

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1024

2001 HOUSE APPROPRIATIONS

HB 1024

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1024

House Appropriations Committee
Education and Environment Division

Conference Committee

Hearing Date January 12, 2001

Tape Number	Side A	Side B	Meter #
1 of 2	3,300	x	
2 of 2	x	x	19
Committee Clerk Signature			

Minutes:

Representatives Aarsvold, Boehm, Gulleon, Martinson, Monson, Wald, Wentz.

Representative Wentz: We will open the hearing on HB1024 Workers Compensation.

David Ystebo: (3440) Chairman of ND Workers Compensation Bureau's Board of Directors.

See attached.

Dick Johnson: (3715) Chair of the ND Worker's Compensation Bureau's Board of Directors

Audit Committee. See attached

Paul Kramer: (3945) Executive Director and CEO of ND Worker's Compensation. See attachments.

Representative Gulleon: (5510) On your satisfaction survey, why wouldn't you curvy the workers that were denied claims?

Paul Kramer: When they are denied they may not be truthful, and may not be able to respond not having gone through a claim.

Representative Gulleason: If you only survey the successful claims you should have an extremely high rating, and not much to learn from that information. I question that . I don't know any other business that can measure their business by only the success.

Representative Wald: (5830) What is the percentage rate of claims denied?

Paul Kramer: We are at 4-5 percent. Our percent is lower than the national averages.

Tammy Dolan: (6015) Vice President of Employer and Fiscal Services for Workers Compensation Bureau. See Attached

Representative Wentz: (787) I am going to ask you a question about the office building. You use the language it is considering construction and yet it sounds as if a decision has been made.

Tammy Dolan: The board has not made an official decision to construct an office building. We have not chosen a site.

Representative Wentz: But you have not listed any rent expenses for 2003. How would you pay your rent in 2003?

Tammy Dolan: If the board decides not to build, it may require an amendment to our budget. We could also purchase the building we are in now. It was authorized in the last session as a continuing appropriation.

Representative Wald: (925) If you were to build , do you have any preliminary costs?

Tammy Dolan: Yes, 5-6 1/2 million dollars.

Representative Wald: I assume you would use your surplus or equity to pay for the building, and that would show up in your asset side rather than cash in the bank. Would you pay your self rent?

Tammy Dolan: Yes to your first question and secondly we would consider it as an asset. We look at building as an investment.

Representative Wald: Have you done a cash flow analyst of renting as contrasted to owning? And how long are you obligated to your lease? Does the State Investment Board manage your funds?

Tammy Dolan: The numbers clearly point out renting was not the best financial decision for us. We are on a annual lease at this time. And yes, our funds are managed by the investment board.

Representative Aarsvold: (1350) I am feeling uncomfortable about the rent issue budget situation with what seems like a black hole. I would be in favor of reinstating the 66,00 in the advent that the board should make a decision contrary to their apart intent at this point. I would like something a bit more solid. Secondly, in regard to the professional development of the 436,000, how does that compare on a employee basis with other states?

Tammy Dolan: I'm not sure. For most of the employees the seminars are local.

Representative Wald: (1540) Back to page of your testimony under operating expenses. I too am concerned about that. If we left the budget as you asked, and you hit a snag of some sort How would we fund the other 466,000 if you needed it and we didn't put it in now?

Tammy Dolan: You are absolutely right we would have a bit of a situation in finding funding for that second year. We potentially make adjustments and hold off on other things, and go month to month.

Representative Wald: Wouldn't it make more sense to include it into your budget rather than you come begging to an emergency commission.

Tammy Dolan: The reason we did not and could not include it in our original budget request, we needed to meet the Governor's holding budget request. In order to do that we had to make some savings

Representative Wald: Was building your own building a recommendation of your consultants?

Tammy Dolan: One of the recommendations in the performance audit wasn't necessarily specific. They did recommend we look at more privatized situations, which of course owning your own building was one of them.

Representative Gulleon: (1980) Was one of your recommendations that your agency just go privatize completely?

Tammy Dolan: I don't think so, many other things that are similar to privatization.

Representative Aarsvold: If you began to operate in a more independent fashion, are there any tax consequences if you were to build you own building. Especially if you were to lease space.

Tammy Dolan: We are tax exempt since we are a state agency. For property tax there is a provision that we will make a payment in lieu of property taxes to where ever it is we decide to build.

Representative Wald: I suggest everyone in this room including those in the back, get a copy of the consultants report before we make a decision on this budget.

Tammy Dolan: Continue with equipment attachment.

Representative Wald: (3246) In your whole fraud arena, I would hope that if we approve that FTE that you would have more emphasis on employers that hire some employees, and pay them in cash, or call them an independent contractor. I am convinced that you need an addition staff person to see that all employers pay premiums.

Representative Aarsvold: (3611) On page 7, the two technological fraud detection systems that are being purposed. What are we talking about?

Tammy Dolan: Computerized systems. One focused on employer fraud and the other for injured workers.

Representative Aarsvold: Certainly with Medicaid and Medicare we read a lot about provider fraud. It seems to me that is one place where some energy could be devoted.

Tammy Dolan: Medical provider fraud is one of the most difficult one to find and research. There are systems out there and we will use them as much as possible.

Representative Wald: I don't think your auditing department is doing enough work in the area of reclassifying some employers.

Tammy Dolan: We have found accounts have been misclassified for years. We now have a new process which will classify new accounts properly.

Representative Wald: Are you asking for money for auditing in your budget? How is your accounts receivable situation today.

