

# NORTH DAKOTA LEGISLATIVE MANAGEMENT

## Minutes of the

### INDUSTRY, BUSINESS, AND LABOR COMMITTEE

Thursday, May 27, 2010

North Dakota Heritage Center Auditorium, 612 East Boulevard Avenue  
Bismarck, North Dakota

Representative George J. Keiser, Chairman, called the meeting to order at 8:00 a.m.

**Members present:** Representatives George J. Keiser, Bill Amerman, Mark A. Dosch, Kathy Hogan, Jim Kasper, Dan Ruby, Mike Schatz, Elwood Thorpe, Don Vigesaa, Steven L. Zaiser; Senators David Hogue, Dave Oehlke, Tracy Potter

**Members absent:** Representatives Rick Berg, Tracy Boe, Donald L. Clark, Scot Kelsh; Senators Arthur H. Behm, Terry M. Wanzek

**Members of the Legislative Management present:** Representatives Al Carlson, Merle Boucher, Gary Kreidt; Senator Robert S. Erbele

**Members of the Health and Human Services Committee present:** Representatives Larry Bellew, Kari L. Conrad, Jeff Delzer, Robert Frantsvog; Senators Ralph L. Kilzer, Judy Lee, Tim Mathern

**Others present:** Dick Dever, State Senator, Bismarck

Joan Heckaman, State Senator, New Rockford  
See [Appendix A](#) for additional persons present.

**It was moved by Representative Kasper, seconded by Representative Vigesaa, and carried on a voice vote that the minutes of the April 28, 2010, meeting be approved as distributed.**

Chairman Keiser said the main purpose of this meeting is to gather data relating to the fiscal impact of the federal health care reform legislation on the state of North Dakota. He said the committee will continue to work through the interim to determine the fiscal impact and the necessary state response.

Chairman Keiser called on Mr. Adam W. Hamm, Insurance Commissioner, for comments ([Appendix B](#)) relating to the federal health care reform legislation and the impact of the legislation on the state of North Dakota.

In response to a question from Representative Keiser, Commissioner Hamm said the federal government will run the temporary high-risk pool for North Dakota. He said he had concerns with the availability of funding for the life of the pool, which led to the decision to let the federal government operate the pool. He said 19 states have opted not to operate the pool and to let the federal government be responsible for operation in those states. He said there were a number of questions with respect to the operation of the pool, including what entity would be responsible for covering the costs not covered by the federal funding. In addition, he said, there were concerns with the timeframe of establishing a pool.

In response to a question from Representative Conrad, Commissioner Hamm said he has not looked at the other 18 states to determine if those states are parties to the lawsuit challenging the constitutionality of the health care reform legislation. Although the federal government may explore the possibility of contracting with the Comprehensive Health Association of North Dakota (CHAND), he said, it is unlikely that the CHAND Board of Directors would contract with the federal government to operate the high-risk pool in this state.

Representative Conrad said she would like to see more discussion relating to the possibility of CHAND contracting with the federal government to operate the temporary high-risk pool.

Commissioner Hamm said it is very unlikely that the CHAND Board of Directors would be in favor of contracting with the federal government because contracting with the federal government would be essentially the same as operating the high-risk pool. He said there are significant concerns regarding what will happen when the federal funding ends, and who would be responsible for the funding of the pool.

In response to a question from Representative Ruby, Commissioner Hamm said he has not seen a definition for the phrase "total allowed cost." He said there are a number of phrases and terms that must be defined by federal regulations.

In response to a question from Representative Keiser, Commissioner Hamm said to qualify for the federal temporary high-risk pool, an individual must have a preexisting condition and be without insurance coverage for at least six months.

In response to a question from Senator Potter, Commissioner Hamm said it is difficult to determine the number of individuals who will qualify to participate in the federal high-risk pool.

Chairman Keiser requested Commissioner Hamm to present a report at the next meeting of the committee with respect to whether the CHAND Board of Directors has been approached to operate the federal high-risk pool within this state.

