

# NDPERS BOARD MEETING

## Agenda

**Bismarck Location:**  
ND Association of Counties  
1661 Capitol Way  
**Fargo Location:**  
BCBS, 4510 13<sup>th</sup> Ave SW

**April 19, 2007**

**Time: 8:30 AM**

### **I. MINUTES**

- A. March 28, 2007

### **II. GROUP INSURANCE**

- A. Medical Management Update – BCBS (Information)
- B. Plan Design Update –Aaron Webb (Information)
- C. Health Rates – Kathy (Board Action)
- D. Employee Assistance Program Update – Bryan (Information)
- E. Member Issue – Sparb/BCBS (Information)

### **III. RETIREMENT**

- A. Fidelity Recordkeeping Agreement Amendment – Kathy (Board Action)
- B. Defined Contribution Plan Enrollment Update – Kathy (Information)

### **IV. LASR – Deb (Board Action)**

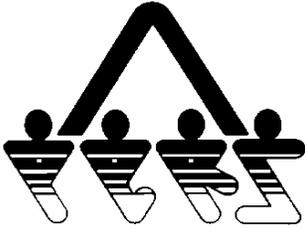
- A. Update
- B. Vendor Proposals

### **V. MISCELLANEOUS**

- A. PERS Personnel Policy Update – Kathy (Board Action)
- B. Quarterly Consultant Fees – Jim (Information)
- C. SIB Agenda – (Information)

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Any individual requiring an auxiliary aid or service must contact the NDPERS ADA Coordinator at 328-3900, at least 5 business days before the scheduled meeting.



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# Memorandum

**TO:** PERS Board

**FROM:** Sparb

**DATE:** April 11, 2007

**SUBJECT:** Medical Management Update

Representatives from BCBS will be available at the Board meeting to present the Medical Management Update (refer to attachments).

Attachments

*Division of Medical  
Management*

*Jon Rice, MD  
Senior VP of Medical  
Management*

*Shamayne Gerlach  
Health Care Data Analyst*

*Kristi Kipp  
Team Leader Case  
Management*

*Jodi Carlisle  
Director of Health  
Informatics*

*January 2007  
Last Updated: 03.27.07*

Medical Management strives to improve a member's quality of life and maintain cost-effectiveness on a case-by-case basis. It is a collaborative process that evaluates the options and service resources available to meet an individual's healthcare needs. Care coordination requires research of the member's medical history, assessment of the member's condition, and educating the member concerning medical options. This is accomplished through several activities: Case Management, Utilization Management, Disease Management, Reporting and Pharmacy initiatives.

Medical Management services for all NDPERS Non-Retiree members (employees, spouse, or dependants) were examined for the calendar years of 2004, 2005, and 2006. The members for this analysis were obtained from the Blue Cross Blue Shield's claims database system, Managed Benefits reporting system, Case Management System and Correspondence Control System.

The five general categories of activities within Medical Management are:

- I. Case Management (p. 2)
- II. Utilization Management (p. 3-4)
- III. Disease Management (p. 5)
- IV. Reporting (p. 6)
- V. Pharmacy Management Initiatives (p. 7-8)

Further discussion of these categories and activities are discussed herein.

## 1. Case Management

Blue Cross Blue Shield of North Dakota (BCBSND) recognizes the high cost of admissions and the emotional impact of long term, serious, or catastrophic illnesses. We want to provide options of effective and feasible alternatives to our members. We realize that when an individual reaches the optimum level of wellness and functional capability, everyone benefits: the members being served, their support systems, the healthcare delivery systems and various reimbursement sources. To accomplish this, the BCBSND Case Management Team, along with Health Dialog, provides services to assist NDPERS Non-Retiree members.

**BCBSND Case Management Team:** The Case Management team, consisting of Registered Nurses, conducts assessments of a member's needs through on-site visits, telephone interviews and analysis of reports to determine if a member could benefit from case management intervention. The types of services provided varies, depending on each individual members' need and situation. For example, the Case Management team may provide assistance with discharge planning from an acute setting, provide a member with educational material regarding an illness, discuss alternatives to current treatment plans with physicians, or provide benefits for a service that might not normally be offered by their regular benefit plan. All options for potential intervention are explored in collaboration with the member/family, all providers, community resources, and BCBSND team members as a means of improving the member's health status while potentially reducing costs as well. Case Management services are voluntary to all members. Therefore, consent is required from the member or authorized representative at the start of Case Management intervention.

In 2004, there were 214 NDPERS Non-Retiree members referred to Case Management that received 243 services (see Table 3, p. 9). In 2005 there were 322 members that received 372 services and 305 members that received 375 services in 2006. Calculating the difference between the anticipated expenditures if case management services had not been provided (the original course of action) and the actual expenditures incurred as a result of case management intervention, the program's estimated cost savings for 2004 was \$526,846 for NDPERS Non-Retirees members. In 2005, this total cost savings estimate decreased to \$482,510.10 and decreased again in 2006, with \$424,366.60 in estimated savings. Cost savings for case management generally varies due to the differing severity of cases managed.

**Health Dialog:** How does Case Management work with Health Dialog? Case Managers make referrals via fax to Health Dialog for Health Coaching which can include explanations of treatment options, weighing the risks and benefits of certain procedures, assisting in identifying questions for a member's physician and overall health questions. Referrals to Health Dialog are made for members with key chronic conditions such as asthma, COPD, CHF and back pain that have had an inpatient hospital admission and discharge. Health Dialog also makes referrals to the Case Management department for catastrophic or complex case management, care coordination, alternate care preauthorizations, discharge planning and the Prenatal Plus Program. Since the initiation of the Health Dialog program through December 2006, Case Management has referred approximately 349 NDPERS Non-Retiree members for diagnosis of specific conditions and hospital discharges.

## II. Utilization Management

Utilization Management processes are designed to evaluate the medical necessity and appropriateness of services before treatment is initiated. Five of these activities are discussed below.

**Pre-authorizations:** Pre-authorization is established to evaluate the medical necessity and appropriateness of admissions before treatment is initiated. Medical staff complete the reviews in accordance with established clinical criteria. The services that require preauthorization and the number reviewed for NDPERS Non-Retiree members are listed in Table 1 (below). This table presents the distributions of pre-authorizations for the calendar years of 2004 through 2006. The primary inquiry for pre-authorizations was for inpatient services. For example, in 2004 there were 503 requests for inpatient pre-authorizations serviced to 363 members. This number increased in 2005 with 513 services provided to 324 members. In 2006, there were 483 services provided to 319 members.

**Table 1. NDPERS Non-Retirees Medical Management Pre-authorizations  
Calendar Years 2004, 2005 and 2006**

Preauthorizations	2004		2005		2006	
	Unique Services	Unique Members	Unique Services	Unique Members	Unique Services	Unique Members
Home Health Care	53	48	60	51	62	53
Skilled Nursing Facility, Swingbed, Transitional Care Unit	36	33	38	33	38	31
Hospice	12	11	11	11	18	18
Acute Inpatient Admission	259	232	306	247	356	275
Acute Inpatient Rehab	25	21	26	22	31	26
Psychiatric/ Substance Abuse Admission	503	363	513	324	483	319
<b>Total</b>	<b>888</b>	<b>708</b>	<b>954</b>	<b>688</b>	<b>988</b>	<b>722</b>

**Concurrent Review/Discharge Planning:** Concurrent review is conducted to ensure that ongoing treatment is appropriate and includes discharge planning. Working in conjunction with the members' physician, our staff support discharge planning by providing information on benefits available for those services determined to be medically appropriate and necessary for the member's continued care and treatment.

**Prior approvals:** In addition to preauthorizations for admissions, approximately 20 services or procedures require pre-notification to assess for medical necessity and appropriateness. We define this as Prior Approval. The members' Health Care Provider will substantiate the medical need for the procedure and provide documentation of this in the written request. The provider and member are notified of the determination in writing. Of all prior approvals for NDPERS Non-Retirees members, the majority were for sleep studies in 2004 (32.89% of all prior approvals), 2005 (34.77%), and 2006 (40.92%). See Table 3, page 9 for member and service utilization for 2004-2006.

**Benefit Inquiries:** The Medical Management staff provides assistance to members and health care providers with benefit coverage determinations. Benefit Inquiries are questions about services that do not require Prior Approval. The provider and member are notified of the determination in writing. In 2004, the number of benefit inquiries for NDPERS members (Retiree and Non-Retirees) was 828. In 2005 and 2006, this number was 1,110 and 1,137 inquiries, respectively.

Utilization Management continued...

**Therapy Review Process:** BCBSND has Therapy Consultants for Occupational Therapy, Physical Therapy and Speech Therapy. These Consultants review therapy requests for medical necessity and collaborate with the providers to assist with the ongoing care of the member. Overall there has been an increase in the number of preauthorizations for therapy for NDPERS Non-Retiree members. The majority of these reviews have been for physical therapy (see Table 2, below). For example, in 2004 there were 273 pre-authorization services provided to 262 unique members regarding Physical Therapy. This number decreased in 2005 with 269 services provided to 251 members and increased in 2006 with 310 services provided for 291 NDPERS Non-Retirees members.

**Table 2. NDPERS Non-Retirees Medical Management Therapy Pre-authorizations  
Calendar Years 2004, 2005 and 2006**

Therapy Type	2004		2005		2006	
	Unique Services	Unique Members	Unique Services	Unique Members	Unique Services	Unique Members
Physical Therapy	273	262	269	251	310	291
Occupational Therapy	53	52	45	43	57	53
Speech Therapy	68	65	81	77	81	75
<b>Total</b>	<b>394</b>	<b>379</b>	<b>395</b>	<b>371</b>	<b>448</b>	<b>419</b>

### III. Disease Management Programs

Disease Management programs are designed to proactively manage a targeted population for a particular disease in the least expensive and most clinically effective way. BCBSND's Disease Management programs encompass all aspects of care for a disease state while placing heavy emphasis on prevention of complications and maintenance of health status for that condition. The program encourages the use of clinically proven treatment modalities instituted as early as practical in a member's course of disease.

**North Dakota Diabetes Provider Awareness Program** : In collaboration with the ND Department of Health, BCBSND established the North Dakota Diabetes Provider Awareness Program. The program was designed to improve clinical outcomes for members with diabetes by encouraging regular diabetes office visits and testing. On a quarterly basis, reports and educational newsletters are sent to all primary care providers (PCP) who manage the care for BCBSND members with diabetes. The report outlines the services they have provided in the care of the diabetic member and identifies those members who have gaps in service. Overall, based on prior analysis, the North Dakota Diabetes Disease Management Program saved an estimated nine million dollars over three years at a cost of three hundred thousand dollars – an estimated thirty to one return on investment.

The number of NDPERS Non-Retiree members involved in the Provider Awareness Program has increased from 2004 to 2006 (Table 3, p. 9). In 2004, 1,050 members (66.0% of all NDPERS Non-Retirees members diagnosed with diabetes) were involved in the diabetes management program. This number increased in 2005 to 1,313 (78.02% of all NDPERS Non-Retirees members diagnosed with diabetes) and grew again in 2006 with 1,497 members (82.34% of all NDPERS Non-Retirees members diagnosed with diabetes). Those that had been diagnosed with diabetes but are not involved in the program are primarily those without primary care providers (PCP). Additional efforts will be developed to identify and target these members with additional awareness programs.

**Prenatal Plus Program** : The Prenatal Plus (PNP) program is designed to identify women who are at higher risk for premature delivery. This program aims to decrease the incidence of preterm birth through assessment, intervention, education and to encourage prenatal care. Participation in the prenatal program is voluntary. Potential members complete a screening questionnaire and those identified as high risk are referred to their physician. Members who participate in the program receive an educational packet on various health concerns during pregnancy and periodic phone calls from a nurse.

