

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

24/12

2007 SENATE FINANCE AND TAXATION

SB 2412

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2412**

Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 29, 2007

Recorder Job Number: # 2173

Committee Clerk Signature

Sharon Kenyon

Minutes:

Sen. Urlacher called the committee to order and opened the hearing SB 2412.

Sen. O'Connell appeared as prime sponsor with written testimony. (See attached)

Sen. Urlacher: Was that intended to cover a premium on insurance through private?

Sen. O'Connell: Yes, that's the idea, contract with somebody whether it would be the blues.

Sen. Urlacher: the State covers that premium on that? Right

Sen. Triplett: what is your rationale for choosing the oil trust fund vs. any other particular fund?

Sen. O'Connell: oil and gas trust fund has the most operating money available at this time and that's why it was picked.

Sen. Cook: do you know what the current income poverty line is? No

Sen. Cook: this only covers those that are uninsured right now? Right Are you aware of the F.N.? No

Maggie Anderson: Director of Medical Services for Dept. of Human Services appeared to provide information on the fiscal note with written testimony. (See attached)

Sen. Urlacher: this reflects a 12 month period then? Yes

Sen. Oehlke: the Healthy Steps is through regular insurance then? Yes

Sen. Cook: what's the current poverty line? On Attachment C

Sen. Cook: who would this bill benefit today?

Maggie: in isolation and if 2412 passed and all of the other bills died, this bill would cover the children who are between 140 and 300% of poverty. So that 5654 children potentially that could benefit them. The caring program for children which is operated by BCBS does cover children up to 170% of poverty.

Sen. Cook: the other programs out there leverage to a certain degree some matching funds from the Federal Govt. where this one would not? Is that not a correct statement?

Maggie: based on the way the bill is worded, it does not appear to be directing the dept. to expand eligibility to cover these children. There are some mechanisms if the bill were to be amended where we could access federal dollars for a portion of it, but the way it's drafted now it does not direct us to do so.

Sen. Urlacher requested a rough draft of the amendment.

Closed the hearing.

Sen. Triplett asked to table the bill until she gets some information on the 4 bills out there and does a comparison. (2326, 1047, 1463 & 2412)

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2412**

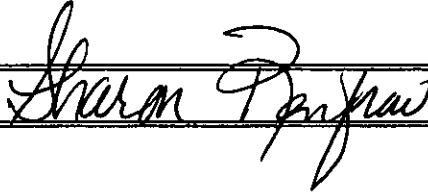
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 30, 2007

Recorder Job Number: # 2322

Committee Clerk Signature



Minutes:

Sen. Urlacher called the committee back to order for further discussion and possible amendments on SB 2412.

Sen. Urlacher: the question is whether on the state covering cost or premiums.

Sen. Triplett: this bill is not all that clear.

Sen. Cook: made a Motion to move the amendments seconded by Sen. Triplett.

Sen. Triplett: talking about the need to prevent a person from dropping private health insurance in order to take advantage of this program.

Sen. Oehlke: concerns with the employer saying we don't have to provide you with insurance for dependents.

Sen. Cook: I agree, I think that's the main intent of the amendments is to address that crowd out issue and the other issue that was raised is the premium and I wonder is she isn't clarifying that with these amendments also. I think we need a new F.N.

Sen. Tollefson: in reading the bill its direct reference to the oil tax trust fund which is limited to begin with that fund won't start until over 71 million dollars in a biennium to the State and then it will take 2/3 of the House and Senate to pass this bill the way I read it. They would be better off not having that reference.

Sen. Triplett: it says under section 2, 45% and the all the revenue deposited in the general fund during a biennium derived from taxes imposed by oil and gas which exceeds 71 million dollars must be transferred to the State Treasurer to a special fund. But isn't it the way it is now, the first 71 goes into the general fund and then right now over and above the 71 goes into the ___ trust fund, this doesn't even make sense relative to the state of the law, right? I will clarify with the sponsors.

Sen. Anderson: right now anything over 71 million can only be transferred by 2/3 vote and this bill tries to supersede that by 45% and what the committee is interpreting is that this can't do that.

Sen. Triplett: there is no money over and above 71 million that goes into the general fund. This is saying zero dollars is going into this new trust fund and then you have to have a new trust fund that will continue an appropriation of zero dollars.

Sen. Anderson: can we supersede that 2/3 that's on the books now of everything over 71 million?