In response to a question from Representative Conrad, Commissioner Hamm said the cost analysis with respect to the fiscal impact of the federal high-risk pool on this state was based upon a review of the current costs of the CHAND program and a federal analysis that addressed coverage issues. He said the federal government performed a national cost analysis but did not provide analysis on a state-by-state basis.

In response to a question from Senator Hogue, Commissioner Hamm said not all states perform insurance premium rate reviews like this state. He said the federal legislation provides for a federal rate review that may bring other states to the level of review that is conducted in this state. He said he had no concerns with the federal rate review process, but he would have a problem if the federal government begins to interfere with state review decisions.

In response to a question from Representative Amerman, Commissioner Hamm said the requirement of providing dependent coverage up to age 26 likely is not conditional upon the dependent being enrolled in school.

In response to a question from Senator Heckaman, Commissioner Hamm said although the grant guidelines for the rate review process have not been issued by the federal government, he expects that the state will submit a grant application. Although this state has the gold standard for rate review, he said, there likely will be more filings to review and additional costs will be incurred. He said the federal legislation contains provisions for other grants that may be available to the Insurance Department, but guidance is not available yet for those programs.

In response to a question from Representative Conrad, Commissioner Hamm said the Insurance Department is handling questions from consumers with its current staff. He said when guidance is available for applying for the consumer assistance office grants, he will submit a grant application if appropriate.

In response to a question from Representative Keiser, Commissioner Hamm said the department will attempt to put educational information on its website with respect to the impact of and opportunities under the federal legislation.

In response to a question from Representative Keiser, Mr. Cory Fong, Tax Commissioner, said he is unsure of the number of small businesses that will qualify for the small business tax credit. However, Commissioner Fong said the Internal Revenue Service is providing education information to small businesses and is planning to conduct townhall meetings to provide additional information.

In response to a question from Representative Kasper, Commissioner Hamm said although the definition of "standard charges for services" is not yet defined, the issue will be important to hospitals and insurance regulators. He said the National Association of Insurance Commissioners and representatives of hospitals are working to provide input during the open comment period.

In response to a question from Representative Keiser, Commissioner Hamm said the minimum loss ratios required under the federal law of 70 percent for a group and 55 percent for individual plans will require changes in the North Dakota law.

In response to a question from Representative Kasper, Commissioner Hamm said the federal reform

legislation does not appear to require coverage for illegal aliens.

In response to a question from Representative Keiser, Commissioner Hamm said after 2014, employees will be required to purchase insurance and employers of fewer than 50 employees will not be required to provide insurance to their employees.

Representative Conrad said it is important to keep in mind that federal subsidies will be provided for individuals at certain income levels to assist with the purchase of health insurance. She said the underlying policy of the federal legislation is that no one should be required to pay more than 8 percent to 9 percent of that individual's income for health insurance coverage.

In response to a question from Representative Boucher, Commissioner Fong said the tax on expensive health insurance policies will be applied only to the amount over the established threshold.

In response to a question from Representative Conrad, Commissioner Hamm said the fiscal impact estimates being provided are a preliminary analysis but indicate that the costs can be paid through the regulatory trust fund. However, he said, the cost estimates do not include the large information technology project that will need to be built for the health insurance exchange, inflation, and the potential for the receipt of grant funds.

In response to a question from Representative Keiser, Commissioner Hamm said the added costs will not require an increase in the insurance premium tax. However, he said, he has concern with respect to the cost of the information technology project. Although the additional costs will come from special funds, he said, some of those special funds have been transferred to the general fund in the past. He said unused funds in the regulatory trust fund go to the general fund.

In response to a question from Representative Boucher, Commissioner Hamm said he is not sure how the federal tax revenues collected as a result of the individual mandate will be used.

Representative Boucher said the tax revenues are a logical source to address the cost of the reform legislation.

Representative Keiser said the additional taxes will likely fund the increase in the size of the Internal Revenue Service.

In response to a question from Senator Potter, Commissioner Hamm said the core concept of the federal legislation is that the opening of the insurance market will increase competition in each state with more products being offered. He said the Insurance Department likely will need additional staff to deal with the review of new companies and products.

