

FISCAL NOTE
Requested by Legislative Council
01/05/2019

Bill/Resolution No.: SB 2132

- 1 A. **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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$(108,349,492)	\$(136,785,105)	\$(108,349,492)	\$(136,785,105)
Appropriations	\$0	\$0	\$(108,349,492)	\$(136,785,105)	\$(108,349,492)	\$(136,785,105)

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 2 A. **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 require state employees who elect a family contract to pay the difference between the single and family rate. The bill would also reduce the Health Savings Account contribution for family contracts in the High Deductible Health Plan to the difference between the single plans.

- 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.*

This change would cause the NDPERS health plan to lose grandfathered status. The impact of this change is estimated to be a 3% increase in premium to cover required benefits. There would also be an increase in premium to cover adverse selection which Sanford Health Plan estimates to be an additional 10.4%.

The state July 2019 existing health plan monthly premium for a non-grandfathered option would be \$780.86 Single and \$1,883.12 Family. This would result in a \$1,102.26 monthly employee premium for family coverage. The savings to the state would be the difference between the required state combined premium and the single rate for the 15,814 state contracts (state FTE + Legislators)for 24 months.

NDPERS could continue a grandfathered plan, so the political subdivisions would not see a change.

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.*

N/A

- 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.*

The state monthly contribution would be the adjusted single rate of \$780.86 instead of the combined premium before the change of \$1,426.74 for the existing health plan design.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

See 3B above.

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Date Prepared: 01/09/2019

2019 SENATE INDUSTRY, BUSINESS AND LABOR COMMITTEE

SB 2132

2019 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Roosevelt Park Room, State Capitol

SB 2132
1/16/2019
Job # 30890

- Subcommittee
 Conference Committee

Committee Clerk: Amy Crane

Explanation or reason for introduction of bill/resolution:

Relating to state contribution for the uniform group insurance program; to provide for an application; to provide an effective date; and to declare an emergency.

Att #1-2

Minutes:

Chairman Klein: Opened the hearing on SB 2132. All members were present.

Senator Larson, District 3: The history of the bill, I was gonna run it through last session but was under the impression from one of the senators on the benefits committee, that it should be run through the committee during the interim so I pulled it off last session and decided to let it go through the committee in the interim and we had a discussion about it. So now we will run it through the regular legislative cycle. I do insurance in one of my other hats. I go into many businesses throughout the state. And there's a whole merryid of how the business owners take care of their employees and retain their employees and offer benefits. Some employers will offer supplemental benefits. Some will offer entire health benefit packages and then leave it up to their employees to pick up the cancer option. It's a whole juggle of ideas, in an attempt to have an employee come work for their organization. In enrolling these groups, they are from like 3200 to as low as two. The majority of the groups that I deal with. The employer will pay for the employees' health insurance. Their core health coverage. That health coverage is offered by the three big players in North Dakota which are Sanford, Blue Cross Blue Shield, and Medica since ACA. Prior to ACA there was a plethora of coverage. There is a group I work with that the BlueCross Blue Shield parent company is based in Minnesota so even though their employees are here working in North Dakota, their policy and guidelines are based off the policy in Minnesota. So you pay a higher premium if your body mass index is not on the same chart size. Its problematic when you sit down with clients and ask personal questions. There are getting to be some interesting deals. They pay the entire policy of the employee and the dependents. Prior to the start of the legislature, I was enrolling at a place. And one of the employees was leaving and I said well where are you leaving because his supplemental policies cancer and accident would follow him. And he said I'm working for the state and I asked him why, this place pays good you'll never get paid off and its busy and he said well better benefits. I knew before, a couple of sessions back, that the state is directly now competing with private groups/entities. When I first got

into the legislation I was under the understand and I heard that we need to give rich benefits to keep employees. I as an insurance agent that deals with benefits, I don't think that's entirely accurate. And I wanted to show you what that is.

Chairman Klein: So the intent of the bill is for the employee to cover the difference between the single plan and the family plan?

