TESTIMONY OF

SPARB COLLINS

ON HB 1364

Madame Chair, members of the committee, my name is Sparb Collins. I am Executive Director of the North Dakota Public Employees Retirement System. Among our responsibilities is the administration of the group health plan.

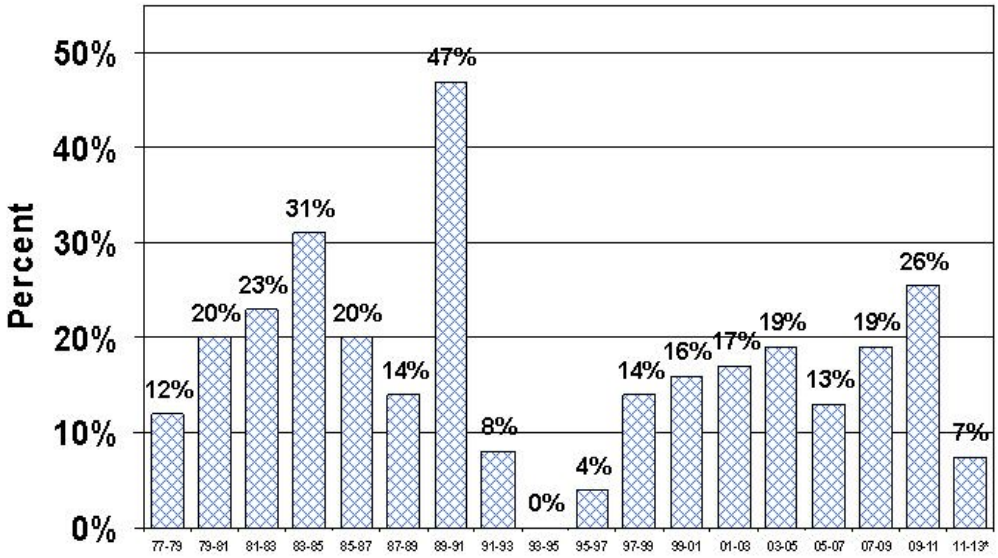
Background

The follow statistics relate to the plan:

	HEALTH
PARTICIPATION	
AGENCY	
State	**99**
Counties	**39**
School Dist	**28**
Cities	**57**
Others	**65**
	288
EMPLOYEES	
State	**14,682**
Counties	**1,865**
School Dist	**1,180**
Cities	**1,009**
Others	**521**
Legislators	**127**
Retirees	**5,694**
COBRA	**354**
	25,432

As you will note, PERS provides services to the state, participating political subdivisions and retirees. The primary challenge the plan has faced is rising health care costs.

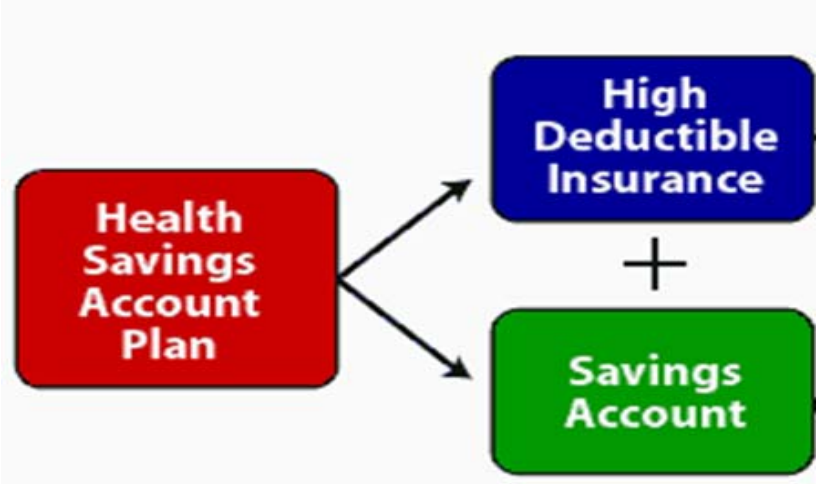
The following table is a history of those increases.



Recently, the plan has expanded its disease management programs and wellness programs. The cost increase for the next biennium is 7%, our third lowest.