In response to a question from Senator Dever, Commissioner Hamm said the legislation likely will result in many small businesses considering dropping insurance coverage for employees and increasing salaries to help the employees pay for the individual purchase of insurance coverage.

In response to a question from Representative Conrad, Commissioner Fong said although insurance coverage may be available, employers may push their employees to take coverage through the insurance exchange. He said many employers may opt-out of coverage despite the tax credit that is intended for small employers.

In response to a question from Representative Kasper, Commissioner Hamm said the guaranteed issue provisions may result in individuals seeking coverage only when needed and could result in a large increase in insurance premiums.

In response to a question from Senator Hogue, Commissioner Hamm said the funds needed to address the federal legislation will come from the regulatory trust fund. He said he remains concerned with the committee's consideration of a bill draft to repeal the premium tax.

In response to a question from Representative Keiser, Commissioner Hamm said the insurance exchange will provide four basic plans with differing deductible amounts and cost-sharing amounts. He said one issue that will need to be addressed is whether the provisions of the reform legislation will encourage large employers that are providing family policies to employees to maintain the family coverage or reduce coverage to single policies.

Representative Hogan said the initial analysis of the legislation and the tax credits for low- and moderate-income individuals and small businesses indicates that the individuals who are now paying for their own coverage will receive significant benefits.

Chairman Keiser called on Mr. Sparb Collins, Executive Director, Public Employees Retirement System (PERS), for comments ([Appendix C](#)) regarding the impact of the federal health care reform legislation on the state of North Dakota. Mr. Collins said the provisions relating to extension of dependent care coverage and lifetime maximums will be effective for the July 1, 2011, plan year. Although Blue Cross Blue Shield of North Dakota has indicated the company is considering early implementation of dependent care coverage, he said, the PERS Board has decided to wait until the July 1, 2011, implementation date because of the additional cost of approximately \$600,000 for the first year as a result of 900 to 1,000 additional covered individuals joining the plan.

In response to a question from Representative Amerman, Mr. Collins said PERS will have an open enrollment period in 2011 to add the uncovered dependents who will become eligible for coverage in July of that year.

In response to a question from Senator Mathern, Mr. Collins said the estimate of \$600,000 of additional costs for dependent care coverage is for only a portion of the year. He said the estimate for the entire year of 2012 is over \$1 million. He said the estimate could vary depending upon claims.

In response to a question from Representative Conrad, Mr. Collins said there is the possibility of

receiving approximately \$1 million in premedical savings that would be used to enhance plan design for retirees or for the general betterment of the plan.

In response to a question from Representative Keiser, Mr. Collins said although the grant program was set up to go for four years, the funding likely will be used sooner than four years.

In response to a question from Representative Keiser, Mr. Collins said PERS offers wellness programs currently, but it would have to look at whether it will be cost-effective to leave the grandfathered status to implement additional programs.

Chairman Keiser called on Ms. Kathy Albin, Director, Division of Accounting, State Department of Health, for comments ([Appendix D](#)) regarding the impact of the federal health care reform legislation on the state.

In response to a question from Representative Conrad, Ms. Albin said she is unsure of the procedure to be used with respect to the maternal and child health assessments. She said she will provide the committee with additional information in the future. She said the information received thus far has been national data and not broken down by state.

In response to a question from Senator Lee, Ms. Albin said she will try to provide the committee with additional information regarding the impact of the background check requirements.

In response to a question from Representative Ruby, Ms. Albin said the home visitation program will provide funding for home visits. She said the visits will not be required but will be similar to the optional programs that are operated at the local level.

In response to a question from Representative Keiser, Ms. Albin said information has not been available regarding the funding levels of the proposed new programs. She said she has heard some information indicating that some existing programs may be eligible for grant funding, and some existing, but not funded, programs also could be funded.

Chairman Keiser requested Ms. Albin to provide the committee with additional information regarding where the state may save money on existing programs by using federal funds that may be made available.

Representative Hogan said the State Department of Health also should examine programs that are funded at the local level that could be funded through new grants.