Senator Larson: So instead of the \$1400 that the state pays for a family plan, the state now will in the real world, like every other business owner, the state will then pick up the employees cost and the employers will pick up the dependent's cost of that insurance like everybody else does. But if I put in my zip code and this is the platform. Its ndhealthcare.aca.com, you put in your birthdate. And I can show you what people are paying. So it shows you all of the plans available in North Dakota, that a person that needs insurance can get. It offers you 18 plans of insurance available. So the very lowest plan that a person has to pay is \$559.66 and it's a Blue Cross plan. And if you look at the deductible, they're \$6,700 first so if you break your leg you better hope that you break it hard enough that the bill is about an \$8,000 bill. As they get richer you can see the premium costs go up. If you're on the Medicaid expansion, and you're 138% of poverty the state of North Dakota buys that policy for you. And it is a Sanford silver plan. So this is a Blue silver plan, it's the most popular plan now that most agents sell. That's \$857.28 a month and it's still a \$5,000 deductible. So this is what tax payers are struggling with. So this silver simplicity plan, is what the state of North Dakota is paying per premium for all of those people on Medicaid expansion. So as they keep going up, if we can compare this plan to the North Dakota plan now that we all currently have, we can see how it starts ratcheting up. That's why I brought this forward. Because our tax payers, the people that are paying our taxes on our stuff here, they're having to pay this kind of thing and I don't think it's right. And when I'm hearing people that are leaving the private sector to come to the state agencies because they offer better benefits, we shouldn't be, I just think it's an offset. It doesn't make sense. There is something that is coming out that is different. It's called a Medishare on medishare.com. And it's not insurance it just pays the doctor bill. So you've seen the cost of those. You can see that the price is quite a bit different there. So instead of the \$7,000 or whatever, your portion is \$1,750. But I just wanted to show you that quickly. That's what tax payers are looking at. Horrible, horrible premium prices that are being passed on to them and I think we need to level the playing field.

Chairman Klein: I've had the opportunity to sit on the state employee compensation commission which I'm not exactly sure what we do, because there are a lot of other groups who are at work working to develop and understand what we're doing for our employees and their benefits and you mention a rich benefit package, and people leaving the private sector to go to work for the state but I think we could also hear we've lost a lot of people working for the state to go to the private sector. So yes there's a competition issue out there but I think in the negotiations, this whole employee benefits group works year round in the interim to look around and make sure the employees know where they're going and the benefits that they're getting and whether it's their retirement fund or their healthcare issue. And yes some would argue that we have a very good healthcare program, but some would also argue that's the reason some employees have stayed. Which yes the private security generally doesn't offer. I'm only precluding this because the questions and the concerns will be, the employee benefits committee may have brought this up and may have been in opposition to it and in

end, that's usually the recommendation we hear here. That was more of a comment than anything because the concern is we have kind of made a commitment we've made a contract, a lot of employees know where they are and we don't want to mess that up

Senator Piepkorn: You mentioned you were going to bring it up last session but you didn't in lieu of the discussion during the interim. What came out of your interim discussions?

Senator Larson: Kind of the same thing. There isn't a lot of movement for it. I think there's a lot of, you know having the group plan, I can think of a lot of people that work for the state that have the state plan that their spouses work for a separate entity and if they could meld their plans it would help everyone. My wife and her plan, if we both have single plans offered, it would help company and it would help my company. But when you just have the one lump \$1400 group insurance thing, you're kind of stuck. Its problematic.

Chairman Klein: And because of the grandfather status that we currently enjoy, that has also allowed that family plan to be more reasonable then it would be if we lose our status and wind up in a different sort of bracket. We have people who are smarter on that than I am.

Senator Larson: What I'm finding too, in the industry these grandfathered plans are slowly starting to go away because people cannot continue to keep the premiums because they keep ratcheting up. And then the benefits are not as rich as the benefits of the ACA thing, so some of these grandfather plans that I've worked with, sure the premiums are a little bit lower but they don't offer mental health or something like that in their plan. I foresee changes coming anyway.

Chairman Klein: And this provides quite a savings?

Senator Larson: There is great savings. We could do funding over in human services that would be awesome.

(15:45)Tracey Potter, former state senator, citizen of Mandan: testifying in opposition to the bill. The situation that you are in today with state employees is perhaps different than the situation that you would be in if you were designing the program from scratch and offering benefits to people. But today you offer full family healthcare to the state employees. Which has benefited my family greatly because my lovely state employee behind m. if you were to take this benefit away from state employees today, it would hit some state employees very hard. \$7,000-8,000 a year, coming out of their wages. If the intention is to lower the wages of state employees, to lower their compensation, it is better for the state and the employees to simple lower their wages because you are offering a tax free benefit today. And the state doesn't have to pay its share, and the employees don't have to pay their taxes because this is a tax free benefit. In order to make them whole, you would not have to give them \$7,000-8,000, you would have to give them increases in addition on the taxes. That why, when you're in this situation, you stick with the benefits you have. I don't mean to plan on any heart strings, and say that it was very good for me, because what senator Larson was talking about, is while if you'd had a spouse that could have insurance elsewhere, they could maybe in the mix would be better. Well in my case it was simply because we offered health insurance for our employees, but I already had health insurance because of my spouse. I was in a cafeteria

plan, which is why I am now a retired citizen because that money went into my retirement account instead. Its valuable to me. It's just bad business.