Proposal

As proposed, this bill would allow for the implementation and administration of a consumer-directed health savings account option as well as High Deductible Health Plan option.



BCBS has indicated that adding this option would increase premiums about 1.5% or from $886.62 to $899.88 for the PPO plan. The PPO rate then becomes the premium for all agencies. While a lower rate is actually paid to BCBS, the difference in the premium billed and that paid to BCBS for coverage is deposited into a participant's health savings account. The goal in adding this health plan design option is to help maintain lower health plan trends in the future so we do not return to double digit premium increases in the high teens or low twenty percent range. By having members have more of a financial stake in their health care decisions, it could reduce utilization which in turn would reduce overall premium increases in the future.

Federal law authorizes the establishment of High Deductible Health Plans (HDHP), under which individuals may establish Health Savings Accounts (HSA) into which they and their employers can make federal tax-exempt contributions that can be used for the payment of certain qualified medical expenses. Annual contribution limits are established under federal law and are based on the individual's status, eligibility, and health plan coverage. As a condition of establishing a Health Savings Account, an individual must be covered under a High Deductible Health Plan. The specific requirements of high-deductible health plans are provided in federal law, but generally require the payment of a certain minimum deductible and the expenditure of certain out-of-pocket expenses before an individual's medical services are covered under the plan. For 2010 the federal law states that in order to be eligible to establish a health savings account the qualified high deductible health plan must have deductible limits of at least $1,200 single and $2,400 family and the maximum out-of-pocket expenses must be no more than $5,950 single and $11,900 family.

The following table shows the existing plan and the HDHP option:

Plan Design	NDPERS PPO/Basic	High Deductible Health Plan
Single Deductible	$400	At least $1,200
Family Deductible	$1,200	At least $2,400
Single Out-of-pocket maximum	$1,150/$1,650	No more than $5,950
Family Out-of-pocket maximum	$2,700/$3,700	No more than $11,900
Copayments (office visits, therapy)	$25/30	Subject to Deductible and Out-of-pocket maximum
Prescription Drugs (generic, brand, non-formulary)	$5/20/25	Subject to Deductible and Out-of-pocket maximum

The bill also provides that the difference in premium (based upon the equivalent single/family premium) would be paid into the member's HSA account. Based upon estimated premiums for next biennium, this would be an approximate annual amount of $645 per year for those with a single plan and $1,563 for those with a family plan. BCBS has indicated that cost of adding this option is that health premiums for 2011-2013 will increase for the state by about 1.5% or from $866.62 to $899.88 (part of this increase is used to fund the HSA). This additional cost can be paid from the expected settlement with BCBS for this biennium so actual premiums would not have to increase. Alternatively, premiums are being reprojected in February so this may also be paid directly from the existing premium if our projected rates go down. You will note the bill also provides an appropriation to PERS to pay for changes to our business system to accommodate this new design and additional cost for rolling out the plan design option.

Other State HDHP Experiences

Attached is a memo from our consultant that compares the enrollment experience of two states - Indiana and Minnesota. You will note that after several years Indiana had about 70% of their employees enroll in the HDHP. However, the experience in Minnesota was that 60 enrolled out of 4,000 eligibles.

Other Observations

- Health savings accounts are designed to belong to the individual and move freely with the individual. These funds move from employer to employer or can be held directly by the individual if the employer does not offer a health savings account.
- Health savings accounts must be held in trust and contributions to a health savings account must be vested immediately.
- Health savings account dollars can be used for additional benefits not currently covered, such as Long Term Care insurance, some over the counter drugs, retiree insurance, etc.
- You may not have a Flexible Spending Account and a Health Savings Account unless the Flexible Spending Account is for limited use (services not covered by the health plan). The state presently has a flexible spending account for employees.

Madame Chair, members of the committee, lastly I would like to request the following amendment:

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1364

Page 1, line 20, after the underscored period insert "At least"

Page 1, line 21, replace "Once" with "once"

Renumber accordingly

Based upon a call with our consultant yesterday, it was their suggestion that we leave open the option to do the enrollment annually.

You will note that this bill received a favorable recommendation from the Legislative Employee Benefits Committee. PERS has taken a neutral position on the bill.