Chairman Keiser called on Ms. Maggie Anderson, Director, Medical Services Division, Department of Human Services, for comments ([Appendix E](#)) regarding the impact of the federal health care reform legislation on the state of North Dakota.

In response to a question from Representative Conrad, Ms. Anderson said the Medicaid enrollment information was obtained from a health care consulting group that was contracted for the National Governors Association. She said similar estimates were developed by the Kaiser Foundation on a

state-by-state basis. She said the data provided is preliminary, and the department will continue to analyze and update the data. She said the department is in the budget preparation process and will refine the information as more data become available.

In response to a question from Senator Mathern, Ms. Anderson said the estimated state cost over the next 10 years as a result of the federal legislation amounts to approximately \$105 million. She said the state will receive \$650 million in federal funds. However, she said, the federal medical assistance percentage rate will decrease. In addition, she said, the state will lose drug rebates to the federal government.

Senator Mathern said although the state Medicaid program may require additional funding, more individuals will have health care coverage, and the state will receive \$650 million in federal funding. In addition, he said, the state will receive additional funding through the frontier states amendment. He said it appears the state will receive approximately \$1.2 billion over the next 10 years in federal funding under the federal legislation.

Representative Dosch said the \$650 million is taxpayer money. He said the state also will have to fund the additional \$100 million in costs, and insurance companies and businesses will end up paying more for health care costs.

In response to a question from Representative Delzer, Ms. Anderson said Medicaid and Medicare reimbursement to health care providers is generally lower than reimbursement from private insurance.

In response to a question from Representative Dosch, Ms. Anderson said benefits to the state will include additional coverage of individuals on Medicaid, the establishment of preventative services, and the federal government picking up the share of Medicaid newly eligible.

In response to a question from Senator Dever, Ms. Anderson said although she does not have specific information relating to Medicare reductions, the reductions could affect Medicaid costs.

In response to a question from Representative Conrad, Ms. Anderson said the department has a disease management program and is looking at a medical home program. She said other programs, such as a pregnancy program, can be explored.

Senator Potter said the frontier states amendment provides fairness at the expense of other states that were receiving better reimbursements. He said the amendment eliminates cost-shifting in health care and will help reduce the need for collection agencies and bankruptcy attorneys in health care.

In response to a question from Representative Keiser, Ms. Anderson said state administrative costs were not addressed in the general federal estimate of the total cost of the health care reform legislation. She said there was no state-by-state analysis of costs completed. She said the Kaiser Commission on

Medicaid and the Uninsured provides fairly comparable state projections ([Appendix F](#)).

In response to a question from Representative Conrad, Ms. Anderson said the federal government provides a little over 50 percent of the administrative cost of the Medicaid program.

Representative Conrad said she understands that the federal government provides 86 percent of the total Medicaid costs.

At the request of Chairman Keiser, Commissioner Fong provided information ([Appendix G](#)) relating to the impact of the federal health care reform legislation on the state. Commissioner Fong said the Tax Department will continue to analyze the legislation because of the unknowns in the law. He said there will be no cost to the Tax Department to implement the legislation, but consumers and taxpayers will be affected. He said there likely will be additional tax revenue to the state as a result of the federal legislation.

In response to a question from Representative Hogan, Commissioner Fong said he will attempt to further analyze the impact of the tax credits on families.

In response to a question from Representative Boucher, Commissioner Fong said the tax credit provisions will reduce the tax liability for small employers. He said there may be some new penalties for other businesses under the federal law.

Chairman Keiser called on Dr. Len M. Nichols, Professor of Health Policy and Director, Center for Health Policy Research and Ethics, George Mason University, Fairfax, Virginia, from comments ([Appendix H](#)) relating to the federal health care reform legislation and impact of the legislation on the state.

In response to a question from Representative Kasper, Dr. Nichols said although federal revenues went up during the 1980s, the revenue did not pay for the tax cuts or for the additional spending. He said the ratio of debt to gross domestic product increased during the 1980s.

