

August 1997

PUBLIC EMPLOYEE HEALTH INSURANCE BENEFITS STUDY - BACKGROUND MEMORANDUM

Section 19 of House Bill No. 1015 directs the Legislative Council to consider studying public employee health insurance benefits during the 1997-98 interim. This section was prioritized by the Legislative Council and assigned to the Employee Benefits Programs Committee for study. Section 19 provides that the study must include a comparison of the cost of participating in exclusive provider organizations and preferred provider organizations as compared to participating in the standard indemnity plan; the extent to which members of the uniform group insurance program are now participating in exclusive provider organizations and preferred provider organizations; the number of public employees who are unable to participate in a preferred provider organization or exclusive provider organization because of geographical considerations; an analysis of any cost savings if all participants exercise the exclusive provider organization or preferred provider organization options; and methods by which the Public Employees Retirement System Board could encourage members of the Public Employees Retirement System uniform group insurance program to participate in exclusive provider organizations and preferred provider organizations. The study must include an analysis of general fund savings that may be realized if an additional copayment is required of all members not participating in an exclusive provider organization or preferred provider organization and an analysis of general fund savings that may be realized if members of the uniform group insurance program were permitted to participate in health maintenance organizations where such organizations are available.

UNIFORM GROUP INSURANCE PROGRAM

Health insurance benefits are offered to public employees under the provisions of a uniform group insurance program established by the 1971 Legislative Assembly and codified as North Dakota Century Code (NDCC) Chapter 54-52.1. Previously, the Legislative Assembly had passed 1963 Senate Bill No. 176 (formerly codified as Chapter 52-12) which authorized any department, board, or agency of the state to act on its own behalf or in conjunction with other agencies to enter into a group hospitalization and medical care plan and group life insurance plan for state employees. The agencies were required to pay \$5 per month for each participating employee's

insurance premiums and employees were required to pay the balance of the insurance premiums. An employee could elect to participate in a single plan or a family plan. The 1971 legislation establishing the uniform group insurance program repealed Chapter 52-12.

North Dakota Century Code Section 54-52.1-02 provides that the purpose of the uniform group insurance program is to promote the economy and efficiency of employment in the state's service, reduce personnel turnover, and offer an incentive to high-grade men and women to enter and remain in the service of state employment. This section provides hospital benefits coverage, medical benefits coverage, and life insurance benefits coverage to a uniform group of eligible and retired employees. Eligible employees include permanent employees who are employed by a governmental unit, including members of the Legislative Assembly; judges of the Supreme Court; paid members of state or political subdivision boards, commissions, or associations; full-time employees of political subdivisions; elected state officers; and disabled permanent employees who are receiving compensation from the North Dakota workers' compensation fund. A permanent employee is one whose services are not limited in duration, who is filling an approved and regularly funded position in a governmental unit, and who is employed at least 17.5 hours per week and at least five months each year.

North Dakota Century Code Section 54-52.1-04 requires the Public Employees Retirement Board to receive bids for the provision of hospital benefits coverage, medical benefits coverage, and life insurance benefits coverage for a specified term, and to accept the bid of and contract with the carrier that in the judgment of the board best serves the interests of the state and its eligible employees. This section allows the board to utilize the services of consultants on a contract basis in order that the bids received can be uniformly compared and properly evaluated. In determining which bid, if any, will best serve the interests of eligible employees in the state, the board must give adequate consideration to the economy to be effected; the ease of administration; the adequacy of the coverages; the financial position of the carrier, with special emphasis as to its solvency; and the reputation of the carrier and any other information as is available tending to show past experience with the

carrier in matters of claim settlement, underwriting, and services. Each uniform group insurance contract entered into by the board is required by Section 54-52.1-05 to include as many optional coverages as deemed feasible and advantageous by the board, a detailed statement of benefits offered, including maximum limitations and exclusions, and other provisions the board deems necessary or desirable.

