

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

INSURANCE AND HEALTH CARE COMMITTEE

Thursday, March 5, 1998
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Karen K. Krebsbach, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Karen K. Krebsbach, Jerry Klein; Representatives Michael Brandenburg, Thomas T. Brusegaard, Ron Carlisle, David Drovdal, Clara Sue Price, Wanda Rose, John M. Warner

Members absent: Senator Judy L. DeMers; Representatives Mike Callahan, Al Carlson, Pam Gulleson, Kenneth Kroeplin, Alice Olson

Others present: See Appendix A

It was moved by Representative Carlisle, seconded by Representative Warner, and carried on a voice vote that the minutes of the December 10, 1997, meeting be approved as mailed.

Chairman Krebsbach said the Information Technology Committee is meeting at the same time as the Insurance and Health Care Committee and because she is a member of both committees, she will be attending portions of both meetings and Vice Chairman Price will conduct most of the Insurance and Health Care Committee meeting.

STUDY OF CHILDREN'S HEALTH INSURANCE PROGRAM

Testimony

Vice Chairman Price called on Ms. Carol K. Olson, Executive Director, Department of Human Services, for comments regarding the status of the children's health insurance program (CHIP) state plan.

Ms. Olson said CHIP was enacted by Congress as part of the Budget Reconciliation Act of 1997. She said each state will receive an allotment of money based on the estimated number of uninsured children in the state and based on a regional cost factor. North Dakota, she said, has been allocated over \$5 million in federal CHIP funds for the current federal fiscal year.

Ms. Olson said the state proposal for implementing North Dakota Healthy Steps, the state CHIP, provides:

1. Adding Medicaid coverage for all 18-year-old children whose family income is below 100 percent of the poverty level.
2. Providing insurance coverage for uninsured children who are not Medicaid eligible up to 150 percent of the poverty level.
3. Providing the same coverage provided through the Public Employees Retirement System, plus basic preventive dental and

vision coverage and well baby, well child, and well adolescent preventive health care services.

4. Subjecting families to the same asset test used for the Medicaid program.
5. Not charging families any premiums for insurance coverage and not requiring payment of any coinsurance or deductible amounts.
6. Determining eligibility by personnel of the local county social service offices.
7. Redetermining eligibility at six-month intervals.
8. Providing a six-month waiting period between the time insurance is dropped and eligibility for North Dakota Healthy Steps begins.

Ms. Olson said preliminary cost estimates indicate that the insurance product for North Dakota Healthy Steps will cost approximately \$950 per year per child. She said it is estimated that the number of children eligible for the program will be between 2,630 and 3,580, with a cost of from approximately \$2.5 to \$3.4 million and a general fund match requirement of approximately \$517,000 to \$704,000 per year.

Ms. Olson said the Department of Human Services recently requested public comments from any interested parties, and written comments can be sent directly to the department. She said hearings are scheduled for March 25, 1998, at the Heritage Center in Bismarck, and March 27, 1998, at the Country Suites in Fargo. Public comments, she said, will be analyzed and considered before the final state plan is submitted to the federal government. She said the federal law will allow a state to amend the state CHIP plan at any time after the initial plan is approved; therefore, the 1999 Legislative Assembly will have an opportunity to review the state plan, make any changes, and provide appropriate funding. She provided written testimony, a copy of which is attached as Appendix B.

In response to a question from Representative Rose, Ms. Olson said the Department of Human Services considered informal public comments in creating the proposed state plan, but she was not certain of the procedure used to gather informal public comment and the extent of this informal public comment. She said she does not know the exact prescription provisions under the Public Employees Retirement System, but the North Dakota Healthy Steps program will not require copayments. The recipient of the contract for administering the North Dakota Healthy Steps program, she said, will be

responsible for outreach. She said the six-month period of eligibility between redeterminations seems fair and reasonable.

In response to a question from Representative Price, Ms. Olson said Medicaid determinations are made monthly, and she is not certain whether the North Dakota Healthy Steps program will be using a telephone application procedure in addition to the in-person application procedures. She said she will provide the committee with information regarding the number of unenrolled Medicaid-eligible children in North Dakota. She said the number of children between 150 and 200 percent of the poverty level is approximately 2,100, plus American Indian children who are covered under Indian Health Service. She said she is not sure whether the length and complexity of the Medicaid application form is related to the number of unenrolled Medicaid-eligible children in North Dakota.