Based on prior analysis, the PNP program saves an estimated \$766 per participant. Multiplying this amount by the number of NDPERS Non-Retirees program participants who gave birth during calendar year 2004 (242 participants) resulted in an estimated savings of \$185,372. In 2005, the PNP program increased in participation with 262 members resulting in an estimated savings of \$200,692. In 2006, this number decreased slightly to 261 members with an estimated savings of \$199,926.

## IV. Reporting:

Provider reporting is a method of sharing physician and network utilization data for educational and trending purposes. Reports are individualized for each provider and contains comparative peer data. These reports are proprietary to the practitioner or network and not available for public use. In addition to the Diabetes reports discussed previously, five additional reports are generated and are discussed in greater detail below.

**Acute Otitis Media (AOM) Provider Reports:** This report examines the percent of AOM episodes having antibiotics filled within the first two days, after two days, and/or no antibiotic filled during the episode. Current guidelines state that antibiotics should be used only in select cases within the first 48 hours of AOM episode. Our goal is to have the providers adhere to guidelines. In addition to this measure, the type of initial prescription written for an AOM diagnosis is also measured. The recommended antibiotic to be prescribed first line is Amoxicillin or Amox/Clav. Production began in 2004 and reports are mailed annually in October.

**Provider Performance Reports:** Specialty utilization reports give providers an opportunity to learn about their performance in comparison to their peer group. This assists in providing efficient, quality care. These reports look at the top Episode Treatment Groups (ETGs) within the providers' specialty. ETGs categorize and group medical claims by identifying all services and treatments related to an episode of care for a particular illness. These episodes include claims from all types of service including professional, institutional, and pharmacy claims. ETGs were developed by Symmetry Health Data Systems, and are rapidly becoming the preferred case-mix and risk adjustment methodology for looking at provider and network practices across all specialties. Our goal is to have the major populated specialties view their performance and provide feedback if needed. Production began in 1998 and reports are generated annually in April.

**Cough & Cold Kits –Antibiotic Reports for Providers:** Because of increasing antibiotic resistance, BCBSND has developed an intervention program that includes distribution of Cough & Cold Kits and antibiotic report cards. Providers are encouraged to reduce antibiotic prescriptions for probable viral illnesses by providing Cough & Cold Kits to BCBSND members. Cough & Cold Kits for adults were produced for BCBSND in partnership with Prime Therapeutics, BCBSND pharmacy benefit manager, for the 2002-2005 winter seasons (January through March). The Antibiotic Report examines how often antibiotics are being prescribed for upper respiratory infections (i.e. Bronchitis, Sinusitis, Pharyngitis). Our goal is to see the rate of antibiotics being prescribed decrease for these conditions. We encourage adherence to the most current antibiotic recommendations summarized in our *Guidelines for Antibiotic Use in Adults and Pediatrics*. Production began in 2001 and reports are mailed annually in August.

**Quality Reports:** These reports were added in 2006 and will be provided on an annual basis. Reports are primarily based on HEDIS (Health plan Employer Data and Information Set) measures (except for one) which is a National Quality Forum measure: Breast Cancer Screening, Beta-Blocker Treatment after a Heart Attack, Cervical Cancer Screening, Colorectal Cancer Screening, Comprehensive Diabetic Care (HbA1c, Eye Exam, and LDL screening), Appropriate Treatment for Children With Upper Respiratory Infection (URI), Appropriate Testing for Children With Pharyngitis, Antidepressant Medication Management: Effective Acute Phase Treatment, Antidepressant Medication Management: Effective Continuation Phase Treatment, Use of Appropriate Medications for People With Asthma: All Ages Combined, and CAD: Lipid Profile.

**Pharmacy Reports:** Our goal with these reports is to increase the use of generic drugs and formulary compliance among providers. These reports measure: Scripts per office call, allowed cost per script, percent of generic utilization and formulary compliance. Report production began in 2004, and they are mailed annually in March.

## V. Pharmacy Management Initiatives

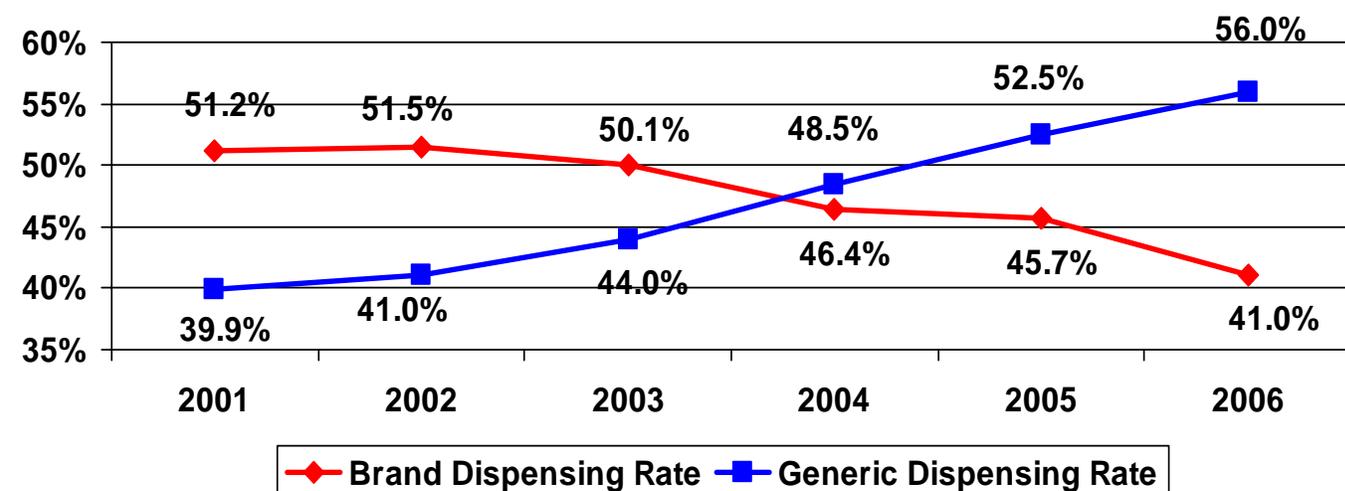
**Drug Formulary:** A drug formulary is a list of preferred prescription drugs chosen by a Pharmacy and Therapeutics Committee on the basis of quality and cost-effectiveness. The BCBSND Pharmacy and Therapeutics Committee is comprised of health plan and independent physicians and pharmacists. The Committee meets quarterly and reviews drug products available in each therapeutic class annually. Drugs are selected for the BCBSND formulary based on safety, efficacy, side effects, ease of use, potential for interactions, and cost-effectiveness. Prescribing formulary products provides members with the most cost-effective drug therapy offered through the prescription drug program. A current list of formulary drugs can be seen at [www.bcbsnd.com/pharmacy/formulary.html](http://www.bcbsnd.com/pharmacy/formulary.html).

**Generic Programs:** In addition to formulary placement, BCBSND reinforces the value of generic medications through provider and member education programs and a generic sampling pilot program. Provider and member education programs are led by BCBSND pharmacists discussing generic drug options for treating various disease states. The generic sampling pilot program places automated generic “sample centers” in participating physician offices. These sample centers allow a physician to give eligible patients a free initial course of a clinically appropriate generic medication while educating patients on the value of generic medications.

Since surpassing branded prescriptions in 2005, generic drugs gained more ground during 2006. Most significantly, 2 former “block-buster” drugs, Zoloft and Zocor, became available generically in 2006. The Zoloft patent expiration cleared the way for the 5<sup>th</sup> generic alternative in the SSRI class of antidepressants.

Zocor’s patent expiration has potential for the cholesterol lowering “statin” class of medications. Generic Zocor, or simvastatin, is the most effective cholesterol medication available generically. The largest savings potential in the statin class is now therapeutic substitution of Lipitor, the worlds #1 selling drug.

**Figure 1. Generic and Brand Dispensing Rates 2000-2006**



## Pharmacy Management Initiatives continued...

**Pill Splitting:** The purpose of the pill splitting program is to help patients save money on selected brand name drugs that do not have generic equivalents. Certain drugs have a uniform price regardless of dose. By splitting a higher dose pill into 2 doses members also split their cost. Drugs eligible for this voluntary program have been selected because they can be split without jeopardizing quality or effectiveness. Selection was also based on the potential for significant savings. BCBSND provides pill-splitting kits to doctors and pharmacists, for members who are willing to take part in the program.

**Cough and Cold / Acute Otitis Media (AOM) Kits:** Doctor visits for earache and cold and flu symptoms often do not require an antibiotic prescription to resolve. The growing rates of microbial resistance means unneeded antibiotics pose health risks. BCBSND supplies participating providers with both Cough and Cold and Acute Otitis Media (AOM) Kits. The kits contain symptom relievers and educational materials on inappropriate antibiotic prescribing. Since introducing cough and cold kits in 2002, BCBSND has distributed over 37,000 cough and cold kits and 19,000 AOM Kits have been distributed since the midyear launch in 2005.

**Specialty Pharmacy:** BCBSND works to manage the high cost of injectable and oral specialty medications through competitive contracting with specialty and retail pharmacies and by establishing a competitive fee schedule on drugs administered in the physician office. This multi-faceted approach allows members the greatest flexibility in choice of provider at a low cost. In addition to competitive pricing, many pharmacies offer several value-added benefits:

- Free delivery of the medication to a member's home or physician's office via overnight delivery.
- Telephone access to a staff of pharmacists, nurses, and care coordinators who are specialists on the medications they provide and the conditions the medications treat.
- Educational support.
- Ancillary supplies such as syringes and needles at no additional cost.
- A higher level of coordinated care with a member's physician in regard to these medications.

**Provider/Member Education:** BCBSND provides a number of provider and patient member education programs promoting appropriate drug therapy and medical management. Provider programs provide unbiased education on drug therapies using the scientific evidence, expert consensus, and clinical guidelines applicable to specific disease states. The programs were developed by a team of experienced clinicians at Prime Therapeutics and are delivered by clinical pharmacists. In 2006, clinical pharmacists from BCBSND and Prime Therapeutics supplied over 1300 attendees programming on eight disease states including depression, migraines, osteoarthritis, insomnia, and asthma.

In addition, member education representatives deliver information for the "Generic Drugs-RX for Savings" program. This program educates members on the magnitude by which brand drug promotion exceeds that of other consumer products. Member groups may also request this program presented by a BCBSND pharmacist.

## Summary of Medical Management Activities

Table 3 (below) examines some medical management interactions for 2004, 2005 and 2006. As seen in this table, overall participation in select medical management services for NDPERS Non-Retiree members has increased. For example, in 2004, we identified 2,838 unique members (5.46% of the total NDPERS Non-Retirees members), who received at least one medical management service. During 2005, the number of members increased to 3,112 (5.96%) and increased again in 2006 with 3,477 members (6.60%).

**Table 3. NDPERS Non-Retirees Medical Management Member and Service Utilization  
Calendar Years 2004, 2005 and 2006**

Medical Management Program	2004		2005		2006	
	Unique Services	Unique Members	Unique Services	Unique Members	Unique Services	Unique Members
Prior Approvals	778	577	1,022	683	1,054	865
Pre-Authorizations *	1,282	965	1,349	922	1,436	959
Prenatal Plus	424	242	481	262	461	261
Diabetes Management	1,050	1,050	1,313	1,313	1,497	1,497
Case Management Referrals	243	214	372	322	375	305
<b>Total **</b>	<b>3,777</b>	<b>3,048</b>	<b>4,537</b>	<b>3,502</b>	<b>4,823</b>	<b>3,887</b>
<b>Total Number Unique Members Receiving Services</b>	<b>2,838</b>		<b>3,112</b>		<b>3,477</b>	

\* These counts includes all pre-authorizations, including therapy preauthorizations. Member counts are unique for all pre-authorizations. Some members may have only both (pre-authorization and Therapy pre-authorization) or they may have had only one of these types.