Sen. Cook: the way its worded nothing is going to happen, we are not superseding anything because nothing can happen. We are not taking any action to take it out of the oil and gas trust fund, there's an assumption that it's already come out.

Sen. Tollefson: it's unclear.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2412**

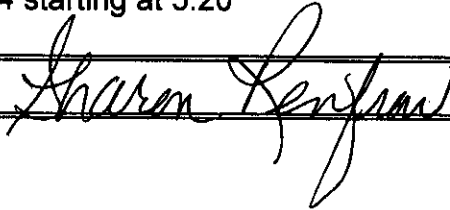
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 30, 2007

Recorder Job Number: # 2324 starting at 5.20

Committee Clerk Signature



Minutes:

Maggie Anderson: Medical Services Division, Dept. of Human Services appeared to give explanation of amendment and drafted it to essentially mirror the language that we currently use for a crowd out policy for the S children's health insurance program. When SCHIP enacted the federal government required states to have a crowd out policy.

Sen. Cook: you did not build the fiscal note? Does the bill make it clear #1 whether its premiums or not or does it need more clarification and if it's supposed to be premiums then we need a new fiscal note.

Answer: we do not believe the bill is clean on that or we would have built our fiscal note that way.

Sen. Cook: if it was our intent to improve health care available to children in the State of ND, would it be beneficial to try to fix this bill or should we try to improve on existing programs.

Answer: there are some options, but need clarity, the bill was really vague.

Sen. Oehlke: the Medicaid example of 133% 6 to 19 yr olds, that looks like a pretty good deal, why isn't it happening now?

Answer: we would need legislative action and the appropriate appropriations in the right categories.

Sen. Tollefson: in reading section 3, that is an adjustment the way I read it of the distribution of the permanent oil tax trust fund to 55% of all the deposited dollars. It's an amendment as to how the distribution would take place I think.

Sen. Horne: I think Sen. Tollefson is right. If its cleaned up it would say that anything over 71 million dollars which goes into the general fund, 45% of that would go into this Children's Health Insurance Trust Fund. The fiscal note isn't final, the original FN talked about driving the forecast for the special fund of 75 million transferred into the permanent oil. If we don't do anything with that oil and trust fund it would be 75 million dollars transferred into the full trust fund. If approved, 45% of that would go into the children's fund then. How much that program cost?

Answer: based on our assumptions we made when made the FN we believed we would need about 10 million of that for the first biennium but that's only operating for 12 months. The intention really is to expand the premium that we currently pay for SCHIP.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2412**

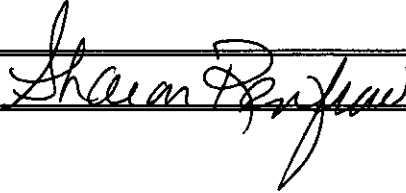
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 31, 2007

Recorder Job Number: #2478

Committee Clerk Signature



Minutes:

Sen. Urlacher called the committee back to order for action on SB 2412.

Sen. Horne: this bill is the bill that we decided that the wording is contrary to the intent of the bill

Sen. Triplett: it doesn't make sense to me and is unclear and I wonder if one or any of the other bills are passed out of committee.

Sen. Tollefson: made a Motion for **DO NOT PASS**, seconded by Sen. Oehlke.

Roll call vote: 7-0-0

Sen. Tollefson will carry the bill.

FISCAL NOTE
Requested by Legislative Council
01/26/2007

Bill/Resolution No.: SB 2412

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$717,250	\$10,316,175	\$0	\$20,015,746
Appropriations	\$0	\$0	\$717,250	\$0	\$0	\$0

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$229,080	\$0	\$0	\$425,216	\$0	\$0

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill would provide for health care insurance for children using forty-five percent of the excess revenue deposited in the general fund derived from taxes imposed on oil and gas which exceeds seventy-one million dollars during the biennium and provide a continuing appropriation.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The 2000 Census estimates that there are 60,791 children in North Dakota. The current Population Survey Annual Social & Economic Supplement estimates the ND uninsured rate for children at 9.3 percent. Based on this, we are estimating that 5,654 children being covered under this program.

The number of North Dakota resident pregnancies for 2005 was 9,347. Of those, 3,848 were eligible for Medicaid, which leaves 5,499 per year. Based on information from the current population survey, about 12% of individuals (all ages) are uninsured. Therefore, approximately 660 pregnant women per year may qualify for this coverage.