In response to a question from Representative Price, Ms. Olson said she will provide the committee with additional information regarding how other states are dealing with the problem of "dropout," in which children and families unenroll from health insurance programs in order to be eligible for child coverage under the state CHIP. She said she will provide the committee with information regarding how the state will be determining whether a child had insurance available within the six months preceding the CHIP application.

In response to a question from Representative Carlisle regarding the amount of money or percentage of savings related to insuring more children, Dr. Stephen McDonough, Chief, Preventive Health Section, State Department of Health, said studies have been performed that indicate there are cost savings related to children's health programs such as women, infants, and children and child immunization programs. He said there are no statistics regarding the financial and cost-saving benefits of programs such as well child and well baby. Mr. Dave Peske, North Dakota Medical Association, said he will be meeting with doctors to discuss and review the state plan and discuss financial savings and costs.

In response to a question from Representative Brandenburg regarding North Dakota Healthy Steps coverage of home health care benefits, Ms. Olson said there are existing state programs that offer home health care benefits to some groups of individuals, but at this point because the Public Employees Retirement System does not cover home health care benefits, North Dakota Healthy Steps will not be covering home health care benefits. She said the Public Employees Retirement System program is a starting point for the state plan, which can be modified.

In response to a question from Representative Brusegaard, Ms. Olson said she is not certain of the number of children that will be disqualified from the North Dakota Healthy Steps program as the result of exceeding the asset limit.

In response to a question from Representative Drovdal, Ms. Olson said it might be worthwhile to look at the idea of putting all the state and federal programs under one umbrella.

In response to a question from Representative Rose, Ms. Olson said the North Dakota Healthy Steps program uses a private insurance plan instead of expanding Medicaid coverage because the private insurance plan is less expensive and this cost savings results in being able to cover more children under the state CHIP.

In response to a question from Representative Brandenburg, Ms. Olson said the North Dakota Healthy Steps application and determination process will flag children who are eligible for other programs, but she is not sure how many special needs children will be eligible for the Healthy Steps program.

In response to a question from Representative Rose, Ms. Olson said she does not know the amount of the administrative costs of the Medicaid program.

Committee Discussion and Directives

Representative Carlisle said the committee should receive an updated report on the status of the state's CHIP after the public hearings are held.

Representative Drovdal requested additional information regarding bringing all the state's health care programs under one umbrella. He said if the state CHIP plan provides that American Indian children will be eligible for North Dakota Healthy Steps and Indian Health Service, the committee should receive testimony regarding why North Dakota Healthy Steps is not available in conjunction with other health plans, to non-Indian children.

Representative Price said all states are under a time constraint for getting state plans into the federal government and for that reason the state plans are considered starting points for the CHIP plans with additional modifications being made after federal approval. She said receiving demographic information will be helpful in evaluating the state CHIP plan. She said the nature of state health programs and the variety of funding streams for these programs can be difficult to understand and difficult to deal with at a state level.

Representative Rose said if the state is eligible for \$5.2 million under the CHIP legislation, why is it that the state is not spending the entire amount. Representative Price said the theory is to start small and build on the program because the state is not sure of the number of children who will be eligible for the program. Representative Price said money that is not used in the first year will be carried forward to spend in future years.

HEALTH OFFICER - INTRODUCTION

Vice Chairman Price called on Mr. Murray G. Sagsveen, State Health Officer, for comments regarding the committee's study of health-related topics. Mr. Sagsveen introduced himself to the committee, and said he has been the State Health

Officer for 24 working days. He said he is in the process of familiarizing himself with the interim Insurance and Health Care Committee's health-related charges, and seeks to deal with these health-related topics in concert and not individually. He said the health-related topics cannot be considered in a vacuum because the topics are interrelated.

Mr. Sagsveen provided an organizational flow chart of the State Department of Health, a copy of which is on file in the Legislative Council office. He introduced several department employees who are working with the health-related topics the committee is charged with studying.

In response to a question from Representative Drovdal, Mr. Sagsveen said there are three individuals on the advisory council because state law requires a minimum of three members on this council. He said it is possible that additional members could be added to the advisory council; although, he is not concerned about rural representation on the advisory council because he will be actively meeting with doctors in the state and these meetings will include rural doctors.

