

1999 HOUSE GOVERNMENT AND VETERANS AFFAIRS
HB 1486


1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1486

House Government and Veterans Affairs Committee

Conference Committee

Hearing Date 2-4-1999

Tape Number	Side A	Side B	Meter #
1	X		49.9 - 61.3
1		X	0 - 26.0
Committee Clerk Signature 			

Minutes: Some of the individuals testifying submit written testimony. When noted please refer to it for more detailed information.

Representative Klein, Chairman of the GVA Committee opened the hearing on February 4, 1999.

Summary of the Bill: Relating to the expansion of the uniform group insurance program to allow participation by permanent and temporary employees of private sector employers and by any other person who is otherwise without health insurance coverage. Also, relating to subgroups under the uniform group insurance program.

Testimony in Favor:

Deb Lundgren, Submitted written testimony which she read in it's entirety (**please refer to her testimony**). This bill is creating a mechanism to help people who are uninsured.

Representative Klemin, Do other states do this?

Lundgren, Kentucky.

Representative Klein, Section 1, seems like there are some gray areas such as federal approval is required. We got some things we don't know yet. Is that what your saying?

Lundgren, Because it is currently a governmental benefit program to allow non government employees to be part of it, may take away the exemption the program currently has. If that's true, before this program could be implement a waiver would be necessary.

Representative Kliniske, Do you know the percentage of businesses in ND that don't buy insurance for their employees?

Lundgren, No I don't. I think if we make a bigger group out of the state and small employers allowed to participate, we may see a number go down in people without health coverage.

Representative Klein, The fiscal note has a negative impact on the programs financial status. What kind of a negative impact? The interim committee also gave it a negative recommendation. Were also looking at 300,000 dollars, were do figure to get that from?

Lundgren, The copy I have did not have that. If the portability and accountability act applied.

Representative Metcalf, Is the administrative cost included in the premiums being paid or would that come out of the general fund?

Lundgren, Yes.

Representative Cleary, I really feel that there would be less welfare, probably move off and get jobs that provide benefits.

Representative Fairfield, Commission of the future of agriculture around the state, one of the biggest concerns is the lack of health care. The economy of agriculture is not good and I see this as a great opportunity for rural ND.

Senator Mathern, Submitted a written testimony which he read in it's entirety (**please refer to his testimony**). This bill is very conservative. It's about time this plan is offered to the tax payers who now are paying the bill for our state employees.

Representative Grande, In this bill we are just included those who are now without health insurance coverage. If we want to expand this all the citizenry of ND, shouldn't this be open to all employers to bring in their group?

Mathern, Any employer who doesn't have a plan should be allowed to participate. Those who drop their plan, that would be their business. We do not want to create a scenario for people to move in and out of plans. Should have a provision for this and your committee could address this issue.

Representative Kliniske, Don't you end up with a subsidy?

Mathern, I don't understand how there would be a subsidy. Basically this plan is a pay your way plan. There is no tax money in this plan or general fund money.

Representative Kliniske, I assume that the rate that the employer would pay would be less to allow them to participate in this plan. You said earlier that the more people that are paying into the system, the more money you would have. The ones who are already paying a higher rate may be subsidizing those who are not. You would have more utilization.

Mathern, The subsidy works in the other way. Employers who are covering their people right now are subsidizing they employers who don't cover their people. I see this as beneficial.

Representative Klemin, I cannot find where it says that it's limited to employers who don't have insurance now.

Mathern, The definition as to who would be able to purchase it is on the top of page 4, line 2.

Representative Klein, Is this essentially becoming a one state socialized medicine plan?

Everyone would get into it because it probably is cheaper than some of the private plans.

Mathern, I believe that is a inaccurate characterization. Socialized medicine usually use health care as a product delivered by a public entity. Here we have the care itself in the private realm, we have the product financing staying in the private realm. Also individual companies would sell this plan. I think whether or not people would take this plan would be dependent on the quality of the product available.

Representative Winrich, It seems to me that those employers who currently provide health insurance are usually employers who are large enough so that their employees constitute a group and qualify for group rates. What this bill would do is provide those group rates for individuals of smaller employers.

Mathern, I think your essentially right.

Representative Haas, The fiscal effect on the first plan would be neutral. It gives two qualifying conditions-premium differentials allowed and there was going to be eliminate adverse collection. Doesn't that make it unaffordable or eliminate some people. Seems like the people who need it most can't get it.

Mathern, Your right. That's a down side to the program.

Representative Grande, A private business that has 4 employees with insurance and it has about done that private employee in, but he made sure his employees were covered. You are leaving him out on this bill.

