

# NDPERS BOARD MEETING

## Agenda

**Bismarck Location:**  
Workforce Safety & Insurance  
1600 East Century Avenue  
**Fargo Location:**  
Workforce Safety & Insurance  
2601 12<sup>th</sup> Avenue SW

**April 24, 2013**

**Time: 8:30 AM**

### **I. MINUTES**

- A. March 28, 2013
- B. April 3, 2013

### **II. RETIREMENT**

- A. Legislation Update
- B. Review of Segal Contract – Sparb (Board Action)

### **III. GROUP INSURANCE**

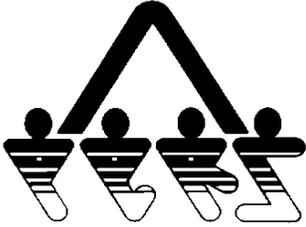
- A. Legislation Update
- B. Health Insurance Rates – Sparb (Board Action)
- C. Heart of America HMO – Kathy (Board Action)
- D. About the Patient Diabetes Program – (Board Action)

### **IV. MISCELLANEOUS**

- A. Budget Update – Sharon (Information)
- B. Quarterly Consultant Report – (Information)
- C. RIO Update – Mr. Sandal (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.



**North Dakota**  
**Public Employees Retirement System**  
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Bismarck, North Dakota 58502-1657

**Sparb Collins**  
Executive Director  
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1-800-803-7377

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# Memorandum

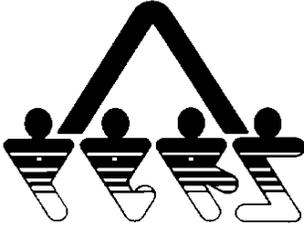
**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** April 18, 2013  
**SUBJECT:** Health Legislation

All the health related legislation has been acted upon by the legislature and Governor. All the bills were passed and signed. The only remaining issue relates to funding for the newly eligible employees who will get employer premiums support pursuant to the ACA. As submitted in the Executive Recommendation this funding was in the OMB budget. It was taken out by the House. Consequently, this will need to be settled in the final discussions between the House and Senate. If no additional funding is provided, agencies will need to support these additional costs in their existing appropriation.

The following is a breakdown of the most recent version of the bill.

<b>Section 1</b>	Increases the member contribution to the Highway Patrol Plan by 1% on January 1, 2014 and 1% January 1, 2015
<b>Section 2</b>	Increases the employer contribution to the Highway Patrol Plan by 1% on January 1, 2014 and 1% January 1, 2015
<b>Section 3</b>	Extends the DC option to all state employees in PERS, higher education employees and the judicial branch in the DB statute
<b>Section 4</b>	Increases the temporary member contributions to the PERS Main Plan by 2% on January 1, 2014 and 2% January 1, 2015
<b>Section 5</b>	Increases the member contribution to the PERS Main Plan by 1% on January 1, 2014 and 1% January 1, 2015
<b>Section 6</b>	Increases the employer contribution to the PERS Main Plan by 1% on January 1, 2014 and 1% January 1, 2015
<b>Section 7</b>	Increases the employer and employee contribution to the PERS Judges Plan by 1% on January 1, 2014 and January 1, 2015
<b>Section 8</b>	Increases the member contribution to the Air National Guard by .5% on January 1, 2014 and .5% January 1, 2015
<b>Section 9</b>	Increases the member contribution to the Peace Officer and Correctional officer employed by political subdivisions by .5% on January 1, 2014 and .5% January 1, 2015
<b>Section 10</b>	Extends the DC option to all state employees in PERS (HP, TIAA-CREF & TFFR state employees are not in PERS) in the DC statute
<b>Section 11</b>	Increases the temporary member contributions to the PERS DC Plan by 2% on January 1, 2014 and 2% January 1, 2015
<b>Section 12</b>	States that all new state employees may elect to participate in the DC plan, that the election is irrevocable, that they will get a lump sum transfer of funds and that such an election does not affect their eligibility for health benefits or the retiree health plan. Also states the board shall establish rules and policies for the process. Previously it was "rules" which would have delayed implementation until the middle or later part of 2014 (three quarters of a year to a year)
<b>Section 13</b>	Increases the employer and employee contribution to the PERS DC Plan by 1% each on January 1, 2014 and 1% each on January 1, 2015
<b>Section 14</b>	Provides that consideration should be given to studying the State Retirement plans (PERS, TFFR, etc)
<b>Section 15</b>	Provides an appropriation to PERS of \$22,000 to implement the provisions of the act. Costs are low since this bill extends the existing process. If it process changed the costs would be higher
<b>Section 16</b>	Sets the starting date for the DC provisions as October 1, 2013 thereby giving PERS time to set it up. Since this just extends the existing process to more members implementation time is limited to just 2 months after the effective date (August & Sept). If the existing process was changed implementation time would be longer.
<b>Section 17</b>	Sets an expiration date of July 2017 for the DC plan option so it can be reviewed to insure it is not causing the DB/hybrid plan funding status to decrease. Also by having the expiration date it substantially reduces that cost, avoids the need to fund it at this time, reduces the cost shift to political subdivisions and provides time to insure accurate estimate of those leaving the DB/Hybrid plan