\*\* These members can have more than one service in a Medical Management program. Therefore, member count is not unique.

## Prospective Opportunities

This report has provided information pertaining to the Medical Management services provided for NDPERS Non-Retiree members. Overall, many of these programs have provided services that previously have and expect to produce health promotion and prevention along with cost-savings for members, NDPERS Non-Retirees overall, and BCBSND overall. Because we all share these continued goals, opportunities for enhancements to these programs, specifically for NDPERS Non-Retirees members, can be implemented in the future. The following are suggestions for future enhancements of Medical Management services.

1. Health Dialog and Prevention Programs: Coordination with Health Dialog and Case Management services to assess if “High-Risk” and/or “High-Cost” NDPERS Non-Retirees members (i.e. Diabetic members, those with other chronic conditions, etc...) are receiving services.
2. Generic Rx Awareness: Educate members and providers on the medications that are appropriate cost-effective alternatives.
3. Other Member Education Opportunities: Information about other current programs available at BCBSND and other educational information (e.g. antibiotic resistance, other prevention information, etc...) could be provided in form of a newsletter or through My Health Connection (Health Dialog).



**BlueCross  
BlueShield  
of North Dakota**

An independent licensee of the  
Blue Cross & Blue Shield Association

# NDPERS Retiree Medical Management

*BCBSND Medical Management Services – Calendar Years 2004,  
2005 and 2006.*

*Division of Medical  
Management*

*Jon Rice, MD  
Senior VP of Medical  
Management*

*Shamayne Gerlach  
Health Care Data Analyst*

*Kristi Kipp  
Team Leader Case  
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*Jodi Carlisle  
Director of Health  
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*January 2007  
Last Updated: 03.27.07*

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## 1. Case Management

Blue Cross Blue Shield of North Dakota (BCBSND) recognizes the high cost of admissions and the emotional impact of long term, serious, or catastrophic illnesses. We want to provide options of effective and feasible alternatives to our members. We realize that when an individual reaches the optimum level of wellness and functional capability, everyone benefits: the members being served, their support systems, the healthcare delivery systems and various reimbursement sources. To accomplish this, the BCBSND Case Management Team, along with Health Dialog, provides services to assist NDPERS Retirees members.

**BCBSND Case Management Team:** The Case Management team, consisting of Registered Nurses, conducts assessments of a member's needs through on-site visits, telephone interviews and analysis of reports to determine if a member could benefit from case management intervention. The types of services provided varies, depending on each individual members' need and situation. For example, the Case Management team may provide assistance with discharge planning from an acute setting, provide a member with educational material regarding an illness, discuss alternatives to current treatment plans with physicians, or provide benefits for a service that might not normally be offered by their regular benefit plan. All options for potential intervention are explored in collaboration with the member/family, all providers, community resources, and BCBSND team members as a means of improving the member's health status while potentially reducing costs as well. Case Management services are voluntary to all members. Therefore, consent is required from the member or authorized representative at the start of Case Management intervention.

In 2004, there were 25 NDPERS Retirees members referred to Case Management that received 29 services (see Table 3, p. 9). In 2005 there were 48 members that received 53 services and 37 members that received 53 services in 2006. Calculating the difference between the anticipated expenditures if case management services had not been provided (the original course of action) and the actual expenditures incurred as a result of case management intervention, the program's estimated cost savings for 2004 was \$2,466.60 for NDPERS Retirees members. A total of \$71,857.65 savings were found in 2006. No cost savings were found in 2005. Cost savings for case management generally varies due to the differing severity of cases managed.

**Health Dialog:** How does Case Management work with Health Dialog? Case Managers make referrals via fax to Health Dialog for Health Coaching which can include explanations of treatment options, weighing the risks and benefits of certain procedures, assisting in identifying questions for a member's physician and overall health questions. Referrals to Health Dialog are made for members with key chronic conditions such as asthma, COPD, CHF and back pain that have had an inpatient hospital admission and discharge. Health Dialog also makes referrals to the Case Management department for catastrophic or complex case management, care coordination, alternate care preauthorizations, discharge planning and the Prenatal Plus Program. Since the initiation of the Health Dialog program through December 2006, Case Management has referred 29 NDPERS Retiree members for diagnosis of specific conditions and hospital discharges.

## 11. Utilization Management

Utilization Management processes are designed to evaluate the medical necessity and appropriateness of services before treatment is initiated. Five of these activities are discussed below.

**Pre-authorizations:** Pre-authorization is established to evaluate the medical necessity and appropriateness of admissions before treatment is initiated. Medical staff complete the reviews in accordance with established clinical criteria. The services that require preauthorization and the number reviewed for NDPERS Retiree members are listed in Table 1 (below). This table presents the distribution of pre-authorizations for the calendar years of 2004 through 2006. The primary inquiry for pre-authorizations was for acute inpatient services. For example, in 2004 there were 36 requests for inpatient pre-authorizations serviced to 30 members. This number increased in 2005 with 38 services provided to 33 members. In 2006, there were 52 services provided to 38 members.

**Table 1. NDPERS Retirees Medical Management Pre-authorizations  
Calendar Years 2004, 2005 and 2006**

Preauthorizations	2004		2005		2006	
	Unique Services	Unique Members	Unique Services	Unique Members	Unique Services	Unique Members
Home Health Care	8	6	15	14	15	13
Skilled Nursing Facility, Swingbed, Transitional Care Unit	15	11	21	12	16	12
Hospice	4	4	3	3	6	6
Acute Inpatient Admission	36	30	38	33	52	38
Acute Inpatient Rehab	4	4	4	4	7	7
Psychiatric/ Substance Abuse Admission	15	9	13	10	10	8
<b>Total</b>	<b>82</b>	<b>64</b>	<b>94</b>	<b>76</b>	<b>106</b>	<b>84</b>

**Concurrent Review/Discharge Planning:** Concurrent review is conducted to ensure that ongoing treatment is appropriate and includes discharge planning. Working in conjunction with the members' physician, our staff support discharge planning by providing information on benefits available for those services determined to be medically appropriate and necessary for the member's continued care and treatment.

**Prior approvals:** In addition to preauthorizations for admissions, approximately 20 services or procedures require pre-notification to assess for medical necessity and appropriateness. We define this as Prior Approval. The members' Health Care Provider will substantiate the medical need for the procedure and provide documentation of this in the written request. The provider and member are notified of the determination in writing. Of all prior approvals for NDPERS Retirees members, the majority were for sleep studies in 2004 (24.32% of all prior approvals), 2005 (19.32%), and 2006 (32.10%). See Table 3, page 9 for member and service utilization for 2004-2006.

**Benefit Inquiries:** The Medical Management staff provides assistance to members and health care providers with benefit coverage determinations. Benefit Inquiries are questions about services that do not require Prior Approval. The provider and member are notified of the determination in writing. In 2004, the number of benefit inquiries for all NDPERS members (Retiree and Non-Retiree) was 828. In 2005 and 2006, this number was 1,110 and 1,137 inquiries, respectively.

Utilization Management continued...

**Therapy Review Process:** BCBSND has Therapy Consultants for Occupational Therapy, Physical Therapy and Speech Therapy. These Consultants review therapy requests for medical necessity and collaborate with the providers to assist with the ongoing care of the member. Overall there has been an increase in the number of preauthorizations for therapy for NDPERS Retiree members. The majority of these reviews have been for physical therapy (Table 2, below). For example, in 2004 there were 21 pre-authorization services provided to 19 unique members regarding Physical Therapy. This number increased in 2005 with 35 services provided to 30 members and increased again in 2006 with 46 services provided for 41 NDPERS Retiree members.

**Table 2. NDPERS Retirees Medical Management Therapy Pre-authorizations  
Calendar Years 2004, 2005 and 2006**

Therapy Type	2004		2005		2006	
	Unique Services	Unique Members	Unique Services	Unique Members	Unique Services	Unique Members
Physical Therapy	21	19	35	30	46	41
Occupational Therapy	3	2	5	2	4	4
Speech Therapy	0	0	2	2	0	0
<b>Total</b>	<b>24</b>	<b>21</b>	<b>42</b>	<b>34</b>	<b>50</b>	<b>45</b>

### III. Disease Management Programs

Disease Management programs are designed to proactively manage a targeted population for a particular disease in the least expensive and most clinically effective way. BCBSND's Disease Management programs encompass all aspects of care for a disease state while placing heavy emphasis on prevention of complications and maintenance of health status for that condition. The program encourages the use of clinically proven treatment modalities instituted as early as practical in a member's course of disease.

**North Dakota Diabetes Provider Awareness Program** : In collaboration with the ND Department of Health, BCBSND established the North Dakota Diabetes Provider Awareness Program. The program was designed to improve clinical outcomes for members with diabetes by encouraging regular diabetes office visits and testing. On a quarterly basis, reports and educational newsletters are sent to all primary care providers (PCP) who manage the care for BCBSND members with diabetes. The report outlines the services they have provided in the care of the diabetic member and identifies those members who have gaps in service. Overall, based on prior analysis, the North Dakota Diabetes Disease Management Program saved an estimated nine million dollars over three years at a cost of three hundred thousand dollars – an estimated thirty to one return on investment.

The number of NDPERS Retirees members involved in the Provider Awareness Program has varied from 2004 to 2006 (Table 3, p. 9). In 2004, 174 members (22.39% of all NDPERS Retirees members diagnosed with diabetes) were involved in the diabetes management program. This number increased in 2005 to 232 (27.59% of all NDPERS Retirees members diagnosed with diabetes) and decreased in 2006 with 195 members (22.06% of all NDPERS Retirees members diagnosed with diabetes). Those that had been diagnosed with diabetes but are not involved in the program are primarily those without primary care providers (PCPs). Additional efforts will be developed to identify and target these members with additional awareness programs.

**Prenatal Plus Program** : The Prenatal Plus (PNP) program is designed to identify women who are at higher risk for premature delivery. This program aims to decrease the incidence of preterm birth through assessment, intervention, education and to encourage prenatal care. Participation in the prenatal program is voluntary. Potential members complete a screening questionnaire and those identified as high risk are referred to their physician. Members who participate in the program receive an educational packet on various health concerns during pregnancy and periodic phone calls from a nurse.

Based on prior analysis, the PNP program saves an estimated \$766 per participant. Not surprisingly, no NDPERS Retiree members were found.

## IV. Reporting

Provider reporting is a method of sharing physician and network utilization data for educational and trending purposes. Reports are individualized for each provider and contains comparative peer data. These reports are proprietary to the practitioner or network and not available for public use. In addition to the Diabetes reports discussed previously, five additional reports are generated and are discussed in greater detail below.

**Acute Otitis Media (AOM) Provider Reports:** This report examines the percent of AOM episodes having antibiotics filled within the first two days, after two days, and/or no antibiotic filled during the episode. Current guidelines state that antibiotics should be used only in select cases within the first 48 hours of AOM episode. Our goal is to have the providers adhere to guidelines. In addition to this measure, the type of initial prescription written for an AOM diagnosis is also measured. The recommended antibiotic to be prescribed first line is Amoxicillin or Amox/Clav. Production began in 2004 and reports are mailed annually in October.

