

1999 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2072

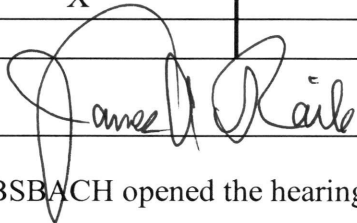
1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2072

Senate Government and Veterans Affairs Committee

Conference Committee

Hearing Date January 14, 1999

| Tape Number | Side A | Side B | Meter # |
|--|--------|--------|----------|
| 1 | | X | 3480-END |
| 2 | X | | 0-254 |
| Committee Clerk Signature  | | | |

Minutes: CHAIRMAN KREBSBACH opened the hearing on SB 2072. Appearing before the committee was SPARB COLLINS Executive Director of the North Dakota Public Employees Retirement System, or PERS. He explained the proposed legislation to the committee. A copy of his written testimony is attached. SB 2072 relates to determination of health insurance premiums for retired public employees not eligible for Medicare. SENATOR WARDNER indicated to the committee that he had a copy of the interim committee report concerning the actuarial analysis reported that the proposed methodology ties the determination of the rates with that of the active employees. The actuarial cost to the retirement group not eligible for Medicare are approximately 150% of the active group. Therefore a strong case can be made for indexing rates as proposed. In addition the tying of rates to the active group will provide for rate stability since the active pool is much larger and more credible than the non-Medicare retiring pool. As a result the rates for this retiree subgroup will follow the trends of the larger active group and will

not be subject to large swings in rates due to the small size of the enrolled population.

SENATOR KREBSBACH-This is going to give you a stable rating system for the pre-Medicare retirees and it is tied to the entire group rather than just a small portion of the retirees. Is that what we are trying to accomplish here? SPARB COLLINS indicated that was one of the issues and the other issue is that the present methodology that's in the statutes is very difficult. As a matter of fact our actuary, previous actuary had looked at it and reviewed it, came up with a method, later on they looked at it and had a hard time with it. It would have been difficult for the agency to interpret and administer. Part of this is to come up with a fairly clear part. If you asked me today to explain to you how that rate is determined, I couldn't explain it to you. I'm not even sure our actuary could come in and explain it to you. We have a hard time explaining it to the retirees, so the other purpose of this is to put into the statute a blended method that we will all understand and if you think it's too high or it isn't high enough we know if it should be 150% or 170% we can talk meaningfully about this. The other thing is to make this more clear. In so doing we are trying to do this in a way that is actuarially neutral and that is the purpose of the report. SENATOR DEMERS asked MR. COLLINS if he could tell her the amount they are charging for a single plan and what the retiree benefit is now and what it will be under this bill. MR. COLLINS indicated that the retiree benefit will stay the same, now the charge rate will stay approximately. SENATOR DEMERS, I meant how much are they going to charge for the plan? He indicated he didn't have the rate schedule with him however, he could get the answer for her. A discussion concerning rates took place involving MR COLLINS, SENATORS DEMERS, KREBSBACH, KILZER, and WARDNER. There were no further questions at this time.

WELDEE BAETSCH-Representing the Association of Former Public Employees appeared to

testify in support of SB 2072. A copy of his written testimony is attached. There was nothing further at this time. No one appeared in opposition to SB 2072. No one appeared in Neutral position on SB 2072. CHAIRMAN KREBSBACH closed the hearing on SB 2072. On January 21, 1999 CHAIRMAN KREBSBACH reopened the discussion on SB 2072 (Tape 1, Side A, January 21, 1999, Meter #'s 860-1272) SENATOR DEMERS indicated to the committee that we were awaiting Sparb Collins input as to the cost of a single policy and he has done that. She ;has given the memo to the clerk who indicated he would provide copies to the committee members during the break. Perhaps he could read to us now if you wanted him to for the record. JAMES A. RAILE, CLERK, This is a memorandum on single health insurance rates from MR. COLLINS. "I'm writing to follow up to our conversation today concerning the single health insurance rates. Single rates of the state active group is \$139.69, the COBRA continuation rate which is 2% higher is \$151.71. I hope the above information is helpful. If I can provide any additional information please feel free to give me a call. SENATOR KREBSBACH indicated that this is the bill for changing the methodology for how the pre-Medicare employees are being assessed at this time and they want to make it simpler and will be equitable from what it has been as I understand it. At this time SENATOR DEMERS moved a DO PASS on SB 2072, seconded by SENATOR W. STENEHJEM. ROLL CALL VOTE indicated 7 YEAS, 0 NAYS, and 0 ABSENT OR NOT VOTING.

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: SB 2072 Amendment to: _____

Requested by Legislative Council Date of Request: 12-30-98

1. 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 health insurance actuary for PERS has determined that the adoption of the proposed rate methodology will not have any significant financial impact, if any, when compared to the current methodology.