In response to a question from Senator Mathern, Dr. Nichols said North Dakota is doing well in many areas, but a focus must be placed on the community level, and there must be an analysis of the economies of scale needed to make health care reform sustainable. He said insurance premiums are low, and the quality of health care in the state is high. However, he said, certain parts of the market must be addressed. He said help may be needed in rural areas, and there may be a large number of competing insurance plans. He said web portals and agents will play a role in providing coverage in rural areas. Although there may be a need for approximately 500,000 covered lives to be extremely competent, he said, an insurance plan may be competent at lower amounts.

In response to a question from Representative Kasper, Dr. Nichols said the change of the health care system sends a signal that business as usual is over. He said the change will stop overpaying for Medicare

Advantage plans and reduce the automatic updates that flow to hospitals. He said the health care business needs to improve every year like other businesses must do to remain viable. In addition, he said, it is vital to pay for value not volume. He said the reform of health care should directly change the way providers are paid by the government. He said providing consumers a medical home and linking providers to patients will result in reductions in readmissions. He said the point of the reform package is to empower clinicians to share in the cost-savings. He said the behavior of individuals must be consistent with a healthy lifestyle, and insurers should have the right to provide discounts for preventative activities and charge more for unhealthy behaviors. He said a forceful mandate is needed to make insurance markets work by helping all enrollees find value. He said numerous constitutional experts have concluded that the power of the federal government to tax and the authority under the commerce clause provide the federal government the authority needed to implement the health care reform legislation.

In response to a question from Representative Zaiser, Dr. Nichols said it is difficult to get competition in the small group insurance market. He said health care providers need access to best care practices and must be incentivized to provide the best care and refer when necessary. He said telemedicine and referrals may be used in rural areas to help provide a high level of care.

In response to a question from Representative Ruby, Dr. Nichols said health care costs have been increasing and employers have been faced with decisions to either pay more for coverage for their employees or cutting coverage. He said the system is very inefficient and businesses are concerned about international competition due to cost-growth projections. He said health care costs will increase regardless of health care reform, and there is a need to get cost-growth under control. If incentives can be realigned, he said, clinicians can benefit in the long-term by being more efficient. He said readmissions can be reduced by handling care better as a team. He said 30 percent of the amount spent now for health care is not adding to health and accounts for about 5 percent of the gross domestic product.

In response to a question from Senator Lee, Dr. Nichols said he agrees that medical malpractice concerns should have been addressed, and that malpractice is the single biggest omission in the health care reform legislation. He said he thought malpractice reform would be in the health care reform legislation, but organizations are driven by self-interest and the malpractice reform was not included.

In response to a question from Representative Zaiser, Dr. Nichols said it is difficult to measure the amount of health care costs attributable to malpractice. He said malpractice premiums likely account for about 2 percent of health care spending. In addition, he said, studies indicate that defensive medicine may account for as much as 5 percent of the

cost of health care. However, he said, malpractice premiums and defensive medicine costs vary by specialty.

Representative Keiser said information provided to this committee indicates that approximately 45,000 individuals in this state are uninsured--15,000 of whom likely chose not to be insured but are eligible for insurance coverage, 15,000 of whom likely qualify for various programs that would provide health care coverage, and about 15,000 of whom have either preexisting conditions or have met lifetime maximum benefits. He said the CHAND program has been very successful in this state. If the federal government wanted to fix the uninsured problem in North Dakota, he said, all that would have been needed is to provide the state a few million dollars to address the 15,000 people who are unable to obtain insurance coverage. He said the federal legislation is not going to provide the savings that have been suggested. However, he said, the legislation will likely serve as an incentive for young and healthy individuals to opt-out of coverage and for small employers to reduce coverage for families. In addition, he said, there are several other provisions in the legislation that will negatively affect citizens in this state.

In response to a question from Representative Keiser, Dr. Nichols said lifetime limits likely will be addressed in rules. If services are defined as essential benefits, he said, it is likely that those services would be covered regardless of lifetime limits. He said the 45 years of Medicare under-reimbursement due to geographic inequities likely was due in part to the fact that people in rural areas often underutilize medical services. He said insurance markets vary by state, and in some states competition is driven by the number of competitors in the market, while in other places competition is driven by price and quality. He said the system should be designed to provide competition based on price and quality so that insurance companies and consumers are paying for value provided by the providers. He said he would prefer to see fierce competition among 200 insurance companies rather than a poor level of competition among 1,300 companies.