**Provider Performance Reports:** Specialty utilization reports give providers an opportunity to learn about their performance in comparison to their peer group. This assists in providing efficient, quality care. These reports look at the top Episode Treatment Groups (ETGs) within the providers' specialty. ETGs categorize and group medical claims by identifying all services and treatments related to an episode of care for a particular illness. These episodes include claims from all types of service including professional, institutional, and pharmacy claims. ETGs were developed by Symmetry Health Data Systems, and are rapidly becoming the preferred case-mix and risk adjustment methodology for looking at provider and network practices across all specialties. Our goal is to have the major populated specialties view their performance and provide feedback if needed. Production began in 1998 and reports are generated annually in April.

**Cough & Cold Kits –Antibiotic Reports for Providers:** Because of increasing antibiotic resistance, BCBSND has developed an intervention program that includes distribution of Cough & Cold Kits and antibiotic report cards. Providers are encouraged to reduce antibiotic prescriptions for probable viral illnesses by providing Cough & Cold Kits to BCBSND members. Cough & Cold Kits for adults were produced for BCBSND in partnership with Prime Therapeutics, BCBSND pharmacy benefit manager, for the 2002-2005 winter seasons (January through March). The Antibiotic Report examines how often antibiotics are being prescribed for upper respiratory infections (i.e. Bronchitis, Sinusitis, Pharyngitis). Our goal is to see the rate of antibiotics being prescribed decrease for these conditions. We encourage adherence to the most current antibiotic recommendations summarized in our *Guidelines for Antibiotic Use in Adults and Pediatrics*. Production began in 2001 and reports are mailed annually in August.

**Quality Reports:** These reports were added in 2006 and will be provided on an annual basis. Reports are primarily based on HEDIS (Health plan Employer Data and Information Set) measures (except for one) which is a National Quality Forum measure: Breast Cancer Screening, Beta-Blocker Treatment after a Heart Attack, Cervical Cancer Screening, Colorectal Cancer Screening, Comprehensive Diabetic Care (HbA1c, Eye Exam, and LDL screening), Appropriate Treatment for Children With Upper Respiratory Infection (URI), Appropriate Testing for Children With Pharyngitis, Antidepressant Medication Management: Effective Acute Phase Treatment, Antidepressant Medication Management: Effective Continuation Phase Treatment, Use of Appropriate Medications for People With Asthma: All Ages Combined, and CAD: Lipid Profile.

**Pharmacy Reports:** Our goal with these reports is to increase the use of generic drugs and formulary compliance among providers. These reports measure: Scripts per office call, allowed cost per script, percent of generic utilization and formulary compliance. Report production began in 2004, and they are mailed annually in March.

## V. Pharmacy Management Initiatives

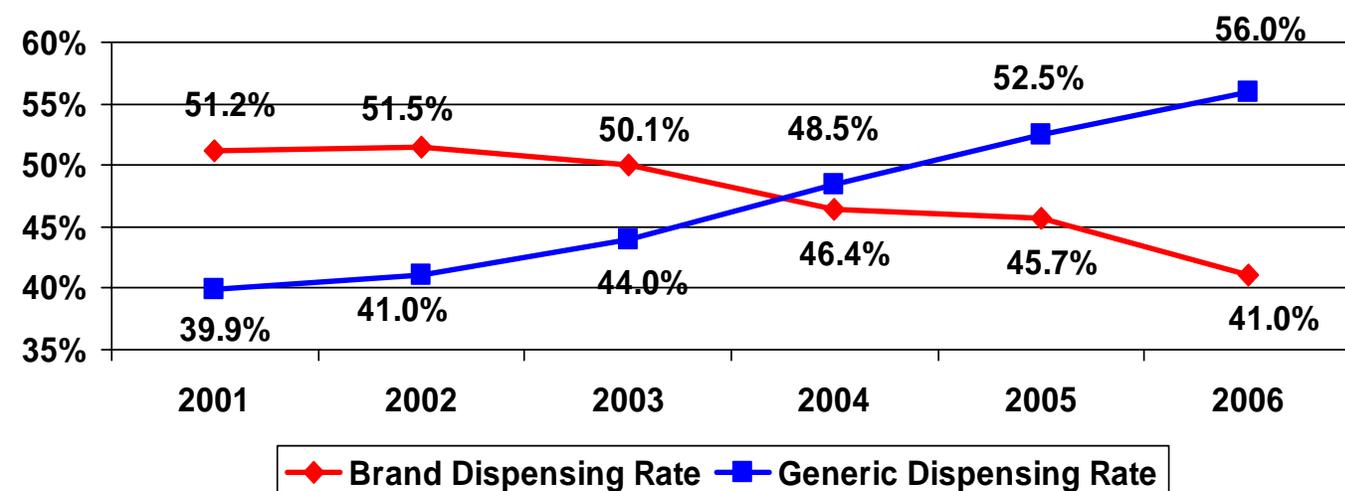
**Drug Formulary:** A drug formulary is a list of preferred prescription drugs chosen by a Pharmacy and Therapeutics Committee on the basis of quality and cost-effectiveness. The BCBSND Pharmacy and Therapeutics Committee is comprised of health plan and independent physicians and pharmacists. The Committee meets quarterly and reviews drug products available in each therapeutic class annually. Drugs are selected for the BCBSND formulary based on safety, efficacy, side effects, ease of use, potential for interactions, and cost-effectiveness. Prescribing formulary products provides members with the most cost-effective drug therapy offered through the prescription drug program. A current list of formulary drugs can be seen at [www.bcbsnd.com/pharmacy/formulary.html](http://www.bcbsnd.com/pharmacy/formulary.html).

**Generic Programs:** In addition to formulary placement, BCBSND reinforces the value of generic medications through provider and member education programs and a generic sampling pilot program. Provider and member education programs are led by BCBSND pharmacists discussing generic drug options for treating various disease states. The generic sampling pilot program places automated generic “sample centers” in participating physician offices. These sample centers allow a physician to give eligible patients a free initial course of a clinically appropriate generic medication while educating patients on the value of generic medications.

Since surpassing branded prescriptions in 2005, generic drugs gained more ground during 2006. Most significantly, 2 former “block-buster” drugs, Zoloft and Zocor, became available generically in 2006. The Zoloft patent expiration cleared the way for the 5<sup>th</sup> generic alternative in the SSRI class of antidepressants.

Zocor’s patent expiration has potential for the cholesterol lowering “statin” class of medications. Generic Zocor, or simvastatin, is the most effective cholesterol medication available generically. The largest savings potential in the statin class is now therapeutic substitution of Lipitor, the worlds #1 selling drug.

**Figure 1. Generic and Brand Dispensing Rates 2000-2006**



## Pharmacy Management Initiatives continued...

**Pill Splitting:** The purpose of the pill splitting program is to help patients save money on selected brand name drugs that do not have generic equivalents. Certain drugs have a uniform price regardless of dose. By splitting a higher dose pill into 2 doses members also split their cost. Drugs eligible for this voluntary program have been selected because they can be split without jeopardizing quality or effectiveness. Selection was also based on the potential for significant savings. BCBSND provides pill-splitting kits to doctors and pharmacists, for members who are willing to take part in the program.

**Cough and Cold / Acute Otitis Media (AOM) Kits:** Doctor visits for earache and cold and flu symptoms often do not require an antibiotic prescription to resolve. The growing rates of microbial resistance means unneeded antibiotics pose health risks. BCBSND supplies participating providers with both Cough and Cold and Acute Otitis Media (AOM) Kits. The kits contain symptom relievers and educational materials on inappropriate antibiotic prescribing. Since introducing cough and cold kits in 2002, BCBSND has distributed over 37,000 cough and cold kits and 19,000 AOM Kits have been distributed since the midyear launch in 2005.

**Specialty Pharmacy:** BCBSND works to manage the high cost of injectable and oral specialty medications through competitive contracting with specialty and retail pharmacies and by establishing a competitive fee schedule on drugs administered in the physician office. This multi-faceted approach allows members the greatest flexibility in choice of provider at a low cost. In addition to competitive pricing, many pharmacies offer several value-added benefits:

- Free delivery of the medication to a member's home or physician's office via overnight delivery.
- Telephone access to a staff of pharmacists, nurses, and care coordinators who are specialists on the medications they provide and the conditions the medications treat.
- Educational support.
- Ancillary supplies such as syringes and needles at no additional cost.
- A higher level of coordinated care with a member's physician in regard to these medications.

**Provider/Member Education:** BCBSND provides a number of provider and patient member education programs promoting appropriate drug therapy and medical management. Provider programs provide unbiased education on drug therapies using the scientific evidence, expert consensus, and clinical guidelines applicable to specific disease states. The programs were developed by a team of experienced clinicians at Prime Therapeutics and are delivered by clinical pharmacists. In 2006, clinical pharmacists from BCBSND and Prime Therapeutics supplied over 1300 attendees programming on eight disease states including depression, migraines, osteoarthritis, insomnia, and asthma.

In addition, member education representatives deliver information for the "Generic Drugs-RX for Savings" program. This program educates members on the magnitude by which brand drug promotion exceeds that of other consumer products. Member groups may also request this program presented by a BCBSND pharmacist.

# Summary of Medical Management Activities

Table 3 (below) examines some medical management interactions for 2004, 2005 and 2006. As seen in this table, overall participation in select medical management services for NDPERS Retirees members has increased. For example, in 2004, we identified 300 unique members (3.82% of the total NDPERS Retiree members), who received at least one medical management service. During 2005, the number of members increased to 384 (4.80%) and decreased in 2006 with 328 members (3.97%).

**Table 3. NDPERS Retirees Medical Management Member and Service Utilization  
Calendar Years 2004, 2005 and 2006**

Medical Management Program	2004		2005		2006	
	Unique Services	Unique Members	Unique Services	Unique Members	Unique Services	Unique Members
Prior Approvals	73	56	95	68	83	65
Pre-Authorizations *	106	70	136	81	156	93
Prenatal Plus	0	0	0	0	0	0
Diabetes Management	174	174	232	232	195	195
Case Management Referrals	29	25	53	48	53	37
<b>Total **</b>	<b>382</b>	<b>325</b>	<b>516</b>	<b>429</b>	<b>487</b>	<b>390</b>
<b>Total Number Unique Members Receiving Services</b>	<b>300</b>		<b>384</b>		<b>328</b>	

\* These counts includes all pre-authorizations, including therapy preauthorizations. Member counts are unique for all pre-authorizations. Some members may have only both (pre-authorization and Therapy pre-authorization) or they may have had only one of these types.

\*\* These members can have more than one service in a Medical Management program. Therefore, member count is not unique.

## Prospective Opportunities

This report has provided information pertaining to the Medical Management services provided for NDPERS Retirees members. Overall, many of these programs have provided services that previously have and expect to produce health promotion and prevention along with cost-savings for members, NDPERS Retirees overall, and BCBSND overall. Because we all share these continued goals, opportunities for enhancements to these programs, specifically for NDPERS Retiree members, can be implemented in the future. The following are suggestions for future enhancements of Medical Management services.

1. Health Dialog and Prevention Programs: Coordination with Health Dialog and Case Management services to assess if “High-Risk” and/or “High-Cost” NDPERS Retiree members (i.e. Diabetic members, those with other chronic conditions, etc...) are receiving services.
2. Generic Rx Awareness: Educate members and providers on the medications that are appropriate cost-effective alternatives.
3. Other Member Education Opportunities: Information about other current programs available at BCBSND and other educational information (e.g. antibiotic resistance, other prevention information, etc...) could be provided in form of a newsletter or through My Health Connection (Health Dialog).