2. 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- | -0- | -0- | -0- |

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: None
- b. For the 1999-2001 biennium: None
- c. For the 2001-03 biennium: None

4. 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: 1-4-99

Department P E R S

Phone Number 328-3901

Date: 1/21/99
Roll Call Vote #:

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2072

Senate GOVERNMENT AND VETERAN'S AFFAIRS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Sen. Demers Seconded By Sen. Stenehjem

| Senators | Yes | No | Senators | Yes | No |
|----------------------|-----|----|----------|-----|----|
| SENATOR KREBSBACH | ✓ | | | | |
| SENATOR WARDNER | ✓ | | | | |
| SENATOR KILZER | ✓ | | | | |
| SENATOR STENEHJEM | ✓ | | | | |
| SENATOR THANE | ✓ | | | | |
| SENATOR DEMERS | ✓ | | | | |
| SENATOR MUTZENBERGER | ✓ | | | | |
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Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Krebsbach

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

REPORT OF STANDING COMMITTEE (410)
January 21, 1999 12:53 p.m.

Module No: SR-13-0973
Carrier: Krebsbach
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2072: Government and Veterans Affairs Committee (Sen. Krebsbach, Chairman)
recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2072
was placed on the Eleventh order on the calendar.

1999 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2072

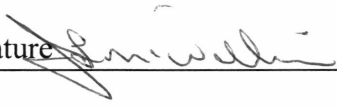
1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2072

House Government and Veterans Affairs Committee

Conference Committee

Hearing Date 2-4-1999

| Tape Number | Side A | Side B | Meter # |
|---|--------|--------|-------------|
| 1 | | X | 26.5 - 37.7 |
| 1 | | X | 45.3 - 49.1 |
| | | | |
| 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 determination of health insurance premiums for retired public employees not eligible for Medicare.

Testimony in Favor:

Sparb Collins, PERS submitted written testimony which he read in it's entirety (**please refer to his testimony**).

Representative Klein, Regarding the fiscal note, what is the present system and why the change?

Collins, This is extremely difficult to interpret, even explaining it would be difficult. We would like this to be simpler language and more straight forward.

Representative Klein, On the federal side of the system, your rates remain the same. Are you setting up a little subsystem for people who are not on Medicare?

Collins, In 1988 they were segregated out and put into their own group. In 1989 they were moved back in to the main group.

Representative Klein, You are saying the 150% did not cover it, but that is what your proposing now?

Collins, Fiscally it will not change.

Representative Gorder, How large of a group are we talking about? The larger the group the more effective, I would think.

Collins, The pre-Medicare retirees group is about 4 to 500.

Representative Kroeber, What is it right now for a retired individual? Pre Medicare.

Collins, 219.

Waldee Baetsch, AFPE submitted written testimony which he read **please refer to his testimony**).

Testimony in Opposition: None.

Representative Klein, Closed the hearing on SB 2072.

Committee Action:

Representative Klein, I think the language here is pretty vague.

Representative Klemin, Made a motion for a Do Pass.

Representative Kroeber, Seconded the motion.

Motion Passes: Do Pass **14-0-1**.

Representative Kroeber, Is the carrier for the bill.

Date: 10-24-99

Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2072

House GOVERNMENT AND VETERANS AFFAIRS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS

Motion Made By KLEMIN Seconded By KROEBER

| 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) 14 No 0

Absent 1

Floor Assignment KROEBER

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

REPORT OF STANDING COMMITTEE (410)
February 4, 1999 12:11 p.m.

Module No: HR-23-1918
Carrier: Kroeber
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2072: Government and Veterans Affairs Committee (Rep. Klein, Chairman)
recommends **DO PASS** (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2072
was placed on the Fourteenth order on the calendar.

1999 TESTIMONY

SB 2072

REPORT OF THE LEGISLATIVE COUNCIL'S
EMPLOYEE BENEFITS PROGRAMS COMMITTEE
SENATE BILL NO. 2072

Sponsor: Retirement Board

Affected Retirement Program: Uniform group insurance program

Proposal: Provides that the rate for a non-Medicare retiree single plan is 150 percent of the active member's single plan rate; provides that the rate for a non-Medicare retiree family plan of two people is twice the non-Medicare retiree single plan rate; and provides that the rate for a non-Medicare retiree family plan of three or more persons is two and one-half times the non-Medicare retiree single plan rate for purposes of determining health insurance premiums for retired public employees not eligible for Medicare.

Actuarial Analysis: The actuarial consultant reported that the proposed methodology ties the determination of the rates to that of the active employees. The actuarial costs of the retiree group not eligible for Medicare are approximately 150 percent of the active group. Therefore, a strong case can be made for indexing the rates as proposed. In addition, the tying of rates to the active group will provide for rate stability since the active pool is much larger and more credible than the non-Medicare retiree pool. As a result, the rates for this retiree subgroup will follow the trends of the larger active group and will not be subject to potentially large swings in rates due to the small size of the enrolled population.