In response to a question from Representative Kasper, Dr. Nichols said many people have asked why the focus of reform was not on fixing Medicare rather than the broad scope of the legislation adopted. He said Medicare is not sustainable in its current form, because Medicare buys from the health care system in place. He said the entire system would need to be reformed rather than one part of the system. He said the goal of the reform legislation was to make the entire health care delivery system more efficient.

Chairman Keiser called on Mr. Rod St. Aubyn, Director of Government Relations, Blue Cross Blue Shield of North Dakota, Fargo, for comments ([Appendix I](#)) regarding the impact of the federal health care reform legislation on the state.

In response to a question from Representative Amerman, Mr. St. Aubyn said the estimates provided

by Mr. Collins regarding the cost of dependent care coverage is a reasonable estimate.

In response to a question from Representative Keiser, Mr. St. Aubyn said the insurance plans offered by the insurance exchange will vary in enhancements as well as copayments. He said each of the plans will be required to provide what is defined as essential benefits. He said the small employer tax credit may not be enough of an incentive for small businesses to provide health care coverage.

In response to a question from Representative Conrad, Mr. St. Aubyn said although there are concerns that some employers may drop insurance coverage for their employees to remain competitive, an initial analysis suggests there likely will not be a significant reduction in coverage.

In response to a question from Representative Kasper, Mr. St. Aubyn said nonmaterial changes in insurance policies may not affect the grandfathered status of a plan. However, he said, until the rules are adopted, it is difficult to determine what will cause a loss in the grandfathered status. He said preventative services are the largest area of changes in insurance plans. In addition, he said, benefit plans frequently change according to recommendations by different health entities, including the Centers for Disease Control and Prevention. Although preventative services must be 100 percent covered, he said, there may be some cost-sharing allowed on a grandfathered plan.

In response to a question from Representative Keiser, Mr. St. Aubyn said Blue Cross Blue Shield of North Dakota submits annual rate review requests.

In response to a question from Senator Hogue, Mr. St. Aubyn said Blue Cross Blue Shield of North Dakota has not provided a specific calculation as to the estimated cost of administrative compliance due to the federal legislation. However, he said, the costs are included in the total cost estimate. He said there will be significant changes required in computer systems.

Representative Amerman said the committee should be determining what state laws will need to be changed as a result of the federal legislation and address those issues at its next meeting.

Chairman Keiser called on Mr. Tim Blasl, Vice President, North Dakota Hospital Association, for comments ([Appendix J](#)) regarding the federal health care reform legislation and the impact on the state.

In response to a question from Representative Kasper, Mr. Blasl said the annual hospital inflationary update and productivity adjustments for hospitals will be decreased. He said his association is working with the hospitals to determine the net financial impact of the federal health care reform legislation. If the frontier states amendment had not been included in the reform legislation, he said, the reductions in the inflationary updates would have a more significant impact on the hospitals.

In response to a question from Representative Keiser, Mr. Blasl said the additional funding from the

frontier states amendment will go to the prospective payment system hospitals in Bismarck, Fargo, Grand Forks, and Minot. He said he is unsure how the term "allowable cost" will be defined with respect to the high-risk pool coverage. He said 65 percent of the allowable cost is not a positive deal for the hospitals.

In response to a question from Representative Conrad, Mr. Blasl said he provided the committee with information regarding charitable care at the last meeting of the committee.

Mr. St. Aubyn said the allowable charge refers to a cost-share under which a provider accepts a fee schedule under a contractual arrangement. He said 35 percent of the costs will be the responsibility of the individual under the high-risk pool.

In response to a question from Senator Hogue, Mr. Blasl said the frontier states amendment will mean approximately \$65 million per year for the North Dakota hospitals based on today's rates. He said additional reimbursement will begin in October for inpatient care and in January for outpatient care.