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**NDPERS Tobacco Program Update: February 2007**

*Shamayne Gerlach – Heath Care Data Analyst – Medical Management Department, BCBSND*

All current data received since the start of the new Biennium (July 1, 2005) through February 26, 2007 were included for this update regarding the NDPERS Tobacco Cessation Program. As seen in Table 1, below, a total of 329 start dates with 308 unique members were identified as beginning a cessation program during the first Biennium (July 2003 to June 2005). In addition, there have been a total of 190 members with 195 start dates that have began a cessation program since the start of the new Biennium in July 2005. In total, there have been 498 members with 524 start dates from the start of the program (July 2003) through the most current data run (February 2007).

**Table 1. Number of Members, Start Dates, and Dollars for Each Biennium**

	<b>Start Dates</b>	<b>Members</b>	<b>Dollars</b>
<b>Total First Biennium</b> (07/01/03 - 06/30/05)	329	308	\$ 35,301.54
<b>Second Biennium - Current</b> (07/01/05 - 02/26/07)	195	190	\$ 47,142.29
<b>Total</b>	524	498	\$ 82,443.83
<b>One Time Promotional Cost</b>			\$ 14,000.00
<b>Total</b> <b>(with Promotional Cost)</b>	524	498	\$ 96,443.83

As noted previously, total costs of the program in the first biennium (July 2003 to June 30, 2005) totaled \$35,301.54\*. Since the start of the new biennium, the total, through 02/28/2007, was \$47,142.29\* (see Table 1, above). In total, both bienniums have a total cost of \$82,443.83; with a one-time promotion cost in the second biennium of \$14,000, the grand total cost was found to be \$96,443.83.

Calculating the number of members (n=190) receiving the program since the first Biennium and the total member expenses since this date (\$47,142.29), the average cost for the program equals \$165.55 per member, or \$8.71 per participant/month. In addition the total cost per NDPERS employee (N=23,993) since 07-01-05 equals \$3.44 per employee, or eighteen cents per employee/month.

\* Expense data were received from the Finance Department at BCBSND.



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# Memorandum

**TO:** PERS Board

**FROM:** Sparb

**DATE:** April 11, 2007

**SUBJECT:** Plan Design Update

Information relating to the plan design update will be distributed to the Board members prior to the Board meeting for discussion.



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# Memorandum

**TO: PERS Board**

**FROM: Kathy, Sparb & Bryan**

**DATE: April 9, 2007**

**SUBJECT: Health Rates**

Attached are the proposed health rates for the next biennium. The rates include the following:

- The wellness programs and disease management fees of \$4.25 per contract per month are allocated across all active and non-Medicare contracts.
- Certain rate categories are rounded to an even number to accommodate the Higher Ed payroll requirements.
- PERS administration fee of \$2.80 is allocated across all contracts.
- Rate structure A applies to all groups or retirees that are enrolled in the plan prior to July 2007.
- Rate structure B applies to all groups or retirees from nonparticipating groups that join the plan on or after July 1, 2007 and has a year 1 and year 2 rate to recognize the additional risk for enrollees joining the plan during the biennium. Those joining the plan during year 1 will have a premium increase to the year 2 rate effective July 1, 2008.

HB 1433 provides for the implementation of a collaborative drug therapy program for individuals with diabetes and to manage health care expenditures. If this legislation passes, the bill contains funding authority to increase the rates by an additional \$2.00 per contract per month.

## **Board Action Requested**

To approve the attached rates for the 2007-2009 biennium.

**Rate Structure A**  
**Enrolled Prior to July 2007**  
**Rates for July 2007 - June 2009**

				Increase	
<b>Jan-07</b>				From	
NDPERS				NDPERS	05-07
Billing				Billing	Billing
Rate	Code	Struct	Description	Rate	Rate
<b>State Contracts with Wellness Program</b>					
Active					
\$553.94	1-3	2	S/F/Dual	<b>\$658.08</b>	18.8%
COBRA					
\$266.18	4	2	Single	<b>\$324.58</b>	21.9%
\$656.50	5	2	Family	<b>\$779.22</b>	18.7%
Part-Time/Temporary/LOA					
\$260.62	6	2	Single	<b>\$318.30</b>	22.1%
\$643.12	7	2	Family	<b>\$764.02</b>	18.8%
<b>State Contracts w/o Wellness Program</b>					
Active					
\$559.48	1-3	1	S/F/Dual	<b>\$664.66</b>	18.8%
COBRA					
\$266.18	4	1	Single	<b>\$324.58</b>	21.9%
\$656.50	5	1	Family	<b>\$779.22</b>	18.7%
Part-Time/Temporary/LOA					
\$263.22	6	1	Single	<b>\$321.48</b>	22.1%
\$649.54	7	1	Family	<b>\$771.66</b>	18.8%
<b>Non-Medicare Retiree</b>					
\$390.92	21	11	Single	<b>\$475.32</b>	21.6%
\$781.86	22	11	Family	<b>\$946.40</b>	21.0%
\$977.32	23	11	Family (3+)	<b>\$1,181.95</b>	20.9%
COBRA					
\$399.24	24	11	Single	<b>\$480.50</b>	20.4%
\$798.44	25	11	Family	<b>\$960.98</b>	20.4%
\$998.04	26	11	Family (3+)	<b>\$1,201.24</b>	20.4%

**Rate Structure B - Year 1**  
**Enrolled July 2007 or After**  
**Rates for July 2007 - June 2008**

			NDPERS					NDPERS	
			Billing					Billing	
Code	Struct	Description	Rate	Rate	Code	Struct	Description	Rate	Rate
<b>Rates for state contracts do not change during the biennium</b>									

**Rate Structure B - Year 2**  
**Enrolled July 2008 or After**  
**Rates for July 2008 - June 2009**

**Rates for state contracts do not change during the biennium**

**Rates for non-Medicare retirees do not change during the biennium**

**Rate Structure A**  
**Enrolled Prior to July 2007**  
**Rates for July 2007 - June 2009**

				Increase	
<b>Jan-07</b>				<b>From</b>	
<b>NDPERS</b>				<b>05-07</b>	
<b>Billing</b>				<b>Billing</b>	
<b>Rate</b>	<b>Code</b>	<b>Struct</b>	<b>Description</b>	<b>Rate</b>	<b>Rate</b>
<b>Medicare Retiree*</b>					
\$175.72	41	11	1 Medicare only	<b>\$214.20</b>	21.9%
\$341.88	42	11	2 Medicare only	<b>\$418.46</b>	22.4%
\$409.86	50	11	3 Medicare only	<b>\$497.44</b>	21.4%
\$367.18	51	11	4 Medicare only	<b>\$435.22</b>	18.5%
\$495.22	43	11	1 Medicare+Others	<b>\$621.88</b>	25.6%
\$452.54	49	11	2 Medicare+Others	<b>\$559.66</b>	23.7%
\$390.42			3 Medicare+Others	<b>\$497.44</b>	27.4%
\$387.50	44	11	Part A Single	<b>\$484.46</b>	25.0%
<b>COBRA</b>					
\$179.58	46	11	1 Medicare only	<b>\$218.46</b>	21.7%
\$349.36	47	11	2 Medicare only	<b>\$426.84</b>	22.2%
\$418.86	53	11	3 Medicare only	<b>\$507.40</b>	21.1%
\$375.34	54	11	4 Medicare only	<b>\$443.92</b>	18.3%
\$505.94	48	11	1 Medicare+Others	<b>\$634.32</b>	25.4%
\$462.40	52	11	2 Medicare+Others	<b>\$570.86</b>	23.5%
\$390.42			3 Medicare+Others	<b>\$507.40</b>	30.0%
<b>Medicare Low Income Subsidy</b>					
\$148.37	41	13	1 Medicare only (1cr)	<b>\$186.84</b>	25.9%
\$287.18	42	13	2 Medicare only (2cr)	<b>\$363.76</b>	26.7%
\$382.51	50	13	3 Medicare only (1cr)	<b>\$470.10</b>	22.9%
\$467.87	43	13	1 Medicare+Others (1cr)	<b>\$594.54</b>	27.1%
\$425.19	49	13	2 Medicare+Others (1cr)	<b>\$532.32</b>	25.2%
\$155.21	61	13	1 Medicare only (.75cr)	<b>\$193.68</b>	24.8%
\$162.04	71	13	1 Medicare only (.5cr)	<b>\$200.50</b>	23.7%

**Rate Structure B - Year 1**  
**Enrolled July 2007 or After**  
**Rates for July 2007 - June 2008**

				<b>NDPERS</b>	
				<b>Billing</b>	
				<b>Rate</b>	
<b>Code</b>	<b>Struct</b>	<b>Description</b>		<b>Rate</b>	
<b>Medicare Retiree*</b>					
41	12	1	Medicare only	<b>\$207.22</b>	-3.3%
42	12	2	Medicare only	<b>\$404.96</b>	-3.2%
50	12	3	Medicare only	<b>\$483.10</b>	-2.9%
51	12	4	Medicare only	<b>\$426.42</b>	-2.0%
43	12	1	Medicare+Others	<b>\$596.44</b>	-4.1%
49	12	2	Medicare+Others	<b>\$539.76</b>	-3.6%
49	12	3	Medicare+Others	<b>\$483.10</b>	-2.9%
<b>COBRA</b>					
46	12	1	Medicare only	<b>\$211.36</b>	-3.2%
47	12	2	Medicare only	<b>\$413.06</b>	-3.2%
53	12	3	Medicare only	<b>\$492.76</b>	-2.9%
54	12	4	Medicare only	<b>\$434.94</b>	-2.0%
48	12	1	Medicare+Others	<b>\$608.36</b>	-4.1%
52	12	2	Medicare+Others	<b>\$550.56</b>	-3.6%
52	12	3	Medicare+Others	<b>\$492.76</b>	-2.9%

**Rate Structure B - Year 2**  
**Enrolled July 2008 or After**  
**Rates for July 2008 - June 2009**

				<b>NDPERS</b>	
				<b>Billing</b>	
				<b>Rate</b>	
<b>Code</b>	<b>Struct</b>	<b>Description</b>		<b>Rate</b>	
<b>Medicare Retiree*</b>					
41	12	1	Medicare only	<b>\$221.16</b>	6.7%
42	12	2	Medicare only	<b>\$431.98</b>	6.7%
50	12	3	Medicare only	<b>\$511.80</b>	5.9%
51	12	4	Medicare only	<b>\$444.04</b>	4.1%
43	12	1	Medicare+Others	<b>\$647.34</b>	8.5%
49	12	2	Medicare+Others	<b>\$579.58</b>	7.4%
49	12	3	Medicare+Others	<b>\$511.80</b>	5.9%
<b>COBRA</b>					
46	12	1	Medicare only	<b>\$225.58</b>	6.7%
47	12	2	Medicare only	<b>\$440.62</b>	6.7%
53	12	3	Medicare only	<b>\$522.04</b>	5.9%
54	12	4	Medicare only	<b>\$452.92</b>	4.1%
48	12	1	Medicare+Others	<b>\$660.30</b>	8.5%
52	12	2	Medicare+Others	<b>\$591.18</b>	7.4%
52	12	3	Medicare+Others	<b>\$522.04</b>	5.9%

\*These rates may change if Medicare D and low income subsidy rates are increased during the biennium