The conference committee members for the House are Representatives Boehning, Louser, and Zaiser. For the Senate it is Senators Dever, Krebsbach and Nelson. The first meeting of the committee has been schedule for April 17<sup>th</sup> and 9:30 a.m. and 4:00 p.m.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** April 18, 2013  
**SUBJECT:** Segal Rates

At the February 2012 meeting it was decided to renew our contract with Segal for two more years since they have been extensively involved in developing our recovery plan and doing all the requested projections. The motion was as follows:

**MR. SANDAL MOVED APPROVAL TO EXTEND THE CONTRACT WITH SEGAL FOR TWO YEARS BEGINNING JULY 1, 2012 AT THE HOURLY RATE, AND RE-EVALUATE THE HOURLY RATE AFTER THE FIRST YEAR. THE MOTION WAS SECONDED BY MR. ERDMANN.**

Attached is last year's renewal offer from Segal. The cost information is on page 2 for the actuarial valuations and the time charges is on page 3.

Recently TFFR renewed its contract with Segal. The cost of their valuation is \$40,000. Please note that when comparing this to the PERS valuation, ours is for six valuations and TFFR's is for the one system. In comparing the time charges, TFFR uses a composite rate (\$280 per hour), whereas we use a rate based upon the individual doing the work which is on page 3 of the attached offer.

In reviewing the rates for the second year, it seems that the composite rate Segal is offering TFFR is more advantageous than the hourly rate per category we are presently paying. I would suggest that we investigate this provision of our contract. If you agree, I will start discussions with Segal and get some information for your consideration at the May meeting.



THE SEGAL COMPANY  
1920 N Street NW, Suite 400 Washington, DC 20036  
T 202.833.6400 F 202.833.6490 www.segalco.com

**DIRECT DIAL NUMBER**  
(202) 833-6437

**E-MAIL ADDRESS**  
ceitelberg@segalco.com

February 8, 2012

Mr. Sparb Collins  
Executive Director  
North Dakota Public Employees' Retirement System  
400 East Broadway, Suite 505  
Bismarck, ND 58502

**Re: Proposed Contract Extension**

Dear Sparb:

The current consulting services contract extension expires June 30, 2012. Based upon your request, we are proposing a two-year extension of the current contract. The proposed fee increases are necessary to continue to provide quality consulting and are supported by the actual level of effort expended for NDPERS.

Segal values our over 20-year relationship with the System and has made every effort to provide increases that support the ever increasing level of diligence and care required for all public employee retirement systems. Our knowledge of the System's plans and provisions enhances assessing the impact of proposed changes and identifying future challenges. We will continue to work closely with the Board and staff through increased communications utilizing team calls to assure concurrence on and the outcome of core services and special projects.

The following tables set forth the proposed fees for consideration.

**Benefits, Compensation and HR Consulting** ATLANTA BOSTON CALGARY CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES  
MINNEAPOLIS MONTREAL NEW ORLEANS NEW YORK PHILADELPHIA PHOENIX PRINCETON RALEIGH SAN FRANCISCO TORONTO WASHINGTON, DC



**Multinational Group of Actuaries and Consultants** BRUSSELS DUBLIN GENEVA HAMBURG JOHANNESBURG LONDON MELBOURNE NEW YORK  
PARIS STOCKHOLM TOKYO TORONTO UTRECHT

<b>Fixed Fee Rates</b>	<b>Existing Fee 7/1/11-6/30/12</b>	<b>Proposed Fee Year One 7/1/12-6/30/13</b>	<b>Proposed Fee Year Two 7/1/13-6/30/14</b>
Actuarial Valuation and Consulting Services			
-Plans: General, Judges, Law Enforcement with prior service, Law Enforcement without prior service, Highway Patrol, National Guard et.al.	\$65,600	\$68,200	\$71,000
- Retiree Health Insurance Credit Fund	\$12,100	\$12,600	\$13,100
- Job Service North Dakota	\$17,600	\$18,300	\$19,000
<b>Total Fixed Fee Matters</b>	<b>\$95,300</b>	<b>\$99,100</b>	<b>\$103,100</b>