In response to a question from Chairman Keiser, Mr. Dean Haas, General Counsel, North Dakota Medical Association, said the North Dakota Medical Association will attempt to provide the committee with information regarding physician salary data for positions in the larger cities and rural areas. He said the data will include benefits.

Chairman Keiser called in Mr. Eric Hardmeyer, President, Bank of North Dakota, for comments ([Appendix K](#)) regarding the impact of the federal health care reform legislation on the Bank of North Dakota.

In response to a question from Representative Keiser, Mr. Hardmeyer said because college tuition amounts have increased, the student loan program has changed the amounts that may be borrowed.

In response to a question from Representative Boucher, Mr. Hardmeyer said under the current student loan program, the Bank of North Dakota has about \$1 billion to be collected, which can be directed to other investments. He said the Dakota education alternative loan (DEAL) program is a product that is growing, and the Bank will continue that program. However, he said, the DEAL program is not intended to compete with the federal student loan program and is unable to compete with certain aspects of the program. He said the student loan trust fund was created as a liquidity tool for the Bank but has not had a sale to the trust in years. He said the trust fund continues to go down in assets, and he does not see a big role for the fund in the future.

In response to a question from Representative Carlson, Mr. Hardmeyer said he does not believe that the estimated \$67 billion in savings under the health care reform legislation is likely to occur. He said the federal government is likely to take on new debt as a result of the legislation. With respect to the student loan, program, he said, the Bank gets paid under a formula set by the United States Department of Education. He said the Bank makes 1.8 percent on a

loan, and the difference goes back to the federal government. He said he has trouble believing that the total volume of loans can be serviced with four contractors and believes that service on the loans will not be as good as under the current system.

In response to a question from Senator Heckaman, Mr. Hardmeyer said the federal government is developing regulations now for contracts to service the student loans. He said the Bank will examine negotiating a service contract with the federal government.

In response to a question from Senator Mathern, Mr. Hardmeyer said no portion of the student loan program is outsourced from the Bank. He said the DEAL program does not have loan forgiveness provisions similar to the federal student loan program and should not be seen as a potential competitor to the federal student loan program.

In response to a question from Representative Keiser, Mr. Hardmeyer said before 2007, the student loan program provided one-half of the profits of the Bank. He said the revenues from the program have decreased from about \$20 million per year to \$12 million per year. He said the 1.8 percent the Bank receives is a thin margin. Although the impact of the loss of the servicing of the federal student loan program will have limited impact in 2010, he said, the impact by 2013 will be about \$5 million. He said the Bank may be eligible for a \$1.5 million college access grant and has the potential to service federal loans in the future.

In response to a question from Senator Hogue, Mr. Hardmeyer said the Bank will bid aggressively to service federal loans to generate revenue and to keep people employed. He said the amount of loans that can be serviced would be limited to 100,000 accounts. He said there are approximately 35,000 accounts to 40,000 accounts in North Dakota, and the Bank could possibly go beyond the state in the servicing of loans.

Senator Lee distributed a memorandum prepared for her entitled [Health Insurance Exchange in Utah](#).

Representative Conrad distributed a document entitled *Health Care Reform: Six Ways It Will Affect States* ([Appendix L](#)).

Chairman Keiser called on Mr. Elwood Barth, Vice President, North Dakota Farmers Union, Solen, for comments ([Appendix M](#)) regarding the federal health care reform legislation and the impact on the state.

In response to a question from Representative Ruby, Mr. Barth said although health care costs have increased for farmers, all other business costs have increased. However, he said, health care costs can be contained, and the amount of increase may be reduced. He said it has been a policy of the North Dakota Farmers Union for years to promote containment in health care costs.

In response to a question from Representative Dosch, Mr. Barth said 45 percent of farmers purchase health insurance through bank groups or other groups. He said that number has gone down

dramatically as more farmers and ranchers or spouses of farmers and ranchers work off the farm.

In response to a question from Senator Kilzer, Mr. Barth said the goal of health care reform is to get everybody insured and to stabilize future costs.