In response to a question from Representative Brandenburg, Mr. Sagsveen said he is concerned about, aware of, and learning more about rural health issues. He said he understands that one size does not fit all.

In response to a question from Representative Rose, Mr. Sagsveen said it does not matter that the Roger Wood Johnson Foundation grant regarding strategic planning for public health was not awarded to North Dakota. He said the issue of strategic planning for public health needs to be dealt with and he will be actively pursuing this area regardless of whether a grant is received.

STUDY OF HAIL SUPPRESSION

Basics of Hail Suppression

Vice Chairman Price called on Mr. Bruce Boe, Director, Atmospheric Resource Board, for comments regarding the basic elements of cloud seeding for hail suppression. Mr. Boe made a slide presentation and provided a written narrative, a copy of which is attached as Appendix C.

Mr. Boe explained the dynamics of hail producing thunderstorms. He said there are three cloud seeding methods used to suppress hail, and hail suppression is being used in five North Dakota counties. He said the five counties use a combination of all three of the cloud seeding methods.

In response to a question from Representative Warner, Mr. Boe said large anvil clouds produce hail; however, once a cloud forms hail there is nothing that can be done to get rid of this hail, and that is why the smaller clouds on the outer rings of thunderstorms are seeded to prevent hail from being formed.

In response to a question from Representative Brusegaard, Mr. Boe said the rural hail seeding programs use a ten-mile buffer zone, and there are slight downwind effects.

In response to a question from Representative Warner, Mr. Boe said whether targeting hail suppression in urban areas will take away protection from rural areas will depend on the type of plan the state pursues. He said hail suppression can focus on urban areas, rural areas, or focus on hail-producing clouds regardless of where the clouds are located.

In response to a question from Representative Drovdal, Mr. Boe said the county hail suppression programs are funded through county mill levies, and the five participating counties do not distinguish between rural and urban areas within the county.

Case Study

Vice Chairman Price called on Mr. Darin Langerud, Chief Meteorologist, Atmospheric Resource Board, to present a case study of how cloud seeding affects a cloud system. Mr. Langerud made a slide presentation that tracked the progress of an August 27, 1997, storm in western North Dakota which was affected by hail suppression.

In response to a question from Representative Price, Mr. Langerud said it is true that storms eventually decay without hail seeding, and it is difficult to determine on a case-by-case basis whether cloud seeding made a difference in a particular storm; however, statistics show that cloud seeding has a positive effect overall, and this supports the case-by-case interpretations that hail seeding helps in a particular storm.

In response to a question from Representative Warner, Mr. Langerud said the airplanes used in the cloud seeding programs are equipped with a variety of the instruments used for hail seeding.

In response to a question from Representative Brusegaard, Mr. Langerud said although it is sometimes true that once a hailstorm hails for a thirty-mile stretch, the storm might naturally decay; this is not always true because each storm behaves differently. He said it is because each storm behaves differently that it is difficult to evaluate hail suppression on a case-by-case basis and instead it is more appropriate to evaluate hail suppression programs using large data bases over long periods of time.

In response to a question from Representative Drovdal, Mr. Langerud said it is difficult to determine a particular distance a storm travels before hail suppression is effective because the distance a storm travels is based on the speed of the storm; instead, it is more appropriate to evaluate the amount of time that occurs before hail seeding is effective. He said it takes approximately 20 to 30 minutes following seeding before the seeding becomes effective.

Vice Chairman Price called on Mr. Tony Grainger, Associate Professor, Department of Atmospheric Science, University of North Dakota, for comments regarding cloud seeding technology and the impact cloud seeding has on different portions of the state. Mr. Grainger made a presentation using an overhead projector.

Technology and Impact

Mr. Grainger said not all weather scientists believe that weather modification works; however, he is a believer of weather modification. He said the information the committee is receiving at this meeting is biased in favor of weather modification and the results weather modification is able to achieve. Weather modification opponents want to evaluate hail suppression by studying random cloud seeding projects, he said, but hail seeding programs are seldom willing to seed only half of the time and for that reason such studies do not exist.

Mr. Grainger said the three cloud seeding materials used are silver oxide, dry ice, and salt. He said the delivery systems used to modify weather are either ground based or airborne, and for a variety of reasons airborne delivery systems are much more accurate than ground-based delivery systems. He said cloud seeding opportunity recognition technology includes radar, satellite imagery, National Weather Service observations, forecast products, airborne instrumentation, and visual observations. He said it is with opportunity recognition that the technology growth has occurred.