The fiscal impact was calculated based on the program being operational for the last 12 months of the 2007-09 biennium because it would take at least 12 months for planning and to do system changes to the eligibility system.

No federal match is used in the financial projections because the bill does not appear to propose expanding the eligibility limits for Medicaid or Healthy Steps but the program proposed in the bill would be coordinated with these existing programs.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Based on the November 2006 executive revenue forecast special fund revenue of approximately \$75,166,473 will be transferred from the Permanent Oil Trust Fund to the Children's Health Insurance Trust Fund for the 2007-2009 biennium.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

2007-09 biennium expenditures for the Department include an additional 3 FTEs. Grants expenditures are based on

12 months for the 2007-09 biennium and 24 months for the 2009-11 biennium.

The Department is unable to estimate what the projected increase in caseload may be at the county level and which counties would be impacted. So without knowing the staffing levels and caseload capacities at the counties the Department is estimating that an additional 4 FTEs would be needed at the county level. These FTEs costs were estimated based on 12 months in the 2007-09 biennium and 24 months in the 2009-11 biennium.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

An appropriation of \$717,250 in general funds would be needed for the 2007-09 biennium to cover up front costs until the special fund revenues are available. The special fund appropriation is provided for with the continuing appropriation language included in the bill.

Name:	Debra A. McDermott	Agency:	Dept of Human Services
Phone Number:	328-3695	Date Prepared:	01/29/2007

Date: 1-31-07

Roll Call Vote #: _____

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2412

Senate Finance & Tax Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Sen. Tollefson Seconded By Sen. Oehlke

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Anderson	✓	
Sen. Tollefson	✓		Sen. Horne	✓	
Sen. Cook	✓		Sen. Triplett	✓	
Sen. Oehlke	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Tollefson

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

REPORT OF STANDING COMMITTEE (410)
February 1, 2007 8:20 a.m.

Module No: SR-22-1729
Carrier: Tollefson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2412: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO NOT PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2412 was placed on the Eleventh order on the calendar.

2007 TESTIMONY

SB 2412

Senate Bill 2412 Summary

Senator David P. O'Connell

A bill that creates a health insurance program for children of low-income families and pregnant women.

The income eligibility limit for a child's family must be 300 percent of the income poverty line.

The income eligibility limit for a pregnant woman must be 200 percent of the income poverty line.

The program shall be funded by transferring 45% of all revenue deposited in the general fund derived from oil and gas, which exceeds \$71 million dollars, by the state treasurer into a special fund in the state treasury known as the "Children's Health Insurance Trust Fund"

The insurance must include:

- inpatient hospital, medical and surgical services
- outpatient hospital and medical services
- Psychiatric and substance abuse services
- Prescription medication
- Immunizations
- Preventative screening services
- Preventative dental and vision services
- Physical and speech therapy
- Home health care
- Laboratory work and testing
- Family planning services
- Prenatal care

Testimony
Senate Bill 2412 – Department of Human Services
Senate Finance and Taxation Committee
Senator Urlacher, Chairman
January 29, 2007

Chairman Urlacher, members of the Finance and Taxation Committee, I am Maggie Anderson, Director of Medical Services for the Department of Human Services. I appear before you to provide information on the fiscal note of this bill. Please note: the Department had to make several assumptions in the preparation of the fiscal note. If any of our assumptions are incorrect, the Department would be willing to modify the fiscal note, as necessary.

Section 1, Lines 6 and 7 of this bill direct the Department of Human Services to implement a health insurance program for children. Lines 7-9 (Section 1) indicate that the program should be coordinated with the existing Medicaid and State Children's Health Insurance Program (Healthy Steps). The assumption made was the program would be coordinated with existing programs, but would not expand existing programs. In other words, the bill does not appear to propose expanding the eligibility limits for Medicaid or Healthy Steps; therefore, **no federal match** was used in the financial projections.

Section 1, Lines 11-14 identify that the program must be available to all children, under 18 who reside in families with income up to 300% of poverty. Furthermore, Lines 14-16 identify that the program must be available to pregnant women in families with income up to 200% of the federal poverty level. The bill did not specify an age for pregnant women; therefore, the Department prepared an estimate, based on North

Dakota resident pregnancies, subtracting those already covered by Medicaid, and then applying an uninsured rate.

