

# NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

## INSURANCE AND HEALTH CARE COMMITTEE

Monday, July 28, 1997  
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, Judy L. DeMers, Jerry Klein; Representatives Michael Brandenburg, Thomas T. Brusegaard, Mike Callahan, Ron Carlisle, Al Carlson, David Drovdal, Kenneth Kroeplin, Clara Sue Price, Wanda Rose, John M. Warner

**Members absent:** Representatives Pam Gulleson, Alice Olson

**Others present:** See Appendix "A"

Chairman Krebsbach appointed Representative Clara Sue Price as vice chairman.

Mr. John D. Olsrud, Director, Legislative Council, reviewed the Legislative Council's supplementary rules of operation and procedure.

### HAIL SUPPRESSION STUDY

At the request of Chairman Krebsbach, committee counsel reviewed a background memorandum on the study directed by House Concurrent Resolution No. 3043--the feasibility and desirability of implementing hail suppression programs for the reduction of property damage in urban and rural areas and funding the programs through property and casualty line insurance premium taxes.

Chairman Krebsbach called on Mr. Thomas O. Smith, Domestic Insurance Companies, for comments concerning the study. Mr. Smith provided written testimony, a copy of which is attached as Appendix "B". Mr. Smith noted on page 3 of his written testimony, line 3, it should read 1983 rather than 1985.

In response to a question from Senator DeMers, Mr. Smith said there are a variety of credits against insurance premium tax liability, including Comprehensive Health Association of North Dakota assessments, North Dakota Life and Health Insurance Guaranty Association assessments, principal office ad valorem taxes, in-state fees, and examination fees. Senator Krebsbach said in past legislative sessions laws were enacted to allow credit for rural development investment.

In response to a question from Representative Drovdal, Mr. Smith said that as a result of the retaliatory statute, an insurance premium tax increase to two percent would likely only affect the six North Dakota domestic insurance companies because most states have insurance premium taxes in excess of two percent. Mr. Smith said a tax of .25 percent on property and casualty insurance might affect taxes paid in other states; however, North Dakota companies in other states typically pay the foreign rate because the foreign rate is higher than the North Dakota rate.

Chairman Krebsbach called on Mr. Kevin Pifer, Chief Executive Officer, Nodak Mutual Insurance Company, for comments concerning the study. Mr. Pifer said in an average year there are 25 hailstorms in the United States that cause significant property damage. He said the three largest hailstorm losses in the United States were the 1990 hailstorm in Denver, causing \$625 million of insured property damage; the 1992 Orlando hailstorm, which caused \$575 million of insured property damage; and the 1992 Wichita hailstorm, which caused \$420 million of insured property damage.

Mr. Pifer said hail is the largest classification of damage. He said the second largest natural disaster Nodak Mutual Insurance has insured was the 1995 Minot hailstorm, which caused in excess of \$2 million of Nodak insured property damage, an amount larger than the Nodak insured property damage caused by the 1997 Grand Forks flood.

Mr. Pifer said positive aspects of hail suppression include more affordable insurance, and therefore he supports hail suppression programs. He agreed with Mr. Smith in not supporting funding the hail suppression program via premium taxes. He said not everyone insures property and not everyone insures property to value.

Mr. Pifer said 15 percent of the Nodak Mutual Insurance Company's business is crop hail insurance. He said in the years 1988 through 1994 Nodak Mutual Insurance experienced a 77 percent loss, with 33 percent less loss in the counties with hail suppression programs. He said in some counties in North

Dakota crop insurance has become unaffordable for farmers.

Chairman Krebsbach called on Mr. Larry Maslowski, Director, Consumer Protection Division, Insurance Department, for comments concerning the study. Mr. Maslowski provided written testimony, a copy of which is attached as Appendix "C". He said one of the problems the Insurance Department faces in gathering hail damage data for urban and noncrop hail losses is that most insurance companies do not specifically categorize losses for hail; therefore, any of the statistics used by the Insurance Department are based on information from an informal survey.

Mr. Maslowski said there is a need for standardized hail information and this could be acquired through a legislative mechanism.

In response to a question from Senator Krebsbach, Mr. Maslowski said the attitude of insurance companies regarding collection of hail damage data is mixed.

Mr. Maslowski said in the last five years there has been a trend in homeowners' insurance premiums dramatically increasing and insurance companies tightening the restrictions on who the companies are willing to underwrite; therefore, there is value to insurance companies in mitigating hail damage.

In response to a question from Representative Price, Mr. Maslowski said he would provide the committee with information regarding whether most states have higher premium taxes than North Dakota.

Chairman Krebsbach called on Mr. Bruce Boe, Director, Atmospheric Resource Board, Water Commission, for comments concerning the study. Mr. Boe provided written testimony, a copy of which is attached as Appendix "D".