Committee Report: Favorable recommendation.

TESTIMONY
OF
SPARB COLLINS
ON
SB 2072

Madame Chair, members of the Committee, good morning. My name is Sparb Collins. I am Executive Director of the North Dakota Public Employees Retirement System, or PERS.

SB 1072 relates to the uniform group insurance program administered by the Public Employees Retirement System. Specifically, this bill would change the methodology for determining the group medical insurance premium rates for retired employees that are not eligible for Medicare coverage. This group of individuals includes people who retire before age 65. In the NDPERS group we refer to that group as Pre-Medicare retirees. The new methodology proposed in this bill would provide for an indexing method that ties the rates for the Pre-Medicare retiree to those charged for active employees and their dependents.

The current methodology, in subsection 1 of Section 54-52.1-02 of the 1997 Supplement to the North Dakota Century Code, requires the determination of rates for active employees must be adjusted by the projected credit resulting from the determination of rates for retirees not eligible for Medicare. Essentially, the rates for retirees not eligible for Medicare are blended with the active employee group rates. The methodology for developing the rates is further detailed in section 54-52-.1-02(1) of the North Dakota Century

Code, which was adopted in 1989. The precise methodology requires actuarial assistance to implement and is cumbersome and difficult to determine, as well as, to administer.

This proposed bill would change the methodology to make it easier to understand and administer. It would also make it easier to explain the rate process to our retired employees, and make it easier for the health insurance carrier to administer. The proposed methodology in this bill provides the following:

- 1) *That the single rate for a Pre-Medicare retiree is 150% of the single rate for a member of the active plan.*
- 2) *The rate for a non-Medicare retiree family plan of two is twice the rate determined in #1 above.*
- 3) *The rate for a non-Medicare retiree family plan of three or more is 2.5 times the rate determined in #1 above.*

Our actuary, Deloitte & Touche out of Minneapolis, has reviewed this bill and determined,

"We do not believe that the adoption of the proposed rate of methodology will have a significant financial impact, if any, when compared to the current methodology."

They also went on to say,

"The proposed methodology ties the determination of the rates to that of the active employees. The actual cost of the retiree group not eligible for Medicare are approximately 150% of the active group. Therefore, a strong case can be made for indexing the rates as proposed. In addition, the tying of the rates to the active group will provide for rate stability since the active pool is much larger and more credible

than the non-Medicare retiree pool. As a result, the rates for this retiree subgroup will follow the trends of the larger active group and will not be subject to potential large swings in rates due to the small size of the enrolled population."

This bill has been reviewed during the interim by the Legislative Employee Benefits Committee. As a result of that review the Committee gave the bill a favorable recommendation.

Madame Chair, members of the committee, I request your favorable consideration of this bill. This concludes my testimony.

Government and Veterans Affairs Committee

Senate Bill 2072

January 14, 1999

Madam Chair, Committee members, for the record my name is Weldee Baetsch representing the Association of Former Public Employees. Our organization supports SB 2072 because the bill contains a simple and straight forward method to determine health insurance premiums for retired public employees. The proposed methodology is easier to administer and explain.

We urge a favorable vote on SB 2072.

TESTIMONY
OF
SPARB COLLINS
ON
SB 2072

Mr. Chairman, members of the Committee, good morning. My name is Sparb Collins. I am Executive Director of the North Dakota Public Employees Retirement System, or PERS.

SB 2072 relates to the uniform group insurance program administered by the Public Employees Retirement System. Specifically, this bill would change the methodology for determining the group medical insurance premium rates for retired employees that are not eligible for Medicare coverage. This group of individuals includes people who retire before age 65. In the NDPERS group we refer to that group as Pre-Medicare retirees. The new methodology proposed in this bill would provide for an indexing method that ties the rates for the Pre-Medicare retiree to those charged for active employees and their dependents.

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This proposed bill would change the methodology to make it easier to understand and administer. It would also make it easier to explain the rate process to our retired employees, and make it easier for the health insurance carrier to administer. The proposed methodology in this bill provides the following:

- 1) *That the single rate for a Pre-Medicare retiree is 150% of the single rate for a member of the State active plan.*
- 2) *The rate for a non-Medicare retiree family plan of two is twice the rate determined in #1 above.*
- 3) *The rate for a non-Medicare retiree family plan of three or more is 2.5 times the rate determined in #1 above.*

Our actuary, Deloitte & Touche out of Minneapolis, has reviewed this bill and determined, *"We do not believe that the adoption of the proposed rate of methodology will have a significant financial impact, if any, when compared to the current methodology."*

This bill has been reviewed during the interim by the Legislative Employee Benefits Committee. As a result of that review the Committee gave the bill a favorable recommendation.

Mr Chairman, members of the committee, I request your favorable consideration of this bill. This concludes my testimony.