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ROLL NUMBER

DESCRIPTION

2154

2007 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2154

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2154**

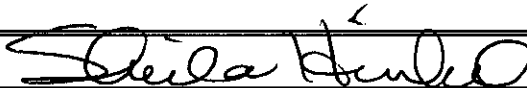
Senate Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: **January 17, 2007**

Recorder Job Number: **1322**

Committee Clerk Signature



Minutes:

Jim Poolman – ND Insurance Dept. *In Favor*

TESTIMONY # 1 Goes over the testimony on how to make the health insurance market more competitive. Shows chart. How can we attract more players?

S Potter: BC/ BS is a monopoly, what's wrong with that?

J Poolman: We regulate premiums associated with major carrier of ND. Approaching single care. When you have 90% of the market share making healthcare decision. Consumer wants a choice [3:25-11:22m]

S Klein: Does this open the flood gates?

J Poolman: We are looking for ways of competition

S Klein: Do you have a comfort level?

J Poolman: [12:30 explains]

S Potter: BC/BS attempting to try to control health care products. How will that get done?

J Poolman: They see themselves at buying... [13:28m]

S Potter: BC/BS is dominant, what's wrong with that?

J Poolman: [14:14m] In a small group market 4-5 maybe 6 carriers, writing business, but not actively marketing business.

S Klein: Won't this allow cherry picking?

J Poolman: No, the market place has changed to consolidation.

S Andrist: Isn't it possible to get insurance for a small organization. Felt there is no alternative

J Poolman: New company, Medica has set up provider agreements. Cover 5-6,000 lives.

Minot Hospital, Williston Hospital. They can market to set up subscribers' facilities.

S Heitkamp: What's wrong with BC/BS? Am I paying too much?

J Poolman: It is in the eye of the beholder. May be potentially paying too much. People in ND are paying less than in the surrounding states.

S Heitkamp: [examples 18:50m] [wife works in Minnesota and makes \$5 more per hour in MN than in ND

J Poolman: Benefits are higher in MN

S Wanzek: So the company can accumulate; loss ration [19:50m has whole story] Do you have lower premiums.

J Poolman: they can be adjusted [20:25m]

S Wanzek: Can you put it into the market where they could compete.

J Poolman: We would need to track the loss ratios.

S Potter: Would like an answer to S. Heitkamp question because of size and efficiency or non-profit premiums are only too high because the claims are too high.

J Poolman: the reserve levels are too high [22:35m]

S Potter: May be a monopoly, but they are efficient.

J Poolman: this will create ___ [23:30m]

S Andrist: Because of size, we know what the loss ratio is going to be, 100 policy holders [24:24m]

J Poolman: One reason why ND policy holders why they got a check back is because the losses are as severe as anticipated by BC/BS. That's called an "underwriting gain" and is added to the reserves. I had no authority to give that money back, I had to use the Bully Pulpit to get there.

S Hacker: Are specific industry providers "specialized" insurance companies, would we be able to attract some of those?

J Poolman: There are some that would market to auto dealers, home builders, there is the opportunity to make them more competitive.

Q?

Michael L Fix – Director of the Life and Health Division and Actuary – *In Favor*

TESTIMONY # 2 [29:27m explains how the model was developed]

Covers the loss ration with an explanation. The benefits are related to premiums. Rate increases are reviewed. Explained how Prime Index works.

Q?

S Potter: How can a company get a smaller company plan.

M Fix: In the level of benefits. BC has a good expense ratio and level of profit margin .

S Potter: I thought it was 75%

M Fix: [34:00m] lists the numbers. There are impediment ratios for companies

S Wanzek: Does this allow lower loss ratios? Doesn't that affect BC/BS

M Fix: They have a formidable competitor. BC has 87% loss ratio.

S Potter: But not a hospital indemnity policies or accidental death and disabilities.

M Fix: In the last part of section 37.2 we refer to some of the product lines,

S Potter: So you made a determination that it applied to sentence one of the law but not to the last sentence fo the law.

S Heitkamp: Was that the genesis of the bill? When they came in and you had to reject it, or is this on its way before all that?

M Fix: This was before that. Talked about previous sessions.

S Heitkamp: Something to stimulate competition here.

M Fix: One of the things we found when canvassing some of the companies.

S Wanzek: Trying to understand, if we allow for a lower loss ratio, is that also include BC/BS? Aren't they going to be able to compete under that same lost ratio?

M Fix: BC/BS has a favorable expense position and they're going to be a formidable competitor for any company. When they're coming in with an 87% or 90% ratio – they're paying out that percentage of the premium, a company coming in has to compete with that.