In response to a question from Representative Drovdal, Mr. Boe said North Dakota is in the process of getting permission from Montana to fly over Montana to suppress hail in North Dakota. He said an environmental impact study is required before Montana will allow this and North Dakota does not have funding available to do the study.

In response to a question from Representative Warner, Mr. Boe said there are a number of variables that impact how quickly hail suppression is effective, for example, the speed of the storm. He said hail suppression is generally effective in a matter of minutes and stops being effective in a matter of minutes.

In response to a question from Representative Drovdal, Mr. Boe said the hail suppression program is funded 80 percent from county funds that are from mill levies and 20 percent from state funds.

In response to a question from Representative Carlisle, Mr. Boe said Montana's concerns regarding flying over Montana and seeding for North Dakota hail suppression is unfounded. He said that generally

South Dakota does not allow hail suppression to take place in South Dakota to affect North Dakota storms. He said South Dakota no fly zones are made by each individual county.

In response to a question from Representative Drovdal, Mr. Boe said if hail suppression is expanded to cover more than the six counties covered under the hail suppression program, it would be less expensive to run the program in the additional counties.

In response to a question from Representative Warner, Mr. Boe said hail suppression programs may result in insurance premiums decreasing or insurance premiums remaining constant instead of increasing and hail suppression may also increase the number of people able to afford to buy insurance for hail damage.

## **EMERGENCY MEDICAL SERVICES STUDY**

At the request of Chairman Krebsbach, committee counsel reviewed a background memorandum on the study directed by Senate Bill No. 2004, Section 27-- emergency medical services.

Chairman Krebsbach called on Mr. Larry Weber, Advanced Life Support Coordinator, Division of Emergency Health Services, State Department of Health, for comments regarding the study. Mr. Weber provided written testimony, a copy of which is attached as Appendix "E".

In response to a question from Representative Brusegaard, Mr. Weber said the Division of Emergency Health Services has 4.5 full-time employees plus the trauma care coordinator.

In response to a question from Senator Krebsbach, Mr. Weber recommended that the committee focus on emergency medical services resources. He said there are a variety of theories on why human resources are in short supply, including the theory that training expectations are too high for small communities and the theory that volunteerism is going down.

In response to a question from Senator DeMers, Mr. Weber said in North Dakota there are six ambulance services supported by mill levy. He said he would provide information regarding whether these ambulance services are in urban or rural communities. He said emergency medical services ownership varies across the state, including city, private, and volunteer. He said he would provide additional information regarding emergency medical services ownership in North Dakota.

In response to a question from Representative Price, Mr. Weber said although the emergency medical services plan calls for voluntary certification of quick response units, a majority of the quick response units in North Dakota are not certified due to lack of equipment and training.

In response to a question from Representative Drovdal, Mr. Weber said he is uncertain whether there are problems with insurance coverage for services provided by noncertified rescue units.

In response to a question from Senator Krebsbach, Mr. Weber said long-distance training has been considered; however, extensive hands-on training is also required.

Chairman Krebsbach called on Mr. Derek Hanson, President, North Dakota EMS Association, for comments regarding the study. Mr. Hanson provided written testimony, a copy of which is attached as Appendix "F".

Mr. Hanson said the issue of volunteerism is a major concern in rural areas. He said this is a result of a variety of factors, including the fact that rural hospitals are closing (resulting in longer transportation of patients), volunteers are being asked to raise money for funding services, and the job description of volunteer providers is becoming more and more demanding over time.

Mr. Hanson said emergency medical services are not a local issue because emergency medical services providers treat people from all over the state and country.

Mr. Hanson said another emergency medical services concern is related to fee for service issues. He said emergency medical services are not a fee business and there are significant problems with reimbursement, sometimes as a result of insurance companies not paying for noncertified emergency medical services providers.

Mr. Hanson said the North Dakota EMS Association is in the process of conducting an extensive survey of emergency medical services providers and the results of this survey will be made available to the committee.

In response to a question from Senator Klein, Mr. Hanson said the emergency medical technician basic classification requires 110 hours of training, plus every two years continuing education composed of a 24-hour basic refresher course, 48 hours continuing education, and cardiopulmonary resuscitation.

In response to a question from Representative Callahan, Mr. Hanson said the emergency medical technician basic classification should be the minimum requirement for emergency medical services providers.

Chairman Krebsbach called on Dr. Gordon Leingang, staff physician, director of EMS education, Emergency and Trauma Center, St. Alexius Medical Center, for comments concerning the study. Dr. Leingang provided written testimony, a copy of which is attached as Appendix "G". He said he supports a universal minimum of emergency medical technician

basic classification for emergency medical services providers.

In response to a question from Representative Brusegaard, Dr. Leingang said in North Dakota there is not a widespread problem of unqualified emergency medical services providers because the North Dakota EMS Association is very proactive.

