer Health Plans; 2014 The Pew Charitable Trusts

As we look at the national map in Figure 2 on page 2, it illustrates that per-employee premiums in ND fall within the bottom third nationally. Again, strong affirmation of the work that BCBSND and NDPERS has done to control premium costs.



network, this bill will actually invest state taxpayer dollars to help out-of-state companies bid against a state-based company who creates valuable jobs for North Dakotans.

Consider a similar situation with NDDOT contractors who go through a bidding process to build a section of highway. A general contractor who submits a bid to build a section of road submits that bid utilizing a network of subcontractors that will build the grade, supply materials, pour cement, apply hot oil mix, and paint safety stripes. Would this body consider allowing the state to develop a state-based network of subcontractors and make those subcontractors available to competitors of the successful bidder? That would not make sense.

The expensive infrastructure involved in creating and managing a NDPERS participating provider network cannot be overlooked. It would be a substantial undertaking for NDPERS, involving much more than simply drafting and signing contracts. Similarly, there are market factors that impact fee schedules, reimbursement rates, and access to out-of-state providers, quality management functions, credentialing, coding, claims review, utilization management review and all the other aspects of managing a health care provider network. There are enormous costs associated with all of these aspects through additional FTE's, subject matter experts, and administration. HB 1300 does not make any allowances for the financial costs or associated administrative burdens that accompany the creation and management of a participating provider network.

Mr. Chairman and members of the committee, we appreciate your consideration for the issues and concerns that I bring to you today and I would urge the committee to recommend a Do Not Pass on HB 1300.