North Dakota Century Code Section 54-52.1-03 provides that a retiree who has accepted a retirement allowance from the Public Employees Retirement System, the Highway Patrolmen's retirement system, the Teachers' Insurance and Annuity Association of American-College Retirement Equities Fund (TIAA-CREF) for service credit earned while employed by North Dakota institutions of higher education, the retirement system established by Job Service North Dakota under Section 52-11-01, the judges' retirement system established under Chapter 27-17, or the Teachers' Fund for Retirement may elect to participate in the uniform group without meeting minimum requirements at age 65, when the member's spouse reaches 65, upon receipt of a benefit, or when the spouse terminates employment. If a retiree or surviving spouse does not elect to participate at the times specified in this section, the retiree or surviving spouse must meet minimum requirements as established by the board. The retiree or surviving spouse must pay directly to the board the premiums in effect for the coverage then being provided.

Except for employees receiving retirement benefits, upon termination of employment an employee may not continue as a member of the uniform group. However, members or former members of the Legislative Assembly or that person's surviving spouse may elect to continue membership in the uniform group after either termination of eligible employment as a member of the Legislative Assembly or termination of other eligible employment or, for a surviving spouse, upon the death of the member or former member of the Legislative Assembly. The member or former member of the Legislative Assembly or that person's surviving spouse must pay the premium in effect for the coverage provided directly to the retirement board.

North Dakota Century Code Section 54-52.1-06 requires each department, board, or agency to pay to the board each month from its funds appropriated for payroll and salary amounts a state contribution in the amount as determined by the primary carrier of the group contract for the full single rate monthly premium for each of its eligible employees enrolled in the uniform group insurance program and the full rate monthly premium in an amount equal to that contributed under the alternate family contract, including major medical coverage, for hospital and

medical benefits coverage for spouses and dependent children of its eligible employees enrolled in the uniform group insurance program. The board is then required to pay the necessary and proper premium amount for the uniform group insurance program to the carrier or carriers on a monthly basis. The combined health insurance premium for the 1997-99 biennium is \$301. A history of health insurance premiums per biennium for the 1963-65 through 1995-97 bienniums is attached as Appendix "A".

North Dakota Century Code Sections 54-52.1-03.1 and 54-52.1-03.4 govern the participation by political subdivisions, employees of certain political subdivisions, and temporary employees in the uniform group insurance program. Section 54-52.1-03.1 provides that a political subdivision may extend the benefits of the uniform group insurance program to its permanent employees, subject to minimum requirements established by the retirement board and a minimum period of participation of 16 months. If the political subdivision withdraws from participation in the uniform group insurance program before completing 16 months of participation, the political subdivision must make a payment to the board in an amount equal to any expenses incurred in the uniform group insurance program that exceed income received on behalf of the political subdivision's employees as determined under rules adopted by the board. This section also provides that the political subdivision may determine the amount of the employer's monthly contribution toward the total monthly premium amount required of each eligible participating employee.

North Dakota Century Code Section 54-52.1-03.4 provides that an employee of a county, city, school district, district health unit, or park district that is not participating in the uniform group insurance program pursuant to Section 54-52.1-03.1 and who is not eligible for any other employee group health plan may elect to participate in the uniform group insurance program by completing the necessary enrollment forms and qualifying under the medical underwriting requirements established by the retirement board. The board may use risk adjusted premiums for individual insurance contracts to implement the provisions of this section. The employee participating in the uniform group insurance program under this section is required to pay monthly to the retirement board the premiums in effect for the coverage being provided.

Also, temporary employees may elect to participate in the uniform group insurance program by completing the necessary enrollment forms and qualifying under medical underwriting requirements of the program. Temporary employees utilizing this provision are required to pay monthly to the board the

premiums in effect for the coverage being provided. This section prohibits political subdivisions, departments, boards, or agencies from making a contribution for coverage under this section.