Chairman Krebsbach called on Mr. Arnold Thomas, President, North Dakota Health Care Association, for comments concerning the study. Mr. Thomas said although emergency medical services are critical, he is not prepared to offer any policy issue suggestions at this time.

Mr. Thomas said the number of hospitals in rural North Dakota is not necessarily an issue, but the existence of a working trauma system that ensures proper care at hospitals may be an issue. He said emergency medical services resource availability is directly related to the changing demographics of North Dakota because of outmigration.

Mr. Thomas said telecommunications may be an important emergency medical services educational tool and one approach to the human resource problem may be to have "standby" staff available at medical facilities to supply emergency medical services. He said 911 support has improved the statewide emergency medical services trauma delivery system.

Mr. Thomas said the future development of medical providers may require a "medical access facility" that provides core services but is less than a hospital. He said long-term care facilities may eventually expand their services to include emergency medical services.

In response to a question from Representative Callahan, Mr. Thomas said he would provide information regarding how many of his members receive county or state funds.

Chairman Krebsbach called on Ms. Shelly Arnold, Trauma Care Coordinator, State Department of Health, for comments concerning the study.

Ms. Arnold provided written handouts, copies of which are attached as Appendix "H".

Ms. Arnold said in North Dakota there are five level II hospitals (soon to be six), and there are 20 level IV hospitals.

In response to a question from Representative Drovdal, Ms. Arnold said the advantages of being a level IV hospital include increasing the standards for level of care for a minimum cost for certification and a minimum amount of certification paperwork.

In response to a question from Representative Callahan, Ms. Arnold said she is not sure whether the trauma plan overrode the Medicare reimbursement rule regarding services provided by the nearest facility.

In response to a question from Representative Warner, Mr. Weber said the basic emergency medical technician national standard was updated in 1994, and this update added as basic skills five skills that had been advanced life support skills, while the number of training hours stayed the same. He said although the training was more advanced, it was not necessarily more difficult than the previous training.

Senator DeMers requested testimony be provided at a future meeting regarding the cost estimate for implementing the emergency medical services plan.

## **PUBLIC HEALTH STRATEGIC PLANNING STUDY**

At the request of Chairman Krebsbach, committee counsel reviewed a background memorandum on the study directed by House Concurrent Resolution No. 3030--the strategic planning process for the future of public health in North Dakota.

Chairman Krebsbach called on Dr. Jon Rice, State Health Officer, for comments concerning the study. Dr. Rice provided written testimony, a copy of which is attached as Appendix "I".

Dr. Rice said that when the Governor stated in his state of the state address that the public health system in North Dakota is too expensive, he was referring to the health system in general; the public health system in North Dakota is not expensive.

In response to a question from Senator DeMers, Dr. Rice said the Robert Wood Johnson Foundation grant would have awarded \$300,000 over two years to hire a consultant, and without this grant, at least \$200,000 would need to be allotted for strategic planning to be effective.

Dr. Rice said in order for a strategic public health plan to be effective, the plan would need to be a grassroots plan and not one merely created by a committee and the State Department of Health.

Dr. Rice said public health has been undergoing significant changes over the last 10 to 15 years, largely as a result of managed care, Medicare, and Medicaid. He said North Dakota is fortunate in that it does not rely heavily on federal moneys within its public health system.

In response to a question from Senator Krebsbach, Dr. Rice said the issue of telemedicine was not specifically addressed in the grant application.

In response to a question from Representative Callahan, Dr. Rice said he would provide the committee with a matrix that illustrated the services offered through the public health system and by which provider these services are offered.

In response to a question from Representative Rose, Dr. Rice said when determining how money will be spent for the public health system, the local communities determine their needs regarding their own funding and the federal government determines

funding for dedicated projects. Dr. Rice said regular reprioritization by the State Department of Health is required in order to accommodate specific programs when the federal funding runs out or is no longer available.

Representative Price said in 1991 there was a bill that addressed health districts and testimony from this bill may be helpful to the committee.

Chairman Krebsbach called on Mr. Thomas for comments concerning the study. Mr. Thomas said health care is based on boundaries and trying to overcome artificial boundaries. He said the four key elements in the health care system were long-term care services, short-term care services, mental health, and public health. He said the emphasis on short-term care is changing.

Mr. Thomas said regarding the 1991 health districts bill, he does not see a way to merge public and private health but supports seeking clarification of roles and services in order to provide a seamless system.

In response to a question from Representative Callahan, Mr. Thomas said one problem with public health is "following the money" as a result of dedicated funding for special interest programs. He said public health needs to focus on the core services and not let economic incentives dictate policy.

Chairman Krebsbach called on Mr. Keith Johnson, administrator and environmental health practitioner for Custer District Health Unit, for comments concerning the study. Mr. Johnson provided written testimony, a copy of which is attached as Appendix "J".