Item 3, Section 1 describes the services that must be included in the coverage. The Medicaid program has more services (see Attachment A) than those mandated by this bill; however, the Department would need clarification as to whether this is an all-inclusive list or minimums. This is important for two reasons: (1) the average cost per month, per child used for the fiscal note calculation is \$110.94, based on current Medicaid utilization for children (not counting children with an institutional living arrangement). This average cost per child per month would decline if the list in Item 3 is all-inclusive. (2) providing a package other than the Medicaid services, would require **significant** changes to the Departments' claims payment system, Medicaid Management Information System (MMIS). You may know, 2007 Senate Bill number 2024, would authorize the Department to move forward with the replacement of the current MMIS. If Senate Bill 2412 proposes to provide fee-for-service coverage for a package of services different from Medicaid, the Department would be unable to implement this change prior to the roll-out of the new MMIS, which is slated for July 2009. The assumption for preparation of the fiscal note was there would be minimal changes to MMIS. The computer system changes included in the fiscal note are an estimate of the cost of needed system changes to Vision, which is the eligibility system used by the Department for determining and managing recipient eligibility. The estimate is based on actual costs incurred by the Department when Healthy Steps was added to the Vision system (May 2004 through June 2005). Also, it is the actual work effort for this previous project that was used to calculate this program only being operational for 12-months of the biennium. At a **minimum**, it will take

12-months to design and test the necessary changes to the Vision system.

The proposed bill does not mention premiums, deductibles or other payments to be made by the individuals potentially covered under the proposed bill. Therefore, there were no offsets used in this bill for the collection of premiums, deductibles, etc.

Finally, a program of this magnitude would require additional staff to develop program guidelines and policies, to train eligibility workers, to oversee system changes, and to process applications submitted. It is estimated the Department would need three Full-Time Equivalents (FTE) for this purpose. One FTE would be responsible for managing the program and the other two FTE would process applications submitted directly to the State Office. The program manager would be needed immediately; however the eligibility staff positions could be hired at the time of program implementation. In addition, there would be an increase of expenditures at the county level, for processing applications submitted directly to the county offices.

The fiscal note was built based on the Department's understanding of Section 1 of the bill as detailed above, and is summarized in Attachment B. While the proposed bill calls for funding to come from the Permanent Oil Tax Trust Fund, the Department is estimating the funds will not be available for this program until some time in 2008; therefore, the first year of the salary for the program manager and the computer system changes are projected with general funds. Once the special funds become available, the general funds would be replaced.

One suggested amendment the Department would have for Senate Bill number 2412 is the addition of a policy on Crowd Out. According to the Agency for Health Care Research and Quality of the US Department of Health and Human Services, **Crowd Out** is:

A phenomenon whereby new public programs or expansions of existing public programs designed to extend coverage to the uninsured prompt some privately insured persons to drop their private coverage and take advantage of the expanded public subsidy.

Crowd-out also occurs when such programs act as an incentive for employers to contribute fewer dollars to employees' health insurance coverage, or altogether drop coverage in an effort to prompt employees to enroll their children in the new program.

Crowd-out is a concern of both State and Federal programs because it may create shifts in coverage from private to public insurance rather than decreasing the number of uninsured children, leading to:

- *Fewer improvements in access to care and health status than expected.*
- *Greater increases in public expenditures than expected.*
- *The program being less cost effective than expected.*

For your reference, I have attached an additional chart (Attachment C) which describes the income guidelines for the current Medicaid and SCHIP coverage, as well as a column for proposed 2007 Senate Bill 2326.

I would be happy to address any questions that you may have.

North Dakota Department of Human Services
Medical Services Division

MEDICAID MANDATORY AND OPTIONAL SERVICES

MANDATORY	OPTIONAL	OPTIONAL
Inpatient Hospital	Chiropractic Services	Mental Health Rehab / Stabilization
Outpatient Hospital	Podiatrist Services	Inpatient Hospital / Nursing Facility / ICF Services 65 and older in IMD
Laboratory X-ray	Optometrists / Eyeglasses	Intermediate Care Facility Services for MR
Nursing Facility Services for beneficiaries age 21 and older	Psychologists	Inpatient Psychiatric Services Under Age 21
EPSDT for under age 21	Nurse Anesthetist	Personal Care Services
Family Planning Services & Supplies	Private Duty Nursing	Targeted Case Management
Physician Services	Clinic Services	Primary Care Case Management
Nurse Mid-wife Services	Home Health Therapy	Hospice Care
Pregnancy Related Services and services for other conditions that might complicate pregnancy	Dental & Dentures	Non-Emergency Transportation Services
60 Days Post Partum Pregnancy-Related Services	Physical Therapy & Occupational Therapy	Nursing Facility Services Under Age 21
Home Health Services (Nursing), including Durable Medical Equipment and Supplies	Speech, Hearing, Language Therapy	Emergency Hospital Services in Non-Medicare Participating
Medical and Surgical Services of a Dentist	Prescribed Drugs	Prosthetic Devices
Emergency Medical Transportation	Diagnostic/Screening/Preventative Services	
Federal Qualified Health Center (FQHC) / Rural Health Center (RHC)		