**Rate Structure A**  
**Enrolled Prior to July 2007**  
**Rates for July 2007 - June 2009**

				Increase	
<b>Jan-07</b>				From	
NDPERS				05-07	
Billing				Billing	
Rate	Code	Struct	Description	NDPERS Billing Rate	Rate
<b>Political Subdivisions with Wellness Program</b>					
Active EPO/PPO/Basic					
\$278.70	1	4	Single	<b>\$339.56</b>	21.8%
\$687.70	2	4	Family	<b>\$817.58</b>	18.9%
COBRA					
\$284.64	4	4	Single	<b>\$346.27</b>	21.6%
\$702.01	5	4	Family	<b>\$833.85</b>	18.8%
Active EPO/Basic					
\$258.86	1	6	Single	<b>\$316.30</b>	22.2%
\$638.94	2	6	Family	<b>\$760.86</b>	19.1%
COBRA					
\$264.39	4	6	Single	<b>\$322.54</b>	22.0%
\$652.26	5	6	Family	<b>\$775.99</b>	19.0%
<b>Political Subdivisions w/o Wellness Program</b>					
Active EPO/PPO/Basic					
\$281.49	1	3	Single	<b>\$342.96</b>	21.8%
\$694.58	2	3	Family	<b>\$825.76</b>	18.9%
COBRA					
\$284.64	4	3	Single	<b>\$346.27</b>	21.6%
\$702.01	5	3	Family	<b>\$833.85</b>	18.8%
Active EPO/Basic					
\$261.45	1	5	Single	<b>\$319.46</b>	22.2%
\$645.33	2	5	Family	<b>\$768.47</b>	19.1%
COBRA					
\$264.39	4	5	Single	<b>\$322.54</b>	22.0%
\$652.26	5	5	Family	<b>\$775.99</b>	19.0%

**Rate Structure B - Year 1**  
**Enrolled July 2007 or After**  
**Rates for July 2007 - June 2008**

				NDPERS	
				Billing	
				Rate	
Code	Struct	Description		Rate	
<b>Political Subdivisions with Wellness Program</b>					
Active EPO/PPO/Basic					
1	8	Single		<b>\$324.36</b>	-4.5%
2	8	Family		<b>\$780.70</b>	-4.5%
COBRA					
4	8	Single		<b>\$330.76</b>	-4.5%
5	8	Family		<b>\$796.23</b>	-4.5%
Active EPO/Basic					
1	10	Single		<b>\$302.16</b>	-4.5%
2	10	Family		<b>\$726.56</b>	-4.5%
COBRA					
4	10	Single		<b>\$308.12</b>	-4.5%
5	10	Family		<b>\$741.01</b>	-4.5%
<b>Political Subdivisions w/o Wellness Program</b>					
Active EPO/PPO/Basic					
1	7	Single		<b>\$327.60</b>	-4.5%
2	7	Family		<b>\$788.51</b>	-4.5%
COBRA					
4	7	Single		<b>\$330.76</b>	-4.5%
5	7	Family		<b>\$796.23</b>	-4.5%
Active EPO/Basic					
1	9	Single		<b>\$305.18</b>	-4.5%
2	9	Family		<b>\$733.83</b>	-4.5%
COBRA					
4	9	Single		<b>\$308.12</b>	-4.5%
5	9	Family		<b>\$741.01</b>	-4.5%

**Rate Structure B - Year 2**  
**Enrolled July 2008 or After**  
**Rates for July 2008 - June 2009**

				NDPERS	
				Billing	
				Rate	
Code	Struct	Description		Rate	
<b>Political Subdivisions with Wellness Program</b>					
Active EPO/PPO/Basic					
1	8	Single		<b>\$354.76</b>	9.4%
2	8	Family		<b>\$854.46</b>	9.4%
COBRA					
4	8	Single		<b>\$361.77</b>	9.4%
5	8	Family		<b>\$871.46</b>	9.4%
Active EPO/Basic					
1	10	Single		<b>\$330.44</b>	9.4%
2	10	Family		<b>\$795.16</b>	9.4%
COBRA					
4	10	Single		<b>\$336.96</b>	9.4%
5	10	Family		<b>\$810.98</b>	9.4%
<b>Political Subdivisions w/o Wellness Program</b>					
Active EPO/PPO/Basic					
1	7	Single		<b>\$358.31</b>	9.4%
2	7	Family		<b>\$863.00</b>	9.4%
COBRA					
4	7	Single		<b>\$361.77</b>	9.4%
5	7	Family		<b>\$871.46</b>	9.4%
Active EPO/Basic					
1	9	Single		<b>\$333.74</b>	9.4%
2	9	Family		<b>\$803.11</b>	9.4%
COBRA					
4	9	Single		<b>\$336.96</b>	9.4%
5	9	Family		<b>\$810.98</b>	9.4%



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# Memorandum

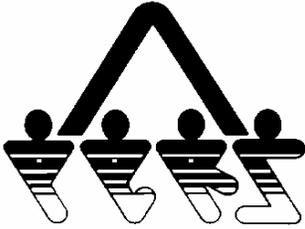
**TO:** PERS Board

**FROM:** Sparb & Bryan

**DATE:** April 11, 2007

**SUBJECT:** Employee Assistance Program RFP

The NDPERS Employee Assistance Program (EAP) request for proposal responses are due April 13<sup>th</sup>. We will provide you an update at the Board meeting.



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# Memorandum

**TO:** PERS Board

**FROM:** Sparb

**DATE:** April 11, 2007

**SUBJECT:** Member Issue

Representatives from BCBS will be available at the Board meeting to respond to the member issue.



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# Memorandum

**TO: PERS Board**

**FROM: Kathy**

**DATE: April 10, 2007**

**SUBJECT: Fidelity Recordkeeping Agreement Amendments  
401(a) Defined Contribution Plan  
457 Deferred Compensation Companion Plan**

Fidelity has recommended we amend the recordkeeping agreement for the 401(a) defined contribution plan to add the life cycle fund default which utilizes the Fidelity Freedom Funds. The Board previously adopted this default option for the Companion Plan last year. Attached is a memo from Fidelity outlining this issue as well as information about the Freedom Funds. Also included in the amendment is the addition of the Goldman Sachs Mid Cap Value Fund (GCMAX) approved by the Board at its March 28<sup>th</sup> meeting.

An amendment to add the Goldman Sachs Mid Cap Value Fund (GCMAX) to the deferred Compensation Companion Plan approved by the Board at its March 28<sup>th</sup> meeting is also included for your approval.

## **Board Action Requested**

1. Approve the amendments to the 401(a) defined contribution and 457 Companion Plan Fidelity recordkeeping agreements to add the Goldman Sachs Mid Cap Value Fund.
2. Approve the amendment to adopt the life cycle funds as the default option for the 401(a) defined contribution plan.

Attachments



March 13, 2007

Kathy Allen  
North Dakota Public Employee Retirement System  
400 E. Broadway - Suite 505  
PO Box 1657  
Bismarck, ND 58502-1657

Dear Kathy,

The purpose of this letter is to summarize our conversation today regarding lifecycle fund default for the 401(a) Plan.

As a review, lifecycle funds are mutual funds designed to provide an investment strategy for plan participants who want a simpler approach for long-term asset allocation. These funds call for higher equity exposure when a person is young and has more time to recover from any market slumps. Then, as the investor ages and moves closer to his or her target retirement date, the funds automatically shift to less volatile fixed income and money market investments to help protect their nest egg in case a market correction hits right before retirement (diversification does not ensure a profit or guarantee against loss).

We believe life cycle default is one plan design tool employers can use to help those employees who do not make an investment election or construct a portfolio appropriate for their age and target retirement date.

In summary it is Fidelity's recommendation that NDPERS add the life cycle fund default (which utilizes the Fidelity Freedom Funds) for the 401(a) plan. Additionally this service has already been adopted by the 457(b) plan and would therefore create consistence with the 401(a) plan.

I hope this letter is responsive to your immediate needs in this regard. I also would like to take this time to offer my thanks for your continued business with Fidelity and reaffirm our commitment to providing the highest quality service to you in the years ahead.

Sincerely,

A handwritten signature in black ink that reads "Shawn Crosgrove". The signature is written in a cursive, flowing style.

Shawn Crosgrove  
Relationship Manager  
Tax-Exempt Market  
Fidelity Employer Services Company

For Plan Sponsor and Investment Professional Use Only

Mutual fund products  
offered through Fidelity  
Investments Institutional  
Services Company, Inc.

Fidelity Investments Institutional  
Operations Company, Inc.

201 South Main Street, Suite 200  
Salt Lake City, Utah 84111

## A SIMPLE WAY TO DIVERSIFY RETIREMENT PLAN DEFAULT INVESTMENTS

The Freedom Fund Age Default Service is a powerful way to help you and your participants meet the ongoing challenges of retirement investing. The service enables plan sponsors to help participants who have yet to select an investment mix on their own, by directing contributions into a Freedom fund targeted to the participant's appropriate retirement horizon based on his or her birth date. Fidelity Freedom Funds® offer a built-in asset allocation strategy that may provide greater long-term growth potential than a money market fund, a stable value fund, or most other types of default investment options.

**The Freedom Fund Age Default Service helps employees maximize the potential of their plan contributions, and may enable you to better fulfill your fiduciary responsibility.**

### Fidelity Freedom Funds® Overview

Each Freedom fund invests in a mix of up to 19 predefined Fidelity mutual funds, utilizing a range of asset classes and investment styles. The Freedom funds with target retirement dates automatically adjust their asset allocation to become more conservative over time as they approach their target retirement dates, and beyond. As a result, Freedom funds are designed to allow participants to stay with the same fund before and during retirement. Fidelity Freedom Income Fund® is designed for participants who are in retirement, and the fund seeks to maintain a stable asset allocation model. Eventually, all Freedom funds with a target retirement date will merge with the Freedom Income Fund.

Here are just a few of the benefits of adding the default service to your plan.

### Plan Sponsor Benefits

- **A more strategic default option**—You direct assets into an investment option that may reduce the possibility that balances could be invested too conservatively or too aggressively to meet participant needs.
- **Fiduciary obligations are addressed**—Undirected contributions are invested in life cycle funds for diversification within each asset class, and strategic asset allocation over time.
- **Participant notification**—The service includes two letters of notification to defaulted participants, informing them that their contributions have been invested in one of the plan's Freedom funds, and encouraging them to make their own investment elections for current balances and future contributions.



FREEDOM FUND  
AGE DEFAULT  
SERVICE



## Plan Participant Benefits

- **An asset allocation solution**—The Freedom funds with target retirement dates provide participants with exposure to growth-oriented investments, but follow an asset allocation model that gradually becomes more conservative over time.
- **Diversification**—Because the Freedom funds are “funds of funds,” participants can enjoy greater diversification than they might if balances were invested in a single fund, including blended investment options.
- **Call to action**—The letters of notification provide participants with timely information about defaulted balances, and encourage them to make their own investment decisions.

## How the Service Works—We Make It Easy for You

Contributions are automatically defaulted into a particular Freedom fund based upon the participant’s date of birth and according to the target retirement date that you, the plan sponsor, select. Contributions of participants without a valid date of birth are defaulted into the Freedom Income Fund or another default fund, as you direct.

When the initial contribution is defaulted, a letter will automatically be sent to participants informing them that because they have not made an investment election, their contribution has been invested in a Freedom fund. The letter also encourages them to contact a Fidelity phone representative or to visit Fidelity NetBenefits® at [www.fidelity.com/atwork](http://www.fidelity.com/atwork) to select their own investment options or to exchange existing balances into other options. Participants who do not subsequently make an investment election within 90 days of the initial announcement will receive a reminder letter upon their next contribution.