Mr. Johnson said one of the rules of public health is to offer services not offered by private health providers, therefore advocacy in managed care is important to ensure that services are provided by private managed care organizations.

In response to a question from Senator DeMers, Mr. Johnson said multicounty districts are not necessarily superior to city-county districts. He said cities are centers of excellence and they frequently view joining outside public health organizations as a dilution of services, while counties are often suspicious of cities sucking the life out of county programs. He said the population base may be a more important factor than the actual organizational structure.

Chairman Krebsbach called on Ms. Barb Andrist, North Dakota Public Health Association, for comments regarding the study. Ms. Andrist provided written testimony, a copy of which is attached as Appendix "K".

Chairman Krebsbach called on Ms. Sherlyn Dahl, Executive Director, Family Health Care Center, for comments concerning the study. Ms. Dahl provided written testimony, a copy of which is attached as Appendix "L".

Senator DeMers said in approaching this study, the committee should be very careful and should consider Dr. Rice's recommendation that strategic planning evolve from the ground up. She said it would be helpful for the committee to receive some guidance on how to set up a strategic planning process without having the committee determine what the outcome of the strategic plan should be.

Senator Krebsbach recommended the committee evaluate the 1991 legislative history regarding public health.

### **RURAL MANAGED CARE STUDY**

At the request of Chairman Krebsbach, committee counsel reviewed a background memorandum on the study directed by House Concurrent Resolution No. 3033--the effect of managed health care on the future viability of the health care delivery system in rural North Dakota.

Chairman Krebsbach called on Mr. Brad Gibbens, Associate Director, University of North Dakota Center for Rural Health, University of North Dakota School of Medicine and Health Sciences, for comments concerning the study. Mr. Gibbens provided written testimony, a copy of which is attached as Appendix "M".

In response to a question from Senator DeMers, Mr. Gibbens said the health maintenance organization in Hettinger started about the same time as the health maintenance organization in Rugby.

In response to a question from Representative Warner, Mr. Gibbens said the federal budget will likely affect the Medicare and Medicaid reimbursement program, and he is not sure where this is going at this time; however, raising Medicare capitated rates may encourage managed care enrollment.

Chairman Krebsbach called on Mr. Vance Magnuson, Insurance Department, for comments concerning the study. Mr. Magnuson provided a list of health maintenance organization providers in North Dakota as of December 31, 1996, a copy of which is attached as Appendix "N".

Mr. Magnuson said there is a broad array of types of managed care providers and most insurance products today have some elements of managed care within them.

Mr. Magnuson said North Dakota has statutory managed care safeguards in effect. He said the chapter of law addressing health maintenance organizations provides grievance and appeal procedures and requires health maintenance organizations to provide what quality assurances exist within the program. He said existing safeguards for preferred provider organization plans include requirements that emergency services must be reimbursed, unavailable services must be reimbursed, there must be a reasonable differential between reimbursement of services provided by preferred provider network providers and

nonpreferred provider network providers, and services must be available within a 50-mile radius.

Mr. Magnuson said trends in North Dakota include smaller populations, increased usage of advanced care nurses and physician assistants, possible telemedicine, and ambulance and emergency medical technician services trying to continue even if the local hospital closes.

Mr. Magnuson said managed care is not a problem in rural North Dakota. He said a possible drawback to managed care in rural North Dakota is that providers who do not use networks will not have the benefits of managed care.

Chairman Krebsbach called on Mr. Thomas. Mr. Thomas said policy issues may arise regarding rural managed care after Congress decides what it will do with Medicare. He said there have been a variety of legislative accomplishments in North Dakota that have resulted in North Dakota having one of the highest penetrations of clients and hospitals in the country, with a high percentage of doctors formally working with hospitals; maximization of the use of health manpower, including advanced practice nurses and hospital pharmacies; antitrust legislation for health providers; and removal of regulatory restrictions such as certificate of need.

Mr. Thomas said the blending of private and public health services in the Department of Human Services will likely be expanded to include the Insurance Department and the Attorney General's office.

Mr. Thomas said the committee may want to consider the issue of Minnesota and South Dakota residents using medical services within this state.

Chairman Krebsbach called on Mr. Michael Mullen, Policy Analyst, State Department of Health, for comments concerning the study. Mr. Mullen provided written testimony, a copy of which is attached as Appendix "O".

Chairman Krebsbach called on Mr. Dan Ulmer, Blue Cross Blue Shield of North Dakota, for comments concerning the study. Mr. Ulmer provided written testimony, a copy of which is attached as Appendix "P".

Representative Price said the committee should consider what other states have done to create barriers to managed care, specifically looking at what Minnesota has done; nonprofit versus for-profit managed care; and testimony regarding the managed care pilot project in Grand Forks.

Chairman Krebsbach adjourned the meeting at 4:45 p.m.