<b>Time Charge Rates</b>			
QDRO, Compliance Consulting, General Consulting and Special Projects	Time Charges per schedule	Time Charges per schedule	Time Charges per schedule
Flexible Compensation	Time Charges per schedule	Time Charges per schedule	Time Charges per schedule
Legislative Analysis	Time Charges per schedule	Time Charges per schedule	Time Charges per schedule
401(a) Defined Contribution Plans	Time Charges per schedule	Time Charges per schedule	Time Charges per schedule
457 Plan	Time Charges per schedule	Time Charges per schedule	Time Charges per schedule

The overall fixed fee covers the valuations listed above and two onsite meetings, one with the Board and one before the Legislative Committee. Other special projects or consulting will be charged on an hourly rate basis as listed below with prior approval from the System.

<b>Hourly Rates</b>	<b>Existing Fee 7/1/11-6/30/12</b>	<b>Proposed Fee Year One 7/1/12-6/30/13</b>	<b>Proposed Fee Year Two 7/1/13 - 6/30/14</b>
Consulting Actuary	\$380	\$395	\$410
Reviewing Actuary	\$410	\$425	\$440
Senior Actuarial Analyst	\$350	\$365	\$380
Actuarial Analyst	\$235	\$245	\$255
Compliance Consultant	\$360	\$375	\$390
Compliance Analyst	\$235	\$245	\$255

Instead of the consultant-based rates above, if the Board wishes, for all special projects or consulting outside the fixed fee may instead be charged at blended rate, held constant for two years, shown below.

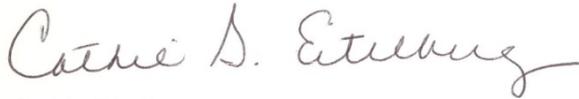
<b>Hourly Rates</b>	<b>Existing Fee 7/1/11-6/30/12</b>	<b>Proposed Fee Year One 7/1/12-6/30/13</b>	<b>Proposed Fee Year Two 7/1/13 - 6/30/14</b>
Blended Rate	N/A	\$350	\$350

Please note that any charges associated with the internal transition of work between the San Francisco and Los Angeles offices will not be charged to the System.

Mr. Sparb Collins  
North Dakota Public Employees' Retirement System  
February 8, 2012  
Page 4

We respectfully submit this proposal for an extension. Please do not hesitate to call if I can answer any questions.

Sincerely,



Cathie Eitelberg  
Senior Vice President  
National Director, Public Sector Market

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Sparb Collins  
Executive Director  
North Dakota Public Employees' Retirement System

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Date

cc: John Coyle  
Brad Ramirez  
Tammy Dixon  
Steve Ohanian

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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** April 18, 2013  
**SUBJECT:** Retirement Legislation

Concerning HB 1452, the Senate and House have appointed a conference committee on the bill. The following table summarizes the status of the bill.

HB 1452		
	Engrossed House Bill	Senate GVA Amendments
<b>Proposal/ Amendments</b>	Allows new state employees the opportunity to enroll in the PERS DC plan	<ul style="list-style-type: none"> <li>• Amends in the last two years of the PERS Recovery Plan to get the retirement plans back to 100% funded status. This was approved in SB 2059 by the Senate and recommended by the Legislative Employee Benefits Committee &amp; Governor. Defeated in the House.</li> <li>• Limited the DC option to a period of 4 years (through July 2017) to reduce cost, risk and refine the election assumption.</li> <li>• Misc admin. changes:               <ol style="list-style-type: none"> <li>1. Added \$22,000 appropriation for admin expenses</li> <li>2. Allowed PERS Bd to establish policies for the program instead of administrative rules which would have delayed start to 2014</li> <li>3. Changed transfer amount from actuarial value to actual contributions</li> <li>4. Set effective date of DC option at Oct 2013</li> <li>5. Clarified enrollment process to maintain existing process</li> </ol> </li> </ul>
<b>Actuarial Cost</b>	Assuming 10% of new employees elect to enroll in DC plan, the cost is that contributions should increase by: 1.06% for the main plan; 1.07% for the judge's plan; .53% for the Law enforcement plan and .34% for the Nat. Guard Plan.	<ul style="list-style-type: none"> <li>• Increases contributions for the recovery plan and to fund the DC option by 4% (2% employer/ 2% employee) for the main plan, Highway patrol, Judges and DC plan over the biennium. For the Nat. Guard and Law Enforcement 1% employee increase with a 1% employer increase by the Board over the biennium based upon actuarial estimates.</li> <li>• Reduced the cost of the DC option by 80% from 1.06% to .2% of payroll for the Main plan by adding the expiration date and made the cost of the DC option part of the recovery plan contribution increases</li> </ul>
<b>Risk</b>	If election rates are higher than 50% it would cause the funded status of the plan to decrease and at 100% the funded status would go to "0"	<p>The expiration date:</p> <ul style="list-style-type: none"> <li>• mitigates this risk by allowing an opportunity to review the effect on the DB/Hybrid plan with the benefit of actual election rate information instead of estimated in 2017.</li> <li>• reduces the cost so the ARC (actuarial required contribution) will be less which is helpful for the States bond ratings.</li> <li>• Substantially reduces cost transfer to political subdivisions</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>• The bill does not pay the actuarial cost</li> <li>• Will increase the unfunded liability</li> </ul>	<ul style="list-style-type: none"> <li>• The amendment pays all actuarial costs</li> <li>• Will respond to the concerns of the rating agencies</li> <li>• Will reduce the unfunded liability to "0" by around 2050 assuming no more than 10% transfer to dc plan &amp; option continues</li> </ul>