S Heitkamp: It doesn't matter to them?.....

AMMENDMENT by Michael Fix

[36:37M] What you have before you changes section 37.2.

Want to take out 37.2 and put into 37.3 which is a small or into 37.4 which is more appropriate for clarification.

Need submission of Amendment.

S Klein: You can submit....

Constance Hotland – American Family - *In Favor*

Pat Ward works with Connie. Was voicing her support. [38:07m]

Dan _____ - Blue Cross/Blue Shield – *In Opposition*

[starts 39:02m]

Claims it doesn't affect BC/BS. Loss ratios fluctuate 95% - 85% lowest.

You give us a buck and we'll give you 95 cents or 85 cents on the dollar in healthcare.

What the commissioner is asking you to do is reduce that, you give someone else the buck.

You're only going to be guaranteed 70%. In some cases that will be 55 cents on the dollar.

We established this law in 1993 under the notion something needed to be done in guaranteeing returns on health insurance. Healthy carry the sick. Insurance depends on large numbers. Have 450,000 lives we take care of. Signa – 9 million members. We are a guppy. Every market has dominant players. Compared companies. Choices are price sensitive. Competition will not bring lower premiums. As long as the playing field is level, we're willing to play.

[44:05m] Explains competitors and what they can support.

[45:00m] Local response to members of every state. Try to call the president or another company, you can't get them.

[47:24m] Compare prices

[48:55m] Shall we be reducing the number of services or enhancing the number of services?

Should we reduce or enhance profits? This bill enhances profits.

TESTIMONY # 3 SB 2154 See Stephanie

[50:50m] These are the rules. Page 8, [reads from page 8] How far do you go?

We feel this bill is poor public policy. The public has a right to know what you're doing. Why would you allow a higher profit margin for insurers?

S Potter: BC/BS, we need to answer S Wanzek his question about, will this also affect BC/BS.

You are regulated additionally to this. Correct, on your reserve levels?

Dan: We've had some good years and had underwriting gains. We're willing to accept being the 100 lb. gorilla in being able to do that. [53:50m]

S Hacker: Why in the world would if I was a business Dan, would go into buying something because I'm losing ground? Why does Medicare now own Dakota clinic? Why did they buy that? Did they buy because they're losing?

Dan: Because it was there and empty. They changed the role and mission at the hospital. BC of Minnesota built Innovis, abandoning Dakota.

S Hacker: Have a tough time believing that margins are getting tighter. [58:50m]

There is a new clinic starting in Grand Forks. Who would say that the cities couldn't support another hospital? [1:00:50m]

Dan: I don't know if GF can support another hospital.

S Behm: Who owns BC/BS?

Dan: The members

S Heitkamp: What if you had it for 2 years to see if it supplied some competition? New hospital in Oaks, Breckenridge, not everyone has given up on small town hospitals. Role of the hospital is different. Health care is changing. Why don't we see what's going to happen. Some things I agree with you, some things I don't.

Dan: That's your prerogative, I don't think much is going to happen.

S Heitkamp: So for 2 years we can take the competition away from you, so it's "all or nothing" on the table.

S Potter: You're not here because you fear the competition [1:03:26] As your competition, would you tell them what the confusion is?

Dan: Consumers are not going to know. We can get the costs down if we take away their benefits.

S Wanzek: [1:05:04m explains example] Maybe should give little, might be compelling interest. We might be willing to accept something as a consumer that is a little less efficient. By lowering loss ratio, that lower the premium, or raise the premium. Which interest is most important.

Dan: The company – where they want to make their margins.

S Wanzek: [another example]

Dan: You need to know what you're doing in lessening requirements.

S Heitkamp: Rules change, see it as a jump at competition. [Reviews the "cherry picking" reference 1:08:59m] See it as a "jump start" for competition.

Dan: No, there are different rules for the group market.

S Hacker: End result is the affect on the consumers. You're trying to protect the consumers, right?

Dan: The assumption that this is a consumer bill, is wrong, it's an insurance bill. You're lessening consumer protection

S Hacker: You said the benefits would be less to the customer.

Dan: Not from us. Cheaper products means less benefits

S Hacker: Consumers won't know about this [refer to example 1:11:49m]. Do you really believe people are not going to check it out, being informed buyers.

Dan: Our job is to inform more and more. They need to know exactly what they're buying.

S Hacker: You said it drives the difference between price and benefits and that's what the consumer will look at. So if they're not able to provide the same quality as BC/BS is and they're in an informed buyer, then why would they every buy competition insurance? Wouldn't they just stick with BC/BS?

Dan: It doesn't affect us. There is just less consumer protection.