### Fidelity Freedom Funds®

Retirement Year	Fund
Retired 1997 or before →	Freedom Income
1998–2002 →	Freedom 2000
2003–2007 →	Freedom 2005
2008–2012 →	Freedom 2010
2013–2017 →	Freedom 2015
2018–2022 →	Freedom 2020
2023–2027 →	Freedom 2025
2028–2032 →	Freedom 2030
2033–2037 →	Freedom 2035
2038–2042 →	Freedom 2040

## ENHANCE THE POWER OF YOUR PLAN BY ADDING THE FREEDOM FUND AGE DEFAULT SERVICE TODAY

For more information about the Freedom Fund Age Default Service and how to integrate it with your retirement plan, contact your Fidelity representative.

*For more complete information about any of the mutual funds available through the plan, including fees and expenses, call or write Fidelity for free prospectuses. Read them carefully before you invest.*

Neither diversification nor asset allocation ensures a profit or guarantees against loss. Strategic Advisers, Inc., a subsidiary of FMR Corp., manages the Fidelity Freedom Funds. For plan sponsor use only.

Fidelity Investments Tax-Exempt Services Company  
A division of Investments Institutional Services Company, Inc., 82 Devonshire Street, Boston, Massachusetts 02109  
359523

19888-FF-AGE-DEF-FS-0204

1.797282

**SEVENTH AMENDMENT TO RECORDKEEPING AGREEMENT BETWEEN  
FIDELITY INVESTMENTS INSTITUTIONAL OPERATIONS COMPANY, INC. AND  
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

THIS AMENDMENT, effective as of the fifteenth day of May, 2007, by and between Fidelity Investments Institutional Operations Company, Inc. (“Fidelity”) and North Dakota Public Employees Retirement System (the “Sponsor”);

WITNESSETH:

WHEREAS, Fidelity and the Sponsor heretofore entered into a recordkeeping agreement, dated January 1, 2000, with regard to the State of North Dakota Defined Contribution Plan (the “Plan”); and

WHEREAS, Fidelity and the Sponsor now desire to amend said recordkeeping agreement as provided for in Section 11 thereof;

NOW THEREFORE, in consideration of the above premises Fidelity and the Sponsor hereby amend the recordkeeping agreement by:

- (1) *Effective May 15, 2007*, amending Item #2.a.(ii) of Schedule “A”, Recordkeeping Services, by adding the following to the list of Non-Fidelity Mutual Funds available to Sources 1, 2, 3, 4, 5, 6 and 8:

Goldman Sachs Mid Cap Value Fund – Class A

- (2) *Effective May 15, 2007*, amending Part “b” of the “investment options” section of Schedule “A”, Recordkeeping Services, by adding the following to the list of Non-Fidelity Mutual Funds available to Sources 7, 9, 10, 11, 12, 13, 14 and 15:

Goldman Sachs Mid Cap Value Fund – Class A

- (3) Amending by restating in its entirety, Item 2.b. of Schedule “A,” Recordkeeping Services, as follows:

b. **PLAN DEFAULT INVESTMENT OPTION:**

Sponsor directs Fidelity to default and to invest a Participant’s Plan contribution, transfer, or rollover into the applicable Freedom Fund based upon the Participant’s date of birth, if:

1. Fidelity does not receive an Enrollment Form or receive Participant indicative data via electronic transmission from the Sponsor;

2. Fidelity receives an incomplete Enrollment Form or incomplete Participant indicative data, e.g., no name, address, date of birth, or Social Security number; or
3. Fidelity receives an Enrollment Form or Participant indicative data with unclear or unspecified investment selections or allocations, e.g. the fund names are incorrect, the allocation percentages do not add up to 100%, or the fund choices are left blank.

The following table specifies the twelve (12) Participant Date of Birth ranges for each of the twelve (12) corresponding Freedom Funds:

<b><u>Participant Date of Birth</u></b>	<b><u>Fund</u></b>
1/1/1900 – 12/31/1932	Fidelity Freedom Income Fund <sup>®</sup>
1/1/1933 – 12/31/1937	Fidelity Freedom 2000 Fund <sup>®</sup>
1/1/1938 – 12/31/1942	Fidelity Freedom 2005 Fund <sup>®</sup>
1/1/1943 – 12/31/1947	Fidelity Freedom 2010 Fund <sup>®</sup>
1/1/1948 – 12/31/1952	Fidelity Freedom 2015 Fund <sup>®</sup>
1/1/1953 – 12/31/1957	Fidelity Freedom 2020 Fund <sup>®</sup>
1/1/1958 – 12/31/1962	Fidelity Freedom 2025 Fund <sup>®</sup>
1/1/1963 – 12/31/1967	Fidelity Freedom 2030 Fund <sup>®</sup>
1/1/1968 – 12/31/1972	Fidelity Freedom 2035 Fund <sup>®</sup>
1/1/1973 – 12/31/1977	Fidelity Freedom 2040 Fund <sup>®</sup>
1/1/1978 – 12/31/1982	Fidelity Freedom 2045 Fund <sup>SM</sup>
1/1/1983 – current	Fidelity Freedom 2050 Fund <sup>SM</sup>

Sponsor further understands and agrees that Fidelity will continue to default a Participant's future contributions into the applicable Fidelity Freedom Fund until such time that Fidelity receives from Sponsor a correct and complete Enrollment Form or correct and complete Participant indicative data. Furthermore, if Sponsor does not provide a Participant's date of birth, Sponsor directs Fidelity to default the Participant into the Fidelity Freedom Income Fund<sup>®</sup>.

In the case of unallocated Plan assets, the termination or reallocation of an investment option, the Plan's default investment shall be Managed Income Portfolio.

IN WITNESS WHEREOF, Fidelity and the Sponsor have caused this Seventh Amendment to be executed by their duly authorized signatories effective as of the day and year first above written. By signing below, the undersigned represent that they are authorized to execute this document on behalf of the respective parties. Notwithstanding any contradictory

provision of the agreement that this document amends, each party may rely without duty of inquiry on the foregoing representation.

NORTH DAKOTA PUBLIC EMPLOYEES  
RETIREMENT SYSTEM

FIDELITY INVESTMENTS  
INSTITUTIONAL OPERATIONS  
COMPANY, INC.

By: \_\_\_\_\_  
its authorized signatory                      date

By: \_\_\_\_\_  
its authorized signatory                      date

**EIGHTH AMENDMENT TO RECORDKEEPING AGREEMENT BETWEEN  
FIDELITY INVESTMENTS INSTITUTIONAL OPERATIONS COMPANY, INC. AND  
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

THIS AMENDMENT, effective as of the fifteenth day of May, 2007, unless otherwise stated herein, by and between Fidelity Investments Institutional Operations Company, Inc. (“Fidelity”) and North Dakota Public Employees Retirement System (the “Sponsor”);

WITNESSETH:

WHEREAS, Fidelity and the Sponsor heretofore entered into a recordkeeping agreement, dated August 1, 2004, with regard to the North Dakota State Deferred Compensation Companion Plan (the “Plan”); and

WHEREAS, Fidelity and the Sponsor now desire to amend said recordkeeping agreement as provided for in Section 14 thereof;

NOW THEREFORE, in consideration of the above premises Fidelity and the Sponsor hereby amend the recordkeeping agreement by:

- (1) *Effective February 1, 2005*, amending Part “b” of the “investment options” section of Schedule “A”, Recordkeeping Services, by removing “For the Employee Contribution and 457 Rollover asset classifications, the following funds are available:” and replacing it with the following:

For the Employee Contribution, 457 Rollover, Rollover 401(a), Rollover 403(b), and Rollover IRA asset classifications, the following funds are available:

- (2) *Effective May 15, 2007*, amending Part “b” of the “investment options” section of Schedule “A”, Recordkeeping Services, by adding the following to the list of Non-Fidelity Mutual Funds available to the Employee Contribution, 457 Rollover, Rollover 401(a), Rollover 403(b) and Rollover IRA asset classifications:

Goldman Sachs Mid Cap Value Fund – Class A

- (3) *Effective May 15, 2007*, amending Part “b” of the “investment options” section of Schedule “A”, Recordkeeping Services, by adding the following to the list of Non-Fidelity Mutual Funds available to the Mutual Fund Window asset classification:

Goldman Sachs Mid Cap Value Fund – Class A

IN WITNESS WHEREOF, Fidelity and the Sponsor have caused this Eighth Amendment to be executed by their duly authorized signatories effective as of the day and year first above





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# Memorandum

**TO: NDPERS Board**

**FROM: Kathy**

**DATE: April 10, 2007**

**SUBJECT: Defined Contribution Plan – 2006 Enrollment**

The following is our annual report for the Board outlining the number of contacts we made with new eligible employees and the number that actually transferred to the defined contribution plan in 2006:

	<b>Total Contacts</b>	<b>Total Transfers</b>
<b>2006</b>	100	12

We are available to answer any questions.



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# Memorandum

**TO:** PERS Board

**FROM:** Deb & Sparb

**DATE:** April 11, 2007

**SUBJECT:** LASR Status Report and Quarterly Update

Attached is the monthly report provided by L.R. Wechsler regarding the LASR project. Also enclosed is the Quarterly Report that was submitted to the Large Project Oversight Committee. Please contact either of us if you have any questions.



# L.R. Wechsler, Ltd.

## **North Dakota Public Employees Retirement System** Legacy Application System Review Project Monthly Status Report – March 31, 2007

### **Activities and tasks accomplished this reporting period**

- Procurement Activities
  - Updated score sheet and distributed.
  - Participated in site visits. Assisted in scoring the visits and identifying remaining issues.
  - Prepared for meeting with NDPERS and Sagitec in Minneapolis.

### **Activities planned for the next month**

- Procurement Activities
  - Updated score sheet and distributed.
  - Review results of KPERS and Sagitec MSP meeting with LASR committee.
  - Prepare for outcome of Board meeting on April 19<sup>th</sup>.
  - Prepare for, in the event we move forward with the vendor, contract negotiations.

### **Problems Encountered this Period**

- None

### **Reconciliation of Progress**

- None

### **Problems Anticipated Next Period**

- None

# Project Status Report

## *Legacy Application System Review Project Phase 3*

<b>For period:</b>	<i>January 1, 2007 – March 31, 2007</i>
<b>Submitted by:</b>	<b>Sparb Collins, Project Sponsor</b>
<b>Green</b>	Strong probability the project will be delivered on time, within budget, and with acceptable quality.
<b>Yellow</b>	Good probability the project will be delivered on time, within budget, and with acceptable quality. Schedule, budget, resource, or scope changes may be needed.
<b>Red</b>	Probable that the project will NOT be delivered with acceptable quality without changes to schedule, budget, resources, and/or scope.