North Dakota Century Code Section 54-52.1-04.3 requires the retirement board to establish under a self-insurance plan a contingency reserve fund to provide for adverse fluctuations in future charges, claims, costs, or expenses of the uniform group insurance program. Under this provision, the board is required to determine the amount necessary to provide a balance in the contingency reserve fund equal to three and one-half months of claims paid based on the average monthly claims paid during the 12-month period immediately preceding March 1 of each year. The board is authorized to arrange for the services of an actuarial consultant to assist the board in making this determination. All moneys in the contingency reserve fund are appropriated for the payment of claims and other costs of the uniform group insurance program during periods of adverse claims or cost fluctuations.

Under NDCC Sections 54-52.1-04.7, 54-52.1-04.8, and 54-52.1-04.9, the retirement board is authorized to establish a dental plan, a vision plan, a long-term care plan, and an employee assistance program and after June 30, 1999, is required to establish an employee assistance program available to persons in the medical and hospital benefits coverage group.

All funds necessary to pay the consulting fees and health insurance benefits related to the uniform group insurance program are appropriated from insurance premiums received by the board pursuant to NDCC Section 54-52.1-06.1. A summary of the plan features for the uniform group insurance program is attached as Appendix "B".

Retiree Health Insurance Program

The 1989 Legislative Assembly established a retiree health benefits fund account with the Bank of

North Dakota for the purposes of prefunding hospital benefits coverage and medical benefits coverage under the uniform group insurance program for retiree members of the Public Employees Retirement System and the Highway Patrolmen's retirement system receiving retirement benefits or surviving spouses of those retired members who are eligible to receive, or were receiving, retirement benefits. The retiree health benefits program is codified as NDCC Sections 54-52.1-03.2 and 54-52.1-03.3. In order to fund this system, the employer contribution under the Public Employees Retirement System was reduced from 5.12 percent to 4.12 percent and under the Highway Patrolmen's retirement system from 17.70 percent to 16.70 percent or one percent of the monthly salary or wages of participating members, including participating Supreme Court and district court judges, and those moneys are redirected to the retiree health benefits fund. The current allowable monthly credit toward hospital and medical benefits coverage is \$4.50 multiplied by the members' or deceased members' number of years of credited service.