S Potter: [1:10:31m] If there was an amendment to inform the consumer on loss ratios?

If Mr. Fix would write up something, and every insurance policy had a stamp on it that said, this has a 80%/85%/90%/45% loss ratio. Do you think that would have the effect of informing the public. How would BC/BS survive

S Heitkamp: Has BC been bashful about putting that out? The loss ratio.

Dan: We're proud of our loss ratio.

S Heitkamp: That hasn't been out there in the public.

Dan: It's not something that people want. It's "under the radar".

S Heitkamp: I do not consider myself the most informed insurance buyer, but I did know that your ratio was very good. You're saying that competition isn't always good. You said competition isn't always the answer.

Dan: The declining population has more to do with choices than competition. We don't need more schools, more hospitals.

S Heitkamp: Breckenridge is a better hospital because of Oaks. There's got to be a buck in competition.

S Potter: A lower loss ratio is an inferior policy to one that has a higher loss ratio. It seems to me there are 2 categories that will be buying the policy that is inferior.

1. Employer who is attempting to lower his costs
2. Uninformed consumer

Dan:

That's a fair assessment.

Q? more Opposition. CLOSE

2007 SENATE STANDING COMMITTEE MINUTES

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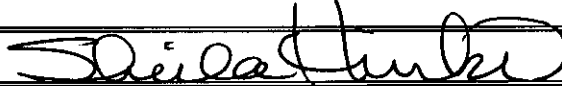
Senate Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: **January 23, 2007**

Recorder Job Number: **1695**

Committee Clerk Signature



Minutes:

Dan _____

Simple process that we have now, how much did we spend in health care, how much did we spend in industry and what kind of reserves or profits did you set aside.

If anyone is having any difficulty meeting the existing guidelines or complying with their calculations, etc.

There is a question in our mind as to whether if you can comply. What we're asking, is that if the committee be willing to review the loss ratios by 5% in each category and leave the present process in place and we'll go home happy, I guess.

S Klein: So what we've done...

Dan: these are not council approved amendments, but tried to remove the language by applying the national association insurance commissioner guidelines, the final rates for individual health insurance funds.

S Hacker: Did we ever receive what those guidelines are?

Dan: I think they are in the testimony.

S Klein: We have the amendments and we have some information, at least we've heard what he's got in mind, and we'll try to work on this tomorrow.

Meeting Adjourned.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2154 C**

Senate Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: **January 30, 2007**

Recorder Job Number: **2282**

Committee Clerk Signature



Minutes:

S Hacker: They're always changing and since they're always changing, I had them change the percentages down, the original percentages were not less than 75% and the amendment moves that to 65% and the second one, individual policy holder , not less than 55%. Remove all the following language referencing the Association of Insurance Commissioners.

S Klein: Any discussion? The two changes from BC amendment was striking the model language, and then lowering the percentages down to 65% and 55%. Essentially 10%

S Potter: The BC amendments do the same thing as removing the commissioner's NEIC but they lower it by 5% in each category, correct. I oppose the amendment and I oppose the bill. Need to bring down further.

S Klein: Have you run this by the commissioner?

S Hacker: Yes

S Heitkamp: Who offered these amendments?

S Hacker: I did.

S Heitkamp: So these amendments go BEYOND what the insurance commissioner had?

S Hacker: Brings them down...

S Heitkamp: Even further.

S Hacker: It gives them more flexibility the way I understood it. Kind of is a compromise when you drop it down. We can go back to those % if we need to.

S Klein: Have you run these by the commissioner?

S Hacker: Nope, well, yes I did, and he said yes.

S Klein: He was also OK with slashing the percentages.

S Heitkamp: We had the opportunity to hear from S Hacker who said he's talked to the commissioner who said he's ok with it. The Blues were against the bill. Is it inappropriate to ask Mr. Ulmers, who's in the room, whether he's agreeable to the amendment?

S Klein: I would allow that.

Dan Ulmer – Blue Cross:

Thanks for asking. Not too fired up about going 10 points on the group plan, but 65, we'd certainly settle for. Better than what we have now.

S Hacker: The group plan.

D Ulmer: Group now is at 75%. Individual at 65%. What you're saying is you move group to 65% and individual to 55%. I prefer to see the group at 70%, but we'd be happy with whatever you do here. It's a better process, we understand the process.

S Heitkamp: If you go to the proposed amendments, Page 1 line 10, replaces 70 with 65, if you overstrike that part of the amendment, if you just overstrike that and leave everything else in, now you've got something that they can both compromise on to work in the House. I'd so move. We're not taking it from 70 to 65, that's the only change we're not making in the amendments.