(20:25)Tom Gerhardt testifying on behalf of Nick Archuleta in North Dakota United:
See attachment #1 for testimony in support of the bill.

Chairman Klein: I think Tom what we've seen in the past and even last session. The legislature understood the value, at least of the healthcare thing. You know at one point or another, staying within the grandfather state but yet asking for some dollars. I know theres proposals out there but I think at this point, it's really not, we've kinda heard this. We've worked on this and at this point, I don't think we're quite at this level yet.

Gary Fiest, citizen: testified in opposition of the bill. For many years I served on the state employee compensation commission and studied state employee compensation, which is not only your salary but your benefits as well. As Chairman Klein mentioned, we discussed this many times about how important it was for the state to provide a competitive compensation package which included the health insurance. We know through the Hay studies we show that state employee compensation lagged the market, depending on which employer you compared the state to. If compared to a large employer North Dakota compensation is not above the market, including all compensation, including the health insurance which we receive. I think if you've read this bill, you should see what happens when you try to move to a single plan, if there's a huge increase. Losing the grandfather status at 3% and also the 10.4% that happens for adverse selection. So anytime the state is going to change plans, its going to cause a significant increase in the health insurance. \$1100 a month, the employees that I work with in the tax department, would say it would cause the fastest exodus from this place, if they had to lose \$1100 a month in compensation. I want to committee to consider how difficult it is currently for agencies to be able to attract and retain their quality employees. So I urge that you do not pass this and consider that in a total compensation to be able to recruit and retain staff we need an adequate health insurance policy.

Senator Piepkorn: What's the Hay study?

Gary: It was a study that OMB commissioned to study total compensation and salary and benefits to see where we were at within the markets within North Dakota and also within the region.

Chairman Klein: Late 2009?

Gary: A couple years, give or take.

Senator Roers: Do you have an idea how many openings there are here in the state departments?

Gary: Well we just did all the budget cuts, I mean there's probably, in the hundreds like 400, my agency alone currently has like 20 positions open. And there would be many more if people all of a sudden had to pay \$1100 a month. Especially people who are only making

\$2400, and they're gonna pay \$1100 for insurance plus taxes? There's no way to retain those people.

Senator Roers: So you are finding it difficult to fill positions? From an industry point of view, we all know that when you have positions that aren't filled, the only course of action is pay more or you just don't fill those positions. Whether it comes in the form of health benefits or a big salary, it really doesn't matter because the market is going to satisfy itself eventually.

Gary: From my experience with my own department, is that if you have a job that requires a degree, maybe specialized degree such as mine. I mean doing auditing fortune 500 corporations, we can post a job and not get one single applicant. We can post again and get one applicant. So that just tells you that either no one wants to do the work that we're doing or we're not paying enough. Not sure which one it is.

Chairman Klein: And you're in the tax department and you've been there a long time?

Gary: Yes, I've been there 27 years.

(28:55)Scott Miller, Executive Director North Dakota Public Employees Retirement System: See attachment #2 for neutral testimony on the bill.

Chairman Klein: Its fairly clear, you have clean information we would understand the cost to the employee. Concerns with losing the grandfather status, the adverse selection issues. There are quite a variety of things here.

Chairman Klein: Closed the hearing on 2132.

Vice Chairman Vedaa: My feelings on this are I can't imagine asking the state employees to pay that portion without some sort of raise on the other end. Like Mr. Potter said, I know how that works. Now you're giving them a raise but you're taking taxes out of that money. I would just as soon **move Do Not Pass**.

Senator Roers: Seconded.

Chairman Klein: Once again, the discussion needs to be had, over time and not at the beginning of a session and then try to establish something which still would go against the rules that we'd generally apply. We want to have everybody know that if this discussion was going to be held it should've been held last summer or whenever so people can plan for some of these things and we can see what the balance is going to be.

Senator Roers: I just want to say that we're all competing for workers and it's a benefit that's not different from when people buy cars or homes or allowances, so I don't see it being that big of an issue that needs to upset the apple cart number one. Number two it comes at a very cost effective manner, free tax dollars and the ability to buy or shop in the large quantity like this. It just seems like it's a benefit you'd want to provide. And we do provide it for our employees. So I don't see this as being a smart move.