Mathern, That person has another ray of hope, another options to consider. I am talking about the future.

Representative Klemin, Do you know the cost of the premium versus private insurers?

Mathern, Now state employees 140 dollars for individual plan, 345 dollars for family plan and for political subdivisions 150 for individuals and 370 for family.

Sister Margaret Rose Pfeifer, ND Catholic Conference we are interested in the rights for people who don't have coverage at this time. Anything you can do to increase the number of uninsured people in ND>

Testimony in Opposition:

Rod Larson, Blue Cross Blue Shield, I am not really opposed to the bill, but the way I read the bill is that essentially anybody in ND would be available for this plan. I don't see anything that is going to help them afford their coverage, unless there is some sort of subsidize their premium.

The premiums wouldn't be any less than what's available in the private market. I don't think this bill will accomplish what the sponsors want it to. We already have baby pools where we combine them with larger groups to get them better rates/

Representative Kroeber, What is the current premium in those baby pools? Where do farmers fall into this?

Larson, We have 3 choices for a family for example one is 450, 409 and 400. Farmer has at least one employer they can buy into a group, otherwise we have different plans for them.

Representative Devlin, Why is this coming out of the Interim committee unfavorable?

Coats, I think it was neutral.

Representative Klein, It says unfavorable.

Collins, I am not sure how the committee voted.

Representative Klein, Closed the hearing on HB 1486.

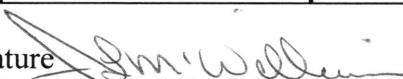
1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1486

House Government and Veterans Affairs Committee

Conference Committee

Hearing Date 2-5-1999

Tape Number	Side A	Side B	Meter #
1		X	26.8 - 35.3
Committee Clerk Signature 			

Minutes: Chairman Klein, this is the one we heard yesterday about health care. PERS people are concerned that it's going to injure their system.

Representative Devlin, I talked with Chris Runge yesterday and their concerns are that it would increase the costs of PERS by bringing more maybe hi risk people into the plan. NDPEA is against the bill. This bill has been introduced several times.

Representative Klein, The interim committee gave it an unfavorable recommendation and it also has a large fiscal note on it.

Representative Kliniske, There are according to the numbers 45,000 uninsured and of that 16,000 are children. The numbers we are not really even sure of. Questions and concerns on this bill.

Representative Kroeber, I am not sure of Mr. Larsons numbers (the costs). There is problem here and maybe this isn't the bill to address it with.

Representative Devlin, There's a problem out there, but this may not be the vehicle to fix it with.

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House Government and Veterans Affairs Committee

Bill/Resolution Number HB 1486

Hearing Date 2-5-1999

Representative Klein, Many of the people who don't have insurance are already in a high usage category, so when you mix them in with the PERS system the total cost of the pool goes up.

Representative Haas, The fiscal note called for 150,000 and that would require PERS to add 3 additional people to his staff.

Committee Action:

Representative Grande, Made the motion for a Do Not Pass.

Representative Brekke, Seconded the motion.

Motion Passes: Do Not Pass **11-3-1**.

Representative Kliniske, Is the carrier for the bill.

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: HB 1486 Amendment to: _____

Requested by Legislative Council Date of Request: 1-20-99

- Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative:

The actuary has determined that this bill will have no fiscal effect on the health pool as long as PERS utilizes medical underwriting and premium differentials to offset, reduce or eliminate adverse selection. The bill does contain an appropriation for \$300,000 for administrative expenses.

- State fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Revenues:	-0-	-0-	-0-	-0-	-0-	-0-
Expenditures:	-0-	-0-	-0-	\$300,000	-0-	\$300,000

- What, if any, is the effect of this measure on the appropriation for your agency or department:
 - For rest of 1997-99 biennium: None
 - For the 1999-2001 biennium: \$300,000 increase
 - For the 2001-03 biennium: \$300,000 increase

- County, City, and School District fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed, attach a supplemental sheet.

Signed *Sparb Collins*

Typed Name Sparb Collins

Date Prepared: 1-25-99

Department P.E.R.S.

Phone Number 328-3901

Date: 2-5-99

Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1486

House GOVERNMENT AND VETERANS AFFAIRS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do No = Pass

Motion Made By GRANDE Seconded By BREKKE

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN KLEIN	✓		REP. WINRICH	✓	
VICE-CHAIR KLINISKE	✓				
REP. BREKKE	✓				
REP. CLEARY		✓			
REP. DEVLIN	✓				
REP. FAIRFIELD					
REP. GORDER	✓				
REP. GRANDE	✓				
REP. HAAS	✓				
REP. HAWKEN	✓				
REP. KLEMIN	✓				
REP. KROEBER		✓			
REP. METCALF		✓			
REP. THORESON	✓				

Total (Yes) 10 No 3

Absent 1

Floor Assignment KLINISKE

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

REPORT OF STANDING COMMITTEE (410)
February 5, 1999 2:23 p.m.