S Potter: I'd second the motion for purposes of discussion.

S Heitkamp: [Reviews the amendment suggestion as above.]

The commissioner spoke of 70 in the first place, not 65%. If he wants the language back in of the model, he can debate that in the house.

S Potter: This is an improvement. It is cleaning it up. I'm still against the bill.

S Heitkamp: I think we're doing something right, in a couple years we'll know. People in

Motion to move amendment – S Heitkamp

Second: S Potter

Vote for amendment passed 6 – 0 – 1

S Potter: I think S Heitkamp is on the wrong side of this one. This is not good public policy as the Blues testified, they weren't testifying about their own profits and losses since they don't have either one. They were testifying about the good public policy. It's consumer protection to have loss ratios at a higher standard. It's a myth that you can bring competition into the health insurance industry by lowering the standards, and somehow come up with a better system, it's a mistake.

S Heitkamp: I don't know whether or not the good senator from Bismarck is right or wrong, but what I know in a couple years we will know. People in ND are comfortable with what they have. Sometimes BC becomes a comfort zone. We're trying to stimulate competition. It is unfair to BC? No. They already meet and far exceed this. That explains what a good job BC does. Will there be cherry picking? Don't know, that has S Potter most concerned.

S Potter: Not concerned about BC/BS. Concern is for purpose not for intelligent consumer. My concern is competition through confusion.

S Heitkamp: What makes 75% the number. Right now we don't have a lot of competition.

S Wanzek: I have faith in the market. The most efficient will rise to the top. We don't give consumers enough credit. I support the bill and we should get a report in a few years on its progress.

S Behm: The business that does the best job will have the most business.

S Potter: The way that you judge the efficiency ;you judge your companies is by the loss ratio. We're saying that they don't have to be as efficient.

Motion to Do Pass as Amended

Motion by Heitkamp

Second by Hacker

Vote for Do Pass As Amended Passed 5 – 1 – 0

Carrier: S. Heitkamp

January 30, 2007

JB
1-31-07

PROPOSED AMENDMENTS TO SENATE BILL NO. 2154

Page 1, line 11, remove the overstrike over "~~not less than~~", after "~~sixty-five~~" insert "fifty-five",
remove the overstrike over "~~percent of premium received~~", and remove "an"

Page 1, remove lines 12 and 13

Page 1, line 14, remove "commissioners Model Act No. 134, adopted July 2000"

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2154: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS** (5 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). SB 2154 was placed on the Sixth order on the calendar.

Page 1, line 11, remove the overstrike over "~~not less than~~", after "~~sixty-five~~" insert "fifty-five", remove the overstrike over "~~percent of premium received~~", and remove "an"

Page 1, remove lines 12 and 13

Page 1, line 14, remove "commissioners Model Act No. 134, adopted July 2000"

Renumber accordingly

2007 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2154

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2154

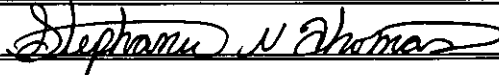
House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: February 26, 2007

Recorder Job Number: 3831

Committee Clerk Signature



Minutes:

Chair Keiser opened the hearing on SB 2154.

Jim Poolman, ND Insurance Commissioner: See written testimony #1. SB 2154 is almost like a do over, or a repeat. SB 2154 has to do with loss ratios that are set by state law, in relationship to the amount of dollars paid out in group for the individual health insurance benefits. You have passed out very similar legislation that you have heard in front of this committee before, and the bottom line of SB 2154 is that it reduces the loss ratios to 70% on group insurance, and 55% on individual policy holders. You have passed out one that is actually a little bit more aggressive than this particular bill, and that bill is HB 1222, which reduces it actually to 65% on group policy holders, and 55% on individual policy holders. The arguments don't change any, in the fact that we're trying to build a better health insurance environment for the people of ND. We're trying to create more choices for consumers across the state, and this bill I think is one of the options for you to be able to do that. Obviously, HB 1222 has gone over to the Senate side, and we hope that this bill will stay alive to be able to continue to debate on what should happen in ND health insurance marketplace.

Dan Ulmer, Blue Cross Blue Shield: Opposed to SB 2154. See written testimony #2.

Rep. Kasper: Do you agree, or disagree that when a health insurance policy is sold, it doesn't matter what the company name is, when it's sold there's a period of time called the lag from when the effective date is, such as in January 1 to when claims start being realized. That might be 2, 3, 4, 5 months down the road, and that's called a lag, and I know that you're aware of that. Do you agree that there is a lag when the new policy is sold?

Dan: Not in all policies.