Senator Burckhard: I think in the private sector world there are fewer prospective employees applying than there used to be. I think this is for the employee benefits committee to figure out and not something we should pass. So that's a no thank you.

A Roll Call Vote Was Taken: 6, 0, 0.

Motion carried.

Senator Piepkorn will carry the bill.

REPORT OF STANDING COMMITTEE

SB 2132: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **DO NOT PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2132 was placed on the Eleventh order on the calendar.

2019 TESTIMONY

SB 2132



Great Public Schools

Great Public Service

Testimony Before the Senate IBL Committee
SB 2132
January 16, 2019

Good Morning Chairman Klein and members of the Committee. For the record, my name is Nick Archuleta and I am the president of North Dakota United. We represent 11,500 members in public service across the state. On their behalf, I rise today to urge a DO NOT PASS recommendation for SB 2132.

Mr. Chairman, state employees and other public employees work diligently day in and day out to provide the vital public services that North Dakotans need, expect and deserve. They work across the state and on our college and university campuses. And for the last two years, they have worked without an increase in their salaries. This has created difficult times in the households of a great many public employees. They have had to stretch every dollar to sustain their families even though the costs of things like food, medicine, and healthcare – unlike their salaries – have continued to increase.

If SB 2132 is passed into law, it would only serve to exacerbate the hardships which North Dakota's dedicated and reliable state employees have had to endure these past two years. As mentioned in the fiscal note for SB 2132, the out of pocket cost to insure one's family per month would be \$1,102.26. In addition, the change, "... would cause NDPERS health plan to lose grandfathered status. The impact of this change is estimated to be a 3% increase in premiums to cover required benefits. There would also be an increase in premium to cover adverse selection which Sanford Health Plan estimates to be an additional 10.4%."

Chairman Klein and members of the Committee, we know that salaries for state employees have historically lagged those in the private sector by between 3.5% (small to medium employers) and 11.5% (large employers). In addition, many state agencies have, in recent years, reduced their budgets by reducing their workforce and leaving vacant positions unfilled. The results have been that there are fewer state employees doing more work with

less help. It is no wonder, then, that state employees are feeling more frustrated now than at any time in recent memory.

The one area that state employees could count on to be competitive with the private sector was in the area of benefits. SB 2132 serves to diminish an important benefit for state employees. Benefits serve as important tools to recruit and retain highly competent and hardworking public employees. Any legislation that diminishes benefits for current or future public employees also diminishes the likelihood that the best and the brightest will choose public service as a career. For that reason, Mr. Chairman and members of the Committee, I urge you to return a DO NOT PASS recommendation for SB 2132.

Thank you, chairman Klein and members of the Committee for the opportunity to testify on behalf of North Dakota's outstanding public employees. I would be happy to respond to any questions you may have.

TESTIMONY OF SCOTT MILLER

Senate Bill 2132 – State Health Insurance Premium Payment Requirements

Good afternoon, my name is Scott Miller. I am the Executive Director of the North Dakota Public Employees Retirement System, or NDPERS. Because the changes created by this Bill are policy choices of the state as the plan sponsor, I appear before you today in a neutral position regarding Senate Bill 2132.

Senate Bill 2132 does the following:

- Removes the requirement that state agencies pay the premium for family health insurance coverage
- Requires state agencies to pay the premium for single health insurance coverage
- Requires employees who choose a family health insurance plan to pay the difference between the single and family premiums
- Reduces the amount deposited into a health savings account for a family high deductible health plan contract to the difference between the single plans

During the Employee Benefits Programs Committee consideration of this bill this past interim, which resulted in an unfavorable recommendation on this bill, our actuarial consultant noted the following:

- The composite rate for the state would be replaced with single/family rates
- There would be a significant shift of premium dollars from the state to employees
- There would be an unknown financial impact because they could not estimate how many current family contracts might opt for single coverage
- Adverse risk selection is probable
- This bill would cause the loss of ACA Grandfathered status, which will increase premiums approximately 3%
- They also proposed an implementation date of January 1, 2020, in order for employees to change plan options or pre-tax these premiums during our open enrollment period.

We have recently consulted with the Sanford Health Plan regarding what this bill might do to our health insurance rates going forward. They stated that this change in contribution strategy by the State would have a substantial impact on family member participation in the plan. Because of the probable adverse risk selection that would take place as a result of this bill, they project our insurance rates would rise an additional 10.4%. That is in addition to the 3% increase that would result from the plan losing its ACA grandfathered status. Based on these premium estimates for the current plan design, state employees who choose a family plan would pay \$1,102.26 per month in premium.