In response to a question from Representative Kasper, Mr. Barth said the North Dakota Farmers Union has not examined the feasibility of establishing a group health insurance plan during the last seven years. He said he does not believe the organization could effectively compete to provide such a plan.

In response to a question from Representative Keiser, Mr. Barth said the North Dakota Farmers Union supports the concept from prohibiting insurance companies of placing lifetime caps on coverage. He said one of the reasons for supporting the health care reform legislation was the inclusion of the frontier states amendment, which addresses the underfunding of Medicare reimbursement. Although North Dakota Farmers Union members supported a public option, he said, with legislation you have to take what you can get. He said he is unsure of the number of North Dakota Farmers Union members who will qualify for the tax credits included within the legislation.

Chairman Keiser called on Ms. Karen Larson, Deputy Director, Community HealthCare Association of the Dakotas, for comments ([Appendix N](#)) regarding community health care programs.

In response to a question from Representative Kreidt, Ms. Larson said the federal grants for new community health care access points are very competitive. She said 1 out of 16 applications were funded during the last process. She said South Dakota has several more centers than North Dakota because the state has been involved in the community health care center model longer and has embraced the model. She said it is important to help educate people, and communities must take the initiative to go forward to establish a community health care center. She said the chronic disease management efforts undertaken are excellent.

In response to a question from Representative Ruby, Ms. Larson said the federal definition of a medically underserved area includes locations within a large community where there are populations that are underserved.

In response to a question from Senator Mathern, Ms. Larson said there are many opportunities available to work with critical access hospitals. She said a great example of collaboration is in Northwood.

In response to a question from Senator Hogue, Ms. Larson said the community health care centers provide preventative care, dental care, chronic disease management, and behavioral health programs at a reduced cost. She said the centers help retain access to primary care in areas in which primary care is disappearing and can access malpractice insurance coverage under the Federal Court Claims Act. She said the community health centers operate under a different model of

governance within nonprofit hospitals and clinics in small communities and use a sliding fee scale.

In response to a question from Representative Conrad, Ms. Larson said community health centers are looking at the medical home concept. In addition, she said, work is under way with respect to credentialing requirements to get reimbursement under Medicaid and insurance policies for behavioral services and mental health and substance abuse services. She said the funding model and operations are similar to human service centers, and community health centers could house clinicians from human service centers to help bring those services to areas away from the human service centers.

In response to a question from Representative Hogan, Ms. Larson said community health centers are a common sense method to which to provide community primary care that fills a gap. She said it is important to look at community needs and use the centers to address the access issues.

In response to a question from Representative Keiser, Ms. Larson said most community health centers have a primary care physician on staff. She said some of the rural centers also rely on nurse practitioners or physician assistants. She said community health centers must have affiliations and referral agreements for specialty care.

Mr. Paul Ronningen, State Coordinator, Children's Defense Fund - North Dakota, distributed written testimony ([Appendix O](#)) regarding the children's health insurance program (CHIP).

In response to a question from Representative Keiser, Mr. Ronningen said there are a number of children who qualify for CHIP but are not enrolled. He

said it is a struggle to find ways to get those children into the program, and the children's defense fund has developed an online tool to help determine eligibility for assistance programs.

Chairman Keiser said the committee may consider additional testimony regarding CHIP at a future meeting.

Senator Mathern said the committee may desire to receive information regarding the Dakota Medical Foundation outreach contract at a future meeting.

Senator Oehlke said the committee may consider receiving information regarding the services provided by Indian Health Service.

Representative Conrad said the committee should receive an update regarding the lawsuit that the Attorney General joined which challenges the constitutionality of the health care reform legislation. She said another area that could be explored is the medical school workforce development initiative.

Chairman Keiser said this committee will attempt to focus its study on issues relating to the federal health care reform legislation and the other issues provided for in its study directive. He said other issues that have been mentioned may be more appropriate for the Health and Human Services Committee.

No further business appearing, Chairman Keiser adjourned the meeting at 5:00 p.m.

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John Bjornson  
Committee Counsel

ATTACH:15