Module No: HR-24-2093
Carrier: Kliniske
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1486: Government and Veterans Affairs Committee (Rep. Klein, Chairman)
recommends **DO NOT PASS** (11 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING).
HB 1486 was placed on the Eleventh order on the calendar.

1999 TESTIMONY

HB 1486

REPORT OF THE LEGISLATIVE COUNCIL'S
EMPLOYEE BENEFITS PROGRAMS COMMITTEE
BILL NO. 738

Sponsor: Representative Deb Lundgren

Affected Retirement Program: Uniform group insurance program

Proposal: Allows any person who is without health insurance coverage to participate in the uniform group insurance program subject to minimum requirements established by the Public Employees Retirement System Board.

Actuarial Analysis: The actuarial consultant reported that based upon the assumption that the Health Insurance Portability and Accountability Act accessibility requirements do not apply to the groups contemplated by the proposal, the proposed legislation would not have a negative impact on the Public Employees Retirement System uniform group health insurance program. However, if the state, the retirement board, or the United States Department of Labor were to take the position that the Health Insurance Portability and Accountability Act requirements do apply to the uniform group insurance program, the proposed legislation would have a negative impact on the program's financial status.

Committee Report: Unfavorable recommendation.

**Testimony of Rep. Deb Lundgren
Government & Veterans Affairs Committee
04 February 99**

Mr. Chairman, members of the committee, my name is Deb Lundgren, state representative from District 28. I, like many of you, am the recipient of the benefits of the PERS health insurance plan. I have not always been fortunate enough to have health care insurance coverage. I am here today on behalf of the over 56,000 citizens of our state who are still not that fortunate.

In 1990, the State Health Council organized the North Dakota Health Task Force. The task force identified six critical areas in its review of the health care crisis - cost, education/prevention, access, regulation, manpower, and health care policy and delivery systems. Two suggested reforms came from the subcommittee on health care strategies: a rate setting system, and a mechanism to provide universal health insurance coverage for the people of the state. The purpose of HB1486 is to create a mechanism that would provide universal health insurance coverage for private sector employees and private citizens of North Dakota.

Over the last four sessions, debate has centered on how to best implement universal coverage. The actuarial soundness of the PERS (Public Employee Retirement System) program was extremely important so medical underwriting was included. Insurance agents were concerned about unfair competition, so provisions have been made to allow commissioned sales of the plan. Concern over changes in classification of the PERS program necessitated the need to make the program contingent on an waiver from ERISA (Employee Retirement Income Security Act) if such a waiver is required for expansion. Residency requirements, minimum requirements established by the board, and risk-adjusted premiums have been the result of the 9-year dialogue on ~~universal~~ ^{uniform} health insurance coverage.

A survey was commissioned as a result of the task force created in 1990. It found the following:

- 10% of the state's population was uninsured
- 2/3 of the uninsured had a family income of less than 200% of poverty
- most of the uninsured were low-income workers and their families
- four out of five uninsured adults were employed

In addition, in 1995, PERS estimated that approximately 80% of the estimated 56,500 people in the state who were uninsured would meet the medical underwriting requirements.

We have an opportunity to provide access to a high quality, comprehensive, professionally managed group health insurance plan to the citizens of North Dakota. Most of these people are working and would meet the minimum requirements. Many simply need a lower-cost alternative to health care access.

Please give HB 1486 a **DO PASS** recommendation on behalf of the over 45,000 people who would qualify to participate. Thank you.

“The uninsured tend to avoid seeking health care, instead waiting until a condition requires emergency treatment. Regularly seeing the same doctor is a critical component of adequate primary care and is particularly difficult to achieve when there is no continuity of coverage. The uninsured also are more likely to have avoidable hospitalizations, be diagnosed at a later stage of disease, be more seriously ill upon hospitalizations, and die when hospitalized.”

-Sari E. Siegel, NCSL Legisbrief, February 1999

HIPC (Health Insurance Plan of California) - voluntary purchasing pool (established 1992)

“The overall result has been a lowering of health care costs to the thousands of small employers who are the backbone of business in California.”

“The really interesting part of this story is that over the past several years, the plan has been operational, nearly 80% of the employers that have elected to be in the HIPC have chosen to do so with an agent representing them.”

