

# MICROFILM DIVIDER

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SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1233

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*Dennis G. Ball*  
Operator's Signature

10/2/03  
Date

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1233

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*Dennis Hall*  
Operator's Signature

10/2/03  
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1233

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1/21/03

Tape Number	Side A	Side B	Meter #
3		x	13.0-39.5
Committee Clerk Signature <i>Judith Hammer</i>			

Minutes: Vice-Chairman Severson opened the hearing on HB 1233. Rep. Kelsner, District 47, introduced HB 1233 which relates to the powers of nonprofit mutual insurance companies. Blue Cross Blue Shield is the only nonprofit mutual insurance company in our state. The intent of the bill is to allow BCBS to form subsidiary/affiliates that although not accepting insurance risk, could offer specific services which they are now performing for themselves outside the borders of ND.

Mike Hamerlik, Blue Cross Blue Shield North Dakota, appeared to testify in support of HB 1233. (See attached testimony and drafted amendments)

Replying to Rep. Ekstrom's question, Hamerlik stated that subsidiaries would be for profit enterprises.

Replying to Rep. Kasper's question regarding rising health costs in our state due to the aging population and if subsidiaries would generate profits, would those profits then be used by the parent company to soften premium blows, Hamerlik said that the for-profit entities' profits would

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*Dorena Holbrook*  
Operator's Signature

1/21/03  
Date

Page 2  
House Industry, Business and Labor Committee  
Bill/Resolution Number HB 1233  
Hearing Date 1/21/03

indeed flow on to the parent company. In the new language, the word affiliate is not used.

Subsidiaries and, in limited circumstance, joint ventures are allowed. Under the IRS' code the Noridian Administrative Services is an LLC and considered a disregarded entity. The financial statements are consolidated. Profits would affect the total reserves of the parent company.

Hamerlik then walked the committee through the proposed amendments.

Rep. Ruby asked if there were plans to locate the subsidiaries in ND and thereby provide employment to citizens of our state. Hamerlik stated that this the intent.

Rep. Dosch questioned if Noridean Mutual Insurance Company is a stock company or a wholly owned subsidiary. Hamerlik replied that it is a nonprofit mutual owned by the policyholders. It is a nonprofit but it is taxed.

Chris Runge, Executive Director of PERS, and Secretary-Treasurer of AFL-CIO, appeared in opposition to HB 1233. Her concern is that charitable assets of BCBS might not be best protected for taxpayers. She will review the amendments presented today and get back to the committee with her committee.

Chuck Johnson, ND Insurance Dept. also testified in a "neutral" position to HB 1233. Prior to the amendments presented today, the Insurance Dept. felt that the language was too broad but Johnson now thinks that they can support HB 1233 as amended.

As there was no one else present to testify, the hearing was closed.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1233

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1/22/03

Tape Number	Side A	Side B	Meter #
4	x		5.0-11.0
Committee Clerk Signature <i>Judith Hammer</i>			

Minutes: **Chairman Kelsner** called for committee work on HB 1233. **Rep. Dosch** stated that the amendments strengthen the bill to give Blue Cross Blue Shield the authority to form a fully owned company (100% owned by parent company) which allows BCBS to retain the profits. The emergency clause will allow them to take advantage of any situation that might arise between now and July. BCBS will assist in drafting the emergency clause.

**Rep. Kasper** moved to adopt the amendments, seconded by **Rep. Johnson**. A voice vote carried the motion. **Rep. Kasper** moved a do pass as amended on HB 1233, seconded by **Rep. Klein**.

Roll call vote results were 13-0-1. **Rep. Dosch** will carry this bill on the floor.

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*Deanna Ball...*  
Operator's Signature

1/22/03  
Date

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1233

Page 1, line 2, after "companies" insert "; and to declare an emergency"

Page 1, line 6, remove the overstrike over "a", after "steek" insert "wholly owned", and remove the overstrike over "company for the purpose"

Page 1, line 7, remove the overstrike over "of administering medicare claims" and replace "subsidiaries and affiliates" with "and engaging in other business activities"

Page 1, line 8, after "risk" insert ". A company established under this subsection may form a joint venture or subsidiary to conduct one or more of the functions the nonprofit mutual insurance company could conduct directly. An officer, a director, or a management employee of the nonprofit mutual insurance company may not directly or indirectly own an interest in a subsidiary"

Page 1, after line 8, insert:

"SECTION 2. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

Date: 1/22/03  
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1233

House Industry, Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number 30432.0101  
0200

Action Taken Do Pass as Amended

Motion Made By Kasper Seconded By Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	/		Rep.Boe	/	
Rep. Severson, Vice-Chair	/		Rep. Ekstrom	/	
Rep. Dosch	/		Rep. Thorpe	/	
Rep. Froseth	/		Rep. Zaiser	/	
Rep. Johnson	/				
Rep. Kasper	/				
Rep. Klein	/				
Rep. Nottlestad	/	A			
Rep. Ruby	/				
Rep. Tieman	/				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Dosch

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

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Deanna Holbrook  
Operator's Signature

1/22/03  
Date

REPORT OF STANDING COMMITTEE (410)  
January 24, 2003 10:16 a.m.

Module No: HR-14-1032  
Carrier: Dosch  
Insert LC: 30432.0101 Title: .0200

**REPORT OF STANDING COMMITTEE**

HB 1233: Industry, Business and Labor Committee (Rep. Kelsor, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1233 was placed on the Sixth order on the calendar.

Page 1, line 2, after "companies" insert "; and to declare an emergency"

Page 1, line 6, remove the overstrike over "a", after "steek" insert "wholly owned", and remove the overstrike over "company for the purpose"

Page 1, line 7, remove the overstrike over "~~of administering medicare claims~~" and replace "~~subsidiaries and affiliates~~" with "and engaging in other business activities"

Page 1, line 8, after "risk" insert "A company established under this subsection may form a joint venture or subsidiary to conduct one or more of the functions the nonprofit mutual insurance company could conduct directly. An officer, a director, or a management employee of the nonprofit mutual insurance company may not directly or indirectly own an interest in a subsidiary"

Page 1, after line 8, insert:

**"SECTION 2. EMERGENCY.** This Act is declared to be an emergency measure."

Renumber accordingly

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