Mr. Grainger said the effects of hail seeding are decreased hail and increased rain. He said regions need to make policy decisions regarding the impact of increasing rainfall versus the impact of receiving hail, and it is important that weather modification programs be flexible to take these considerations into account.

In response to a question from Representative Warner regarding who decides when to use hail suppression, Mr. Grainger said it may be helpful to have some universal guidelines such as when flash flooding is a concern hail suppression will not take place, and it may also be helpful to have a board made up of local representatives who look out for local interests. He said it is important to have hail suppression decisions made from the ground up versus the top down.

Evaluation of North Dakota's Hail Suppression Program

Vice Chairman Price called on Mr. Boe for comments regarding evaluation of the state's county hail suppression program. Mr. Boe said there are a variety of factors that can be considered in evaluating weather modification programs, including primary factors, secondary factors, and economic factors. He said several organizations have evaluated the North Dakota cloud modification programs. He said these evaluations indicate rainfall increases, in a near downwind area, from 7 to 14 percent. He said evaluations of secondary factors of hail modification indicate that increased rain during the crop growing season was projected to increase the value for the most common crops by over \$600 million annually. He provided written testimony, a copy of which is attached as Appendix D.

Vice Chairman Price called on Mr. Randal Coon, Research Specialist, Department of Agricultural

Economics, North Dakota State University, regarding evaluation of the North Dakota cloud modification project. Mr. Coon provided information on three North Dakota State University studies performed for the Atmospheric Resource Board. He provided written testimony, a copy of which is attached as Appendix E.

In response to a question from Representative Rose, Mr. Coon said the data used for the studies is not up to date because the studies performed by North Dakota State University are contracted, so when the study is completed, additional information is not gathered and the study is not updated. He said more recent studies are not being done because of the lack of financial resources.

Alberta, Canada, Hail Suppression Program

Vice Chairman Price called on Mr. Don McKay, President, Alberta Severe Weather Management Society, for comments regarding the Alberta, Canada, urban hail suppression program. Mr. McKay addressed the committee via the speaker telephone.

Mr. McKay said the only perspective he will be able to give the committee regarding hail suppression is from the insurance company perspective. He said the Alberta program resulted due to a series of severe storms in the early 1990s, after which the insurance companies worked together to try to mitigate damages resulting from hail. He said because the provincial budget was very tight the insurance companies looked to funding the program through private enterprise. The program, he said, is funded by voluntary contributions from insurance companies, and the amount of money contributed is determined by the percentage of each company's property and automobile insurance gross written premiums. He said the program took bids from private enterprise and ultimately contracted with Weather Modification, Inc., from Fargo. He said the program uses silver iodide distributed through flare systems on airplanes.

Mr. McKay said the program has been very successful at addressing hail damage in urban areas. The annual budget of the program, he said, is approximately \$1.4 million Canadian. He said the weather system in Canada differs from the weather system in the Dakotas because in Canada there are two main storm corridors resulting from weather patterns related to the Canadian Rockies.

Mr. McKay said because of the success the Alberta program has achieved, Manitoba and Saskatchewan are considering similar programs.

In response to a question from Representative Brusegaard, Mr. McKay said the decrease in property damage has not been reflected in the cost of insurance because the program is only two years old and the actuarial process does not work that quickly.

In response to a question from Representative Drovdal, Mr. McKay said the Alberta program covers approximately one-third of the province.

Mr. McKay said he will provide committee counsel with copies of the Alberta program's annual reports.

Impact on North Dakota Insureds

Chairman Krebsbach called on Mr. Kent Olson, Director, PIA of North Dakota, for comments regarding the effect hail has on North Dakota insureds. Mr. Olson said the concentration of casualty loss in North Dakota is in the four major population centers. He said in North Dakota, PIA is concerned about the affordability and availability of property casualty insurance; in North Dakota there is not an availability crisis but there is an availability problem.

Mr. Olson said an informal survey of homeowners in nine states was conducted to compare premium costs. He provided summaries of the informal survey data, copies of which are on file in the Legislative Council office.

In response to a question from Representative Drovdal, Mr. Olson said hail damage is only one element of loss that goes into determining the amount of homeowners' insurance premiums; other elements include fire and crime rates.