“If ever there was a win-win-win situation, this is it. The HIPC, employer, employee and agent all have benefited from the creation of this purchasing pool and, unlike the universal health care model the Clinton administration wanted to create on a national level, this voluntary pool uses the forces of open market competition. The result has been success for all parties.”

-Terry M. Kaltenbach, manager of the San Diego branch of Pacific Mutual Life Ins. Co.

CalPERS (California Public Employees' Retirement System)

16HMOs / 4 PPOs / two self-funded PPOs

67% state members / 33% public agency sector

second largest risk pool for health insurance in the nation

“Kentucky's recently passed Health Reform Act allows all Kentucky residents who enroll in the CommonHealth of Kentucky group health program to purchase insurance through the state's PEHBP. As of January 1, 1995, the “public buy-in law” permits individuals and agencies to buy into one of the PEHBPs offerings: three HMOs and four FFS plans. Through this legislation, the General Assembly ultimately hopes to provide coverage to the state's 400,000 individuals without insurance - many of whom live in rural areas.”

-States as Purchasers: Innovations in State Employee Health Benefit Programs,
April 1995

Minnesota has the Minnesota Employee Insurance Program (MEIP) which was created in 1993 to provide small employers with the advantages of a large pool for purchasing health insurance. The Employee Insurance Division of the Minnesota Department of Employee Relations manages this program.

New Mexico has enacted legislation to consolidate purchasing of publicly funded health insurance

Montana has enacted legislation allowing state and local government agencies to cooperatively purchase benefit services and insurance products to provide employee group benefits

“Washington’s Health Care Authority, established in 1988 to administer health benefits for its public employees, is also in charge of the Basic Health Plan (BHP), a 4-year-old subsidized health insurance program for low-income individuals. In addition, enrollment in the BHP was opened to any individual or employer on a non-subsidized basis.”

-States as Purchasers: Innovations in State Employee Health Benefit Programs,
April 1995

TESTIMONY FOR HOUSE BILL 1486

Presented by Senator Tim Mathern

February 4, 1999

Mr. Chairman and members of the House Government & Veterans Committee. I am Tim Mathern, Senator from District 11 in Fargo. Thank you for taking time to consider new ways of meeting the health care needs of North Dakotans. I know many of you have worked hard to find more ways to expand access to health care without increasing costs. Though health care access was debated in interim committees and in Congress, it is your committee that has the possibility to offer the most creative way to assure affordable health care to businesses and families in our state by passing HB 1486.

The 1995 legislative session received an interim committee report regarding the feasibility of allowing North Dakotans to participate in the North Dakota Public Employees Retirement System (NDPERS) uniform group insurance plan. Five proposals were developed and summarized as follows: 1-expand the number of member groups under current rules, 2-voluntary enrollment with medical underwriting, 3-voluntary open access with no underwriting, 4-mandatory coverage of everyone in the state, and 5-mandatory coverage with opt-out. The details of each of these options are explained in a special report prepared by William M. Mercer Incorporated, the firm that had been doing the actuarial work for NDPERS. I reviewed each of the proposals, particularly their effect on access to health care insurance, the risk to the PERS plan, cost implications, and implementation considerations. The bill you have before you is, in major part, the option that expands access while having no negative actuarial effect on the PERS plan. It also uses present rules and processes to manage growth and quality of the plan.

The PERS plan is an excellent health insurance plan. It is professionally managed, has comprehensive benefits and is innovative in its relationship between consumers and providers as evidenced in the Exclusive Provider (EPO) and Preferred Provider (PPO) plans. The PERS plan is creative in promoting wellness and has competitive premiums. The plan is available to the governor, legislators, state employees and employees of many political subdivisions. It is time for businesses, farmers, organizations, and the tax payers of our state who pay for PERS to also be able to use it. The bill before you is conservative in its approach and implementation. If passed, it would allow an orderly assimilation of new

TESTIMONY FOR HOUSE BILL 1486

people into the plan. It would not only be an excellent health care plan, but it would also permit PERS to extend its many positive practices to more citizens.

Members of the Committee, this bill offers an option to permit and encourage more people to stay in the insurance system. This not only benefits them, but benefits us all. With a greater number of people in the health care system as premium payers, fewer people are on Medicaid or receiving charity care with costs shifted to the insured and private payers. North Dakota, with legislative support and the excellent work of the NDPERS board and staff, has developed an excellent program. The time has come to share this good news and to permit more North Dakotans to participate in an orderly and planned manner. We need an organization that looks to the common good of all North Dakotans. With your leadership, NDPERS can be that organization.

Thank you for your consideration. I respectfully ask for your favorable recommendation on this bill.