Tammy Dolan: No. Our accounts receivable as of June 30 was 35 million dollars. A large portion of that is past due. About 2 million would be over a year old. We can cancel a policy if payment is past due.

Michael Wolf: Manager of the County Employers Group (CEG) for the ND Associations of Counties (NDACo). See Attached.

Representative Wentz: (6075) What was the amount of the grant and the life of the grant?

Michael Wolf: The amount was 160,000, which will expire in June 30, 2001.

Representative Wald: Are the counties billed as one unit, or is each county billed for their premium?

Michael Wolf: In 1916 we consolidated all 53 counties into one account.

Representative Wentz: Does anyone else wish to appear in opposition of HB1024? Seeing none we will close the hearing on HB1024.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1024

House Appropriations Committee
Education and Environment Division

Conference Committee

Hearing Date JANUARY 26,2001

Tape Number	Side A	Side B	Meter #
1 of 1	x		3,150
Committee Clerk Signature <i>Judith Schock</i>			

Minutes:

Representatives Aarsvold, Boehm, Gulleson, Martinson, Monson, Wald, Wentz.

Representative Wentz: We have a hand out from Legislative Council.

L.C. Member: What I distributed was a vacant FTU listing. As of December 31, the number of vacant positions in each agency budgets that are funded in the Governors budget. The number of vacant positions in each agency budgets that are funded in the Governors budget. If there is a vacant position that the Executive Budget doesn't have funding for it is not included in here.

Representative Wald: On HB1024, the sub committee consisting of Representative Boehm, Representative Gulleson, and myself. There are two amendments 0106, and 0105. We are transferring two other bills into HB1024. We are moving HB1163 and HB1187. See attached amendments. Remembering Workers Compensation is all special funds. There are no general fund dollars in this bill. In the testimony they included rent for only one more year because they were going to build their own building. They have run into some snags as to a location and clear

title to property. We are including the 466,000 dollars to pay rent for the entire biennium.

Should they complete their property prior to this time this will be a turn back in that particular line item which is doubtful.

Representative Aarsvold: Is there language in either 1163 and 1187 that we must save in terms of implementing those programs.

Representative Wald: Our legal council, Joe says no.

Representative Wentz: I still have question about the money they maintain they think they can save by moving those in house. They said, it cost them 6.8 million to contract for them and if they bring them in house they are telling us they are going to save 4.2 million. That just doesn't all up.

Representative Wald: I think what happened, in the last four years we have seen dramatic changes. They contracted with people that are expertise in that field. When you are in a hurry you can't always negotiate the best deal.

Representative Aarsvold: Are those competitive bidding sorts of situations that we see for those services?

Representative Wald: As I said if no competition they can ask what they want. Living in ND it is hard to attract associations from Minnesota. I believe it is a negotiated situation. Utilization review was a Minneapolis firm. They have moved some employees here.

Representative Aarsvold: Have we computed new employees with benefits etc. As opposed to contracted employees?

Representative Wald: If you look at the house version it will increase the salaries of 17.8 to possibly 20.2 million. The other amendment see attached 0105.

Paul Kramer: Executive Director and CEO of ND Worker's Compensation Bureau. What we have done is negotiated some new contracts for everything, but both rehabs. In the course of those changes we have made a substantial savings. The 4.2 million savings, about 2.6 of that is in both rehabs. That savings is in the 4.2 million.

Representative Monson: Did you say some of the 4.2 million that you have in your projections is already saved because you did some switching?

Paul Kramer: The 4.2 million is new.

Representative Wald: Would you specify in 0105, what a special investigates duties would be. I understand you use many outside adjusters or law firms. Some of that would be picked up by this.

Paul Kramer: We contract out our actual investigation. That would save us the travel expense. Our internal people manage our external investigators and put the case together.

Representative Wald: I move amendment 0106. Representative Boehm: Seconded the motion. 5 yes, 1 no, 1 absent.

Representative Wald: I move amendment 0106. Representative Martinson: Second the motion. 6 yes, 0 no, and 1 absent.

Representative Wald: I move a do not pass on HB 1163. Representative Boehm: Second the motion. 6 yes, 0 no 1 absent.

Representative Wald: I move a do not pass of HB1187. Representative Boehm: Second the motion. 6 yes, 0 no, and 1 absent.

Representative Wald: I move a do pass as amended on HB1024. Representative Martinson: Second the motion. 6 yes 0 no and 1 absent.

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Representative Wentz: Representative Wald you will be responsible to carry the amendments and bill to the full committee. We adjourn the formal part of the committee.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1024

House Appropriations Committee

Conference Committee

Hearing Date February 2, 2001

Tape Number	Side A	Side B	Meter #
1	x		5889 - 6223
		x	0 - 2480
Committee Clerk Signature <i>F. J. Dowd</i>			

Minutes:

House Appropriations Committee action on HB1024.

Rep. Francis Wald: I'm responsible for the Workers Compensation Bureau budget, first of all I want to take you to the budget book if you care to on page 271, the executive recommendation is about a 4.2% increase from the previous biennium, and I won't recite all those numbers, as you can see it for yourself. But if you will go to your bill book and find amendment .0107 dated July 29, 2000, that's what I'll walk you through. This budget is all off budget its all employer paid premiums that drive this and there is no general fund money in it. All of the employees in Workers Compensation are not classified so they don't come under the state personnel system, I can also tell you that, in the industry, somewhere between 25 and 30% of the premium income is used for overhead and operating expenses. In North Dakota Workers Compensation there somewhere between 10 and 12%, so in comparison to the industry and to other state funds, North Dakota runs a very efficient operation in terms of the premium dollars used for administration.