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** April 17, 2013  
**SUBJECT:** Health Insurance Rates

Now that the session is drawing to a close and we have the benefit of Legislatures and the Governor's direction concerning the health plan, we need to move forward to set the final rates for the 2013-15 biennium. We have three areas that we need direction from the Board and they are:

- A. The billed rates
- B. The subsidy methodology
- C. The High Deductible Health Plan (HDHP)

## **A. The Billed Rates**

### 1. Active & PreMedicare Retirees

The rate for the state health plan as submitted by BCBS in the last bid was \$1001.72 (as you may recall, the Sanford bid was \$1112.62) which is a 12.98% increase. The Governor and Legislature approved a rate of \$981.69. Our existing rate this year is \$886.62. The difference was anticipated to be made up from our reserves. Since we need to round our rate to an even number, the rate we would charge the state would be \$981.68 (this was the Governor's recommendation). This means the rate increase for the state is 10.72% or about 2.00% less than the BCBS rate. Since the state rate is at 10.72%, this sets the standard for the rates for the other categories (political subdivisions, temporary employees, etc).

**Therefore, staff would recommend that the Board approve a 10.72% increase for all groups on the plan in Rate Structure A (those on the plan before July 1, 2013). Groups joining the plan after would pay the full rate (Rate Structure B).** As in the past, rate structure B will apply to all groups that join the plan on or after July 1, 2013 and has a year 1 and year 2 rate to recognize the additional risk for enrollees joining the plan during the biennium.

## 2. Medicare Retiree

The rate for this group is composed of the medical premium and the PDP premium (prescription drug premium). The medical portion of the premium participates in the gain/loss of the PERS plan. The PDP portion of the premium does not. Also as you will recall the medical premiums for this group will not be going up based upon the BCBS bid. **Therefore, staff is suggesting that medical premiums for all members on this plan before July 1 be reduced by 2.00%. For those members joining on July 1 and after they would not get the “buydown” and would be rate structure B.**

## 3. Wellness and Pre-Medicare rates

Added to the rates will be the 1% for those employers not having an employer based wellness program. The pre-Medicare rates match the requirements in NDCC 54-52.1-02.

### **B. The Subsidy Methodology**

Approximately \$3,000,000 of our reserves comes from our participation in the Early Retiree Reinsurance Program (ERRP) that was a part of the Affordable Care Act. At the May 2010 PERS Board meeting we reviewed the requirements for using the funds:

1. To reduce the sponsor's health benefit premiums or health benefit costs.
2. To reduce health benefit premium contributions, copayment, deductibles, coinsurance, or other out-of-pocket costs, or any combination of these costs, for plan participants.
3. To reduce any combination of the costs in (a)(1) and (a)(2) of this section

The Board decided at that time:

**MR. SANDAL MOVED THAT PERS APPLY FOR THE RETIREE REINSURANCE SUBSIDY IMMEDIATELY, AND ANY MONIES RECEIVED WILL BE USED TO HELP REDUCE HEALTH CARE COSTS FOR PERS MEMBERS. THE MOTION WAS SECONDED BY MR. ERDMANN.**

Based upon that direction, the consensus was that it would be used to reduce premiums in the future. Consequently, that money was allocated to our reserve to use as part of the “buydown of premiums” for this upcoming biennium.