STUDY APPROACH

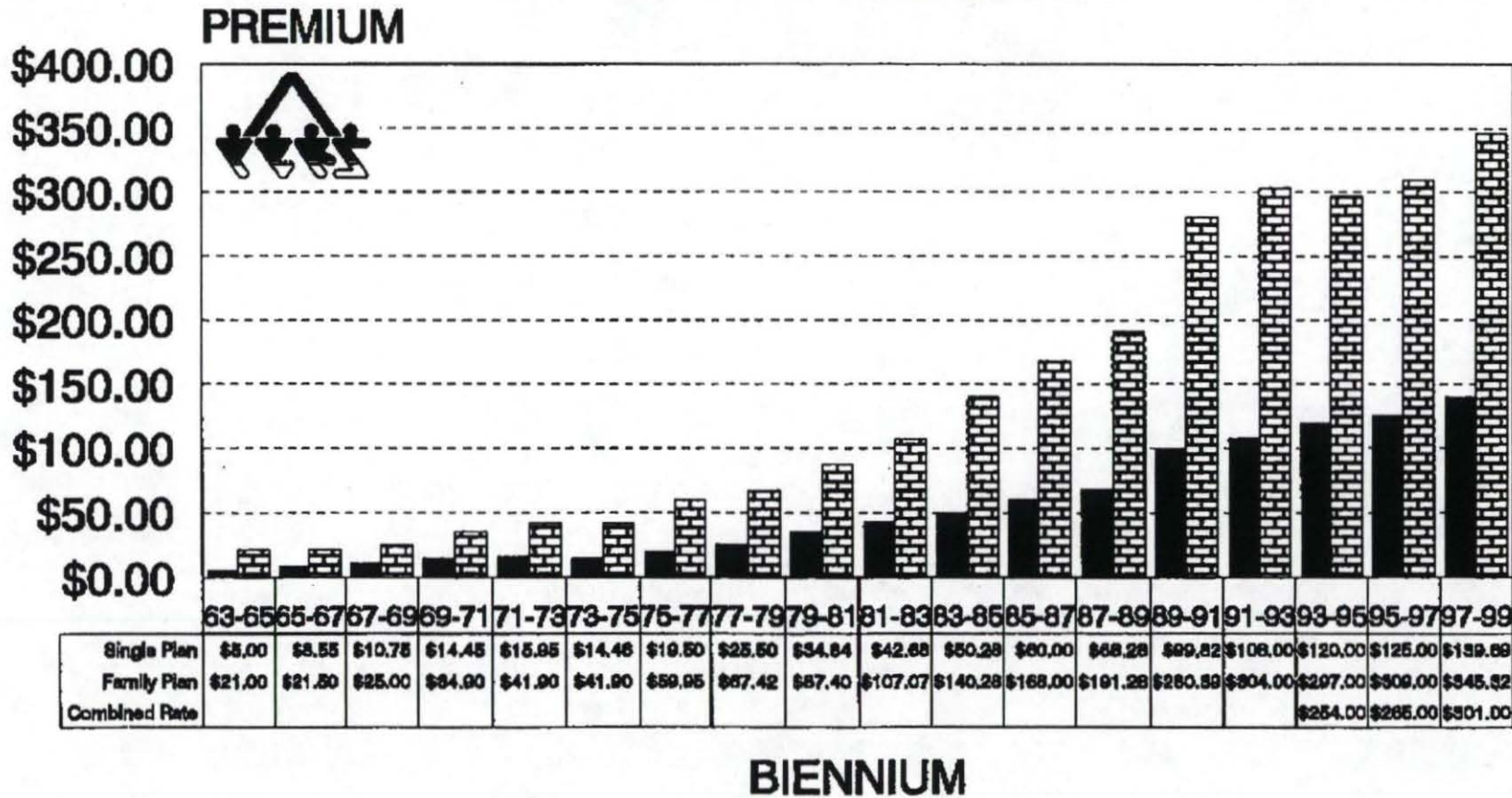
In carrying out its study of public employee health insurance benefits and addressing the items specifically mentioned in Section 19 of 1997 House Bill No. 1015, interested entities would include the Public Employees Retirement System Board, state employee representatives, retired state employees, insurers such as Blue Cross Blue Shield, health maintenance organizations, and others. The committee may also wish to utilize the expertise of the staff of the Public Employees Retirement System Board as well as its health insurance consultant.

ATTACH:2

NDPERS

Billed Health Insurance Premium

■ Single Plan ▨ Family Plan



DAKOTA PLAN

PLAN FEATURES	BASIC	PPO	EPO
Deductible for Non-Physician Services - Per Person - Per Family * Services billed by a physician or psychiatrist.	\$150 \$450	\$150 \$450	\$100 \$300
Copayment for Physician Office Visits	\$20	\$10	\$5
Copayment for Diagnostic X-ray / Lab Services - Per Service Annual Copayment Maximum - Individual - Family	\$20 \$200 \$400	\$10 \$100 \$200	\$5 \$50 \$100
Co-Insurance per Service after Copayment	80/20	90/10	90/10
Co-Insurance on all covered services EXCEPT Physician Office Visits	20%	10%	10%
Co-Insurance Maximum - Individual - Family	\$1000 \$2000	\$500 \$1000	\$500 \$1000
Prescription Formulary Generic Drug - Copayment - Co-Insurance	\$3 10%	Prescription Drug Program is not a part of PPO or EPO.	
Prescription Formulary Brand-Name Drug* - Copayment Co-Insurance	\$7 20%		
Prescription Non-Formulary Drug* - Copayment - Co-Insurance * Members will pay the difference between the generic and the brand-name price, if a brand-name drug is purchased and a generic is available.	\$10 20%		