Note: ALL Optional services are available to children under the age of 21, if medically necessary (Required through EPSDT)

Senate Bill 2412
Health Care Coverage to 300%
2007-2009 Expenditures

Grant Expenditures

Estimated Children	60,791	Estimated Pregnant	9347
Percent Uninsured	0.093	Medicaid Pregnancies	3648
Need to Cover	5,654	Non-Medicaid Pregnancies	5499
Average Cost/Month	\$110.94	Percent Uninsured	0.12
Months of Operation	12	Potential Number to Cover	660
Total Cost for Children	\$7,526,475	Average Cost/Month	\$239.73
		Months of Operation	12
		Total Cost for Preg Women	\$1,898,316

Administrative Expenditures

DHS - FTE Costs	\$236,384
Vision System Changes	\$655,000
Total Admin Expenditures	\$891,384

County Expenditures

County FTE Costs	\$229,080
------------------	-----------

Summary

Grants - Children	\$7,526,475
Grants - Pregnant Women	\$1,898,316
Admin Expenses	\$891,384
Total	\$10,316,175
Special Funds	\$9,598,925.00
General Funds	\$717,250.00

Estimate of Children is from 2000 Census, including Current Population Survey, Annual Social and Economic Supplement 2002
Estimate of Pregnant Women is from ND Resident Pregnancies, 2005
Uninsured Rate for Children is from ND State Data Center, Economic Brief, October 2006
Uninsured Rate for Pregnant Women is from ND State Data Center, Economic Brief, September 2001
Only 12 months are expected for 2007-09 as it will take a minimum of 12 months to make the appropriate computer system changes implement the changes

INCOME LEVELS EFFECTIVE JANUARY 1, 2007

Family Size	Family Coverage (1931)	Med. Needy	SSI (Effective 01/01/07)	Children Age 6 to 19 and QMB 100% of Poverty	SLMB 120% of Poverty	Pregnant Women Children to Age 6 133% of Poverty	Q1-1 135% of Poverty	Healthy Steps 140% of Poverty	Caring for Children 170% of Poverty	Transitional Medicaid 185% of Poverty	Women's Way 200% of Poverty	Workers with Disabilities 225% of Poverty	PROPOSED Buy-In for Children 300% of Poverty
1	\$311	\$ 500	\$623	\$ 817	\$ 980	\$1087	\$1103	\$1144	\$1389	\$ 1511	\$1634	\$1837	\$2451
2	417	516	934	1100	1320	1463	1485	1540	1870	2035	2200	2475	3300
3	523	666		1384	1660	1840	1868	1937	2353	2560	2767	3112	4152
4	629	800		1667	2000	2217	2250	2334	2834	3084	3334	3750	5001
5	735	908		1950	2340	2594	2633	2730	3315	3608	3900	4387	5850
6	841	1008		2234	2680	2971	3015	3127	3798	4132	4467	5025	6702
7	947	1083		2517	3020	3348	3398	3524	4279	4656	5034	5662	7551
8	1053	1141		2800	3360	3724	3780	3920	4760	5180	5600	6300	8400
9	1159	1200		3084	3700	4101	4163	4317	5243	5705	6167	6937	9252
10	1265	1250		3368	4040	4478	4546	4714	5726	6230	6734	7574	10104
+1*	107	57		284	340	377	383	397	483	525	567	637	852

Spousal Impoverishment Levels		
Community Spouse Minimum Asset Allowance (Effective 01/01/07)	Community Spouse Maximum Asset Allowance (Effective 01/01/06)	Income Level for each Additional Individual (Effective 04/01/06)
\$20,328	\$101,640	\$550
	\$2,267	

Average Cost of Nursing Care	
Average Monthly Cost of Care (Effective 01/01/07)	Average Daily Cost of Care (Effective 01/01/07)
\$ 4865	\$ 159.96

Note: LTC income level increased from \$40 to \$50 effective with the benefit month of 01/01/02