Mr. Olson said PIA member companies in North Dakota reported a crop insurance loss ratio of 85 percent in 1997. He provided a copy of the loss ratios for each of the states in 1997, a copy of which is on file in the Legislative Council office. He said the loss data only illustrates one year and the data for previous years or future years may vary significantly.

In response to a question from Senator Krebsbach, Mr. Olson said he does not know how a hail suppression program should be funded, but the insurance industry should not be the only entity responsible for funding a hail suppression program. He said he prefers a simple funding mechanism that does not burden the industry, such as funding hail suppression through the general fund, using money that is generated via the existing insurance premium taxes.

In response to a question from Representative Drovdal, Mr. Olson said he cannot determine how much of the PIA members' premiums go to paying for hail loss, because insurance companies treat this information as proprietary. He said fire is probably the number one loss for homeowners and hail is probably the number one loss for crops.

Program Implementation

Chairman Krebsbach called on Mr. Langerud for comments regarding implementation of a statewide hail suppression program. He said the program could be implemented in three phases, over a three-year period. He provided written testimony, a copy of which is attached as Appendix F.

In response to a question from Senator Krebsbach, Mr. Langerud said the price of seeding chemicals is not static, but North Dakota is in a good enough bidding position to deal with price fluctuations. He said local control of a hail suppression program is necessary and might be accomplished by creating a committee made up of local representatives and hail suppression experts.

In response to a question from Representative Devlin, Mr. Langerud said North Dakota does not have storm corridors like Alberta's. He said Alberta's program may appear less expensive than the program being proposed in North Dakota, but the North Dakota program would be larger and would cover urban and rural areas of the state.

Funding Sources

Chairman Krebsbach called on Mr. Larry Maslowski, Analyst, Division of Property and Casualty, Insurance Department, for comments regarding funding the proposed hail mitigation project. He said increasing the current premium tax level from 1.75 to 2 percent on specific lines of property and casualty insurance would have a negative impact on domestic insurance companies. He said alternative funding sources include charging insurance companies a hail mitigation fee, which would be charged directly to the insurance company instead of the consumer; however, to the extent the company incorporates the fee into its premium to the consumer, the fee might show up in the gross premium and indirectly be subject to the premium tax.

Mr. Maslowski said alternatives to the original proposal to add a .25 percent increase in premium tax include:

1. Legislation that would require a specific "hail mitigation fund fee" be charged directly against each consumer's premium in designated lines of insurance and designate the insurance company as the collector of the fee;
2. Legislation that would require a specific "hail mitigation fund fee" be charged against insurance companies for designated lines of insurance and be exempt from the application of premium tax;
3. Legislation that would require a specific "hail mitigation fund fee" be charged against the company--tax or fee--to be collected and reported as premium; or
4. Legislation to establish a special "hail mitigation fund" with funding coming directly out of the general fund.

Mr. Maslowski said the total premium for the designated lines of insurance in 1996 was \$295,426,000; therefore, a .5 percent of premium "hail mitigation fund fee" would generate an annual revenue of \$1,474,125. He provided written testimony, a copy of which is attached as Appendix G.

In response to a question from Senator Krebsbach, Mr. Maslowski said if a hail suppression program is set up on a voluntary basis similar to Alberta's, he anticipates a majority of the North Dakota companies will not participate because there seems to be a fear that hail suppression will result in the writing of fewer insurance policies.

Mr. Tom O. Smith, Bismarck, said the insurance industry is not opposed to hail suppression, but is opposed to fees being assessed against the

insurance industry. He said the money should come from the general fund because hail affects more than just insured individuals.

Committee Discussion

Representative Devlin said the committee should pursue hail suppression and let the legislative assembly evaluate the funding mechanism. He said the hail suppression program is being used in western North Dakota and seems to be working.

Representative Brusegaard said "It's not nice to fool with Mother Nature." He said he is not convinced hail suppression works and does not believe hail suppression is a legislative matter.

Representative Price said perhaps North Dakota should look into contracting out to the private sector like Alberta does.

Chairman Krebsbach said the next Insurance and Health Care Committee meeting is tentatively scheduled for Thursday, April 23, 1998. No further business appearing, Chairman Krebsbach adjourned the meeting at 4:30 p.m.

Jennifer S. N. Clark
Committee Counsel

ATTACH:7