Rep. Kasper: Percentage wise if you had 100% of policies sold in the January 1, the percentage of it that would have a lag where claims would not be incurred until sometime in the future, it could be not even that whole year, is that correct?

Dan: That's all calculated on the rate. What you're supposed to be able to do is put into the rate at which you perceive your loss ratios going to be for the whole year. So, if you're a new policy in town, you may have less of a loss ratio, but actuarially you're supposed to calculate that in your rate when you hand it in to the Insurance Commissioner.

Rep. Kasper: Let's say an insurance company sold a policy on January 1, then on December 31 on that policy there were no claims. What should the insurance company do?

Dan: The likelihood of that happening is pretty small. With one policy you're probably not going to stay in business very long, because you don't have enough groups to cover the cost when you do get hit.

Rep. Keiser: Let's say that a firm comes in and aggressively and selectively markets, and gets a relative 100 groups in, and they're militantly healthy, and so, they collect their premium, and what happens if they don't pay benefits?

Dan: What you're talking about is positive selection, so you can get a really good group, and you go a whole year, and you don't have any claims. In some states, they'll require you if you have a 75% loss ratio, that you'll have to meet that by spending down. They'll essentially fine

you, and in some states they have it go to the children's health insurance bond, or some other public fund saying that you need to come into compliance. I'm not sure what would happen in ND if you came in with less than 75% loss ratio.

Rep. Kasper: There could be a rate reduction the following year.

Dan: Possibly. More and likely the commissioner would probably come to them and say you're underneath the loss ratio standard, we need to work something out, and that's basically the part in the bill that says that those will be set by rule.

Rep. Kasper: So, if there were a rate reduction that would be beneficial to the consumer?

Dan: It certainly would be.

Rep. Dosch: In your testimony, you indicated that this bill is good for insurance companies, but it's not a good deal for insurance customers. By it being good for insurance companies, it's going to encourage other companies to come into the state, and competition we all know is good pretty much in any industry, and competition typically will result in the reduction of rates. So, if this bill encourages other companies to come here and creates additional competition, ultimately isn't it going to be better for the consumer?

Dan: I guess time will tell. I could see the boat leaving the bay.

Rep. Boe: Do you have any idea how long this has been set at 75%?

Dan: 1993 or 1995 session.

Rep. Clark: You testified that your loss ratio is 90%. Is the loss ratio for other companies in the marketplace public knowledge?

Dan: Yes, it should be available in the Insurance Department.

John Risch, United Transportation Union Railroad Workers across ND: Opposed to SB 2154. Clearly this allows insurance companies to retain more of the premium, and less being spent on healthcare dollars. The idea that somehow that would reduce rates in the long run is

less than believable, and not assuredly something that would take place. We think it would be better that if anything it be payments to healthcare to the increase as a percentage, rather than increase.

Hearing closed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2154

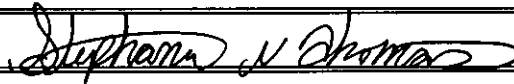
House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: February 26, 2007

Recorder Job Number: 3899

Committee Clerk Signature



Minutes:

Chair Keiser opened the hearing on SB 2154. As you recall we had HB 1222, which had a 55% group, and 55% individual loss ratio. SB 2154 had a 70% for group, and 55% for individual.

Rep. Kasper: I move to amend SB 2154 on line 10 cross off 70 and put 65.

Rep. Vigesaa: Second.

Rep. Kasper: This makes this bill identical to HB 1222, and so they pass it over there, we pass it over here, we have the same thing, and if it changes over there then we go to conference committee.

Rep. Thorpe: In remembering the testimony from Dan Ulmer, they work on 90%, and presently without changing this we're at 65, and now they want to change it to 55. I personally don't feel very comfortable with it, and I'll oppose the bill.

Rep. Zaiser: I'm not in support of reducing that. I don't think that the competition is going to be improved that much, and we're allowing insurance companies to provide less for healthcare, and I'm going to oppose the amendment, as well as the bill.

Roll call vote was taken, amendment adopted.

Rep. Kasper: I move a do pass, as amended.

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House Industry, Business and Labor Committee
Bill/Resolution No. SB 2154
Hearing Date: February 26, 2007

Rep. Clark: Second.

Roll call vote was taken. 10 Yeas, 4 Nays, 0 Absent, Carrier: Rep. Dosch

Hearing closed.

78251.0201
Title.0300

Adopted by the Industry, Business and Labor
Committee

February 26, 2007

**House Amendments to Engrossed SB 2154 (78251.0201) - Industry, Business and
Labor Committee 02/28/2007**

Page 1, line 10, replace "seventy" with "sixty-five"

Renumber accordingly