### EXECUTIVE SUMMARY

Status Item	Current Status	Prior Status	Summary
<b>Overall Project Status</b>	<b>Green</b>	<b>Green</b>	<i>As of the end of the first quarter of 2007, the LASR project is within budget, on schedule and within the quality parameters expected by NDPERS. The Steering committee met regularly during the first part of this quarter, and periodically after that. Proposals received in response to the RFP that was issued were reviewed and evaluated by the steering committee. We continue to be slightly ahead of schedule, holding vendor product demonstration scenarios and participating in multiple site visits. We rate the current overall project status as "green".</i>
<b>Scope</b>	<b>Green</b>	<b>Green</b>	The project remains within the scope originally identified within the Project Charter submitted to ITD in July 2006.  We rate the current overall project status as a "green".
<b>Schedule</b>	<b>Green</b>	<b>Green</b>	The Project is actually slightly ahead of schedule. Key milestones include reviewing and evaluating eligible proposals received, product demonstration scenarios were conducted as well as reference checks and site visits being completed. In addition, two rounds of additional vendor clarification questions were requested and received. Overall, we rate the current schedule status as green.
<b>Cost</b>	<b>Green</b>	<b>Green</b>	The project costs remain within the budget identified by NDPERS and is accumulating at an acceptable rate. (i.e. one commensurate with the activities and tasks conducted over this period.)  Overall, we would rate the cost status as a green.
<b>Project Risk</b>	<b>Green/ Yellow</b>	<b>Green/ Yellow</b>	No new project risks presented themselves during this period. However, since there was only one response to the RFP received, should something occur that would prevent NDPERS from selecting the lone vendor, a re-bid would become necessary. This may impact the kick-off date of the LASR project and would result in higher costs, as proposals

			<p>would need to be solicited and evaluated again. However, at this time, it is expected that the kick-off date would not be impacted.</p> <p>At the end of the last reporting session, it was reported that a staff person who was a lead SME for the health insurance portion of the project left employment with NDPERS. While the vacancy has been addressed, the solution is to have an existing staff person pick up those additional duties and reassign other duties to a new hire. This does place more responsibility on fewer individuals, but appears to be reasonable with other duties being reassigned. A new employee will be starting in April to address the vacancy and re-assignment of duties.</p> <p>Overall, the project risk is rated at green/yellow and objectives are being met.</p>
--	--	--	---

**Accomplishments:**  
Major accomplishments through the reporting period include screening proposals to ensure minimum requirements were met, as well as evaluating eligible proposals within the scheduled amount of time. In addition, product demonstration scenarios were conducted, with SME's from NDPERS and ITD present. Reference checks were conducted by members of the LASR Committee and several site visits were completed and reported to the steering committee. Status meetings were held as needed and status notes and agendas were provided to the Steering Committee as well as a monthly status report for the NDPERS Board and updated monthly project plans.

**Expected Accomplishments:**  
Project activities planned for the next reporting period include compiling the LASR committee's recommendations for selecting a vendor and presenting it to the NDPERS Board. Provided the NDPERS Board wishes to proceed and that funding is approved by the legislature, negotiations will be initiated with the selected vendor. The schedule for this activity indicates that this phase should be completed by end of May.

## RISK MANAGEMENT

Status Item	Current Status	Prior Status	Summary
Project Risk	Yellow	Green	<i>Migration project and airline cancellations were identified as risks to project deadlines during this quarter.</i>

Risk Management Log Summary			
Risk #	Description	Response Plan	Owner
2007-1	NDPERS was notified by ITD that migration project was experiencing slippage and that NDPERS would not be able to work on the project on the dates as previously planned.	LASR Committee reviewed circumstances and decided to change the date of the kick-off from July 1, 2007 to October 1, 2007.	LASR Committee
2007-2	Due to cancellation of flight by NW Airlines, LASR committee had to reschedule site visit to KPERS in Topeka, KS.	As part of the committee was scheduled to continue on to a second site visit after the KPERS one, tickets had to be cancelled and purchased from another	Deb Knudsen

		airline. In addition, staff had to reschedule the KPERS visit, resulting in both KPERS and NDPERS having to reschedule.	
<b>Comments:</b> Item 2007-1 appears to be a viable solution, but may result in some change in the original teams proposed by vendors for services to be provided during that time. Item 2007-2 resulted in minimal cost dollarwise, however, it inconvenienced KPERS staff and resulted in NDPERS staff having to be out of the office on an alternate day than what was planned. Provided the vendors can provide acceptable personnel to be available for the October 1, the project is likely to remain on schedule.			
<b>Issues Log Summary</b>			
Issue #	Description	Required Action	Owner
	.		
<b>Comments:</b> No issues were identified during this time period.			

## SCOPE MANAGEMENT

Status Item	Current Status	Prior Status	Summary
<b>Scope</b>	<b>green</b>	<b>green</b>	<i>There were no changes to scope and all anticipated deliverables were accepted.</i>
<b>Change Control Log Summary</b>			
Change #	Description	Action Accept / Reject	Action Date
<b>Comments:</b> There were no changes in scope during this quarter.			
<b>Deliverable Acceptance Log Summary</b>			
Deliverable #	Deliverable Name	Action Accept / Reject	Action Date
	Final RFP	Accepted	
<b>Comments:</b> Monthly status reports, supplemental documents for product demonstration scenarios and site visits and project plan updates were delivered to Project Manager pursuant to the project plan agreed upon by NDPERS & L.R. Wechsler.			

## COST MANAGEMENT

Status Item	Current Status	Prior Status	Summary: Project is currently within budget and is expected to remain so.	
<b>Budget</b>	<b>Green</b>	<b>Green</b>		
Project Budget	Revised Budget (if applicable)	Expenditures to Date	Estimated Cost at Completion	
\$590,326.00	\$0.00	\$326,377.87	\$590,326.00	



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# Memorandum

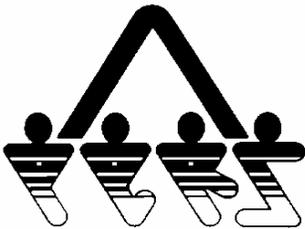
**TO:** PERS Board

**FROM:** Sparb

**DATE:** April 11, 2007

**SUBJECT:** Vendor Proposals

Information relating to vendor proposals will be distributed to the Board members prior to the Board meeting for discussion.



**North Dakota  
Public Employees Retirement System**  
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**Sparb Collins**  
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# Memorandum

**TO: NDPERS Board**

**FROM: Kathy**

**DATE: April 10, 2007**

**SUBJECT: NDPERS Personnel Policy Manual**

We have revised our Personnel Policy Manual as a result of a review of our computer access and internet policies. Recently OMB updated its policies to include the use of all Electronic Communication Devices (ECDs) provided to employees by the state. This policy was used as a model to update our current policies. A copy of the proposed policy is included for your review and applies to Sections 2.10, 2.11 and 2.12.

## **Board Action Requested**

Approve the revision to Section 2 of the NDPERS Personnel Policy Manual.

- 2.9 Use of NDPERS Property - NDPERS property, supplies and equipment is to be used for conducting NDPERS business. State law prohibits the use of NDPERS property for political purposes. Authorized Uses and Standards of Conduct are included in Section 2.12.

The following policies apply to personal use of NDPERS equipment.

Telephone - We recognize that you will make or receive personal telephone calls; however, the number and length of these calls should be kept to a minimum.

If you are required to make a personal long-distance call, you must either charge the call to your credit card or call collect. If your call should be charged to PERS because of an error, please notify your supervisor.

Cell Phone Use in Vehicles – The use of State-owned and personal cellular phones on-the-job and while operating a moving vehicle has restrictions/guidelines for use due to the distraction and lack of concentration presented to safe work performance. Refer to Chapter 26, subsection 2 for an outline of the guidelines.

Copy Machine(s) - Personal use of the copy machine(s) may be allowed. If you must use the machines for personal use, you may do so at a cost of 5¢ per copy. If you will be copying more than 50 pages at one time, you must receive prior approval from your supervisor.

Fax Machine - Personal use of the fax machine is not allowed.

Violation of these policies may result in disciplinary action.

- 2.10 Electronic Mail (e-mail) Policy - E-mail is one of PERS internal and external communication methods. E-mail originating from a North Dakota Public Employees Retirement System (NDPERS) e-mail account is to be considered the property of NDPERS. As such, the agency reserves the right to search and access employee e-mail when necessary to ensure the proper use of the system and to protect the interests of the agency. System features such as passwords and delete message functions do not affect the agency's ability to retrieve and right to review e-mail. Authorized Uses and Standards of Conduct are included in Section 2.12.
- 2.11 Internet Policy: Internet access is available to agency employees for conducting official business, such as researching business issues, accessing business-related data, information and training. An employee is responsible for any charges associated with billable Internet services unless appropriate authorization has been obtained before accruing the charge. Authorized Uses and Standards of Conduct are included in Section 2.12.
- 2.12 Use of Electronic Communication Devices - The North Dakota Public Employees Retirement System provides Electronic Communication Devices (ECDs) and an IT infrastructure designed to facilitate business communications among the agency, state government, educational entities, political subdivisions and our business contacts. These devices include telephone, facsimile (fax) machines, all computer and network-related hardware (including PDAs), software, and/or peripheral devices to include e-mail, copy machine, personal printers, and Internet. These devices are connected to the State's IT infrastructure and as such, public scrutiny and/or disclosure of usage must not damage the reputation of NDPERS or the state of North Dakota, nor jeopardize the IT system's integrity. Connecting hardware or software not approved by the State of ND and/or NDPERS to the State Network is strictly prohibited.

It is the intent of NDPERS to provide a policy that ensures appropriate use of ECDs. North Dakota state government branches and agencies are responsible for developing and administering policies to prevent or detect abuse and reduce legal exposure related to the use of ECDs. Unless exempted by law, all electronic communications shall follow North Dakota's Open Records Law.

- **Authorized Use:**

It is the agency's policy to limit the use of ECDs to official business. However, users may be permitted to utilize ECDs **provided by NDPERS** for personal use, off-duty, and if in compliance with the following terms of this policy:

- Does not interfere with the performance of the user's public duties;
- Is of nominal cost or value and is consistent with policies contained in Sections 2.9, 2.10, and 2.11.
- Does not create the appearance of impropriety;
- Is not for a political or personal commercial purpose;
- Is reasonable in time, duration, and frequency and is consistent with policies contained in Sections 2.9, 2.10, and 2.11.
- Makes minimal use of hardware and software resources; and
- Is in compliance with the Standards of Conduct outlined below.

- **Standards of Conduct:**

The use of ECDs outside the above described authorized uses is a violation of the agency's policy and the user may be held personally liable (legally, financially, or otherwise). ECDs should be used in a professional and ethical manner as noted below:

- Must not use ECDs for harassment or similar inappropriate behavior;
- Must not use ECDs for accessing sexually explicit, offensive, or erotic material;
- Must not create, distribute, copy, store, or knowingly use unauthorized copies of copyrighted material on state of North Dakota computers or transmit them over the state networks;
- Must not use ECDs for the purposes of probing or hacking;
- Must limit the use of ECDs for non-official business; including but not limited to "streaming" audio & video (which includes Internet radio, stock/news tickers, etc.)
- Must not use resource-intensive software such as WeatherBug, WebShots, etc.
- Must not use ECDs for any illegal activity, gambling, trading in illegal substances, etc.;
- Must not use ECDs to knowingly download copy, distribute, store, or use pirated software or data;
- Must not knowingly distribute viruses or bypass any state virus detection system in place;
- Must not use unauthorized codes or passwords to gain access to other employees' files;
- Must not place any State of North Dakota material on any publicly accessible internet computer without prior permission from the PERS executive director;
- Must not transfer confidential material or messages that contain protected health information (PHI);
- Must determine if a message is considered an official record and subject to the records retention schedule;
- Must contact the IT Division if a virus alert message is displayed when accessing a file from the internet;
- Must contact the IT Division before downloading large files from the internet;
- Must conform to state procurement policies when making business related purchases through an ECD.

Violation of these standards of conduct may result in disciplinary action.



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# Memorandum

**TO:** PERS Board  
**FROM:** Jim Smrcka  
**DATE:** April 9, 2007  
**SUBJECT:** Consultant Fees

Attached is a report showing the consulting, investment and administrative fees paid during the quarter ended March 31, 2007.

Please let me know if you have any questions on the report.

Attachment