The HHS does require that these funds must be expended by December of 2014. Based upon this requirement and the proposed “buydown” methodology discussed above, staff is suggesting that we use the ERRP money first in buying down the premiums. Once that is exhausted, we would then go to our general reserves. Using this method should comply with the federal requirements. I have also asked Deloitte to look at this proposal and their comments are attached.

### Board Action Requested

1. Approve limiting the increase for all non-retired members in rate category "A" to 10.72% with the remainder of the funds coming from reserves.
2. Approve giving Medicare retirees in rate category "A" a 2.00% reduction in medical premiums.
3. Approve the category "B" rates which are those bid by BCBS and dividing them into a first year second year rate.
4. Approve using the ERRP funds first to buydown the rates.

### **C. High Deductible Health Plan**

With the passage of HB 1059, PERS is now authorized to offer the High Deductible Health Plan (HDHP) to political subdivisions. To begin the process of making this available, staff is suggesting the following:

1. Offer the HDHP in the same manner that we previously offered the EPO product to political subdivisions. That is all employees of a political subdivision would need to join the HDHP and it would be the only offering to employees. This would reduce the risk to the PERS PPO plans since healthy members could join the HDHP and others would join the PPO (please keep in mind that we offer this to political subs without the HSA which can create this incentive if offered on a dual basis).
2. That we make the HDHP available to our participating political subdivisions beginning January 1, 2014. The rate would be the Schedule A rate. Using this date as initial offering for our existing political subdivisions would coordinate it with the beginning of a new plan year for deductibles, co-insurance and other provisions.
3. Allow new political subdivisions to enroll in the HDHP at the time they join the plan.

## Memo

**Date:** April 16, 2013

**To:** Sparb Collins, Executive Director  
North Dakota Public Employees Retirement System

**From:** Robert Davis  
Pat Pechacek

**Subject:** Proposed Use of Early Retiree Reinsurance Program Reimbursements

### Issue

NDPERS currently holds approximately \$3 million in Early Retiree Reinsurance Program (ERRP) reimbursements in a reserve account, along with approximately \$50 million in additional reserves from other sources. Pursuant to guidance issued by the U.S. Department of Health and Human Services' Centers for Medicare & Medicaid Services (CMS), NDPERS must use these ERRP reimbursements "... as soon as possible, but not later than December 31, 2014." 77 Federal Register 16,551 (March 21, 2012).

For the 2013-2015 biennium, the aggregate premium increase for the NDPERS group health plans will be approximately 12%. The State has agreed to cover approximately 10%, and has directed that the remainder be paid from reserves – including the \$3 million in ERRP reimbursements.

Even though the ERRP reimbursements are being held in a reserve account with other assets, they are (and will continue to be) accounted for separately. The ERRP reimbursements will be used before any other reserves to pay the portion of the increase not being covered by the State. We understand this methodology will ensure the full \$3 million (plus any interest earned on that amount) is used by the December 31, 2014 deadline.

### How ERRP Reimbursements May Be Used

CMS regulations specify that ERRP reimbursements may be used only to –

- (1) Reduce the sponsor's health benefit premiums or health benefit costs;
- (2) Reduce health benefit premium contributions, copayments, deductibles, coinsurance, or other out-of-pocket costs, or any combination of these costs, for plan participants; or
- (3) Reduce any combination of the costs described in (1) and (2) above.



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Solely for the information and use of North Dakota Public Employees Retirement System and not to be relied upon by any other person or entity

Member of Deloitte Touche Tohmatsu Limited

To: Sparb Collins, Executive Director  
North Dakota Public Employees Retirement System  
Subject: Early Retiree Reinsurance Program  
Date: April 16, 2013  
Page 2

The regulations also specify that plan sponsors may not use reimbursements as general revenue. As a result, plan sponsors that choose to use ERRP reimbursements to reduce their health benefit premiums or health benefit costs can do so only to the extent needed to *offset increases* in the sponsor's health benefit premiums or health benefit costs.

Plan sponsors generally may not use ERRP reimbursements to pay plan administrative costs, or to offset increases in such costs. However, there is a limited exception to this rule for sponsors of insured plans in cases where administrative costs are built into the premium and the insurer does not quantify how much of the premium is allocated to such costs.

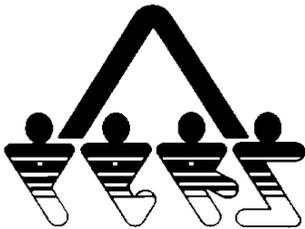
These restrictions on using ERRP reimbursements extend to any interest income on ERRP reimbursements on deposit in the reserve account.

### **Analysis**

The proposed use of the remaining \$3 million in ERRP reimbursements appears consistent with current guidance on permissible uses for these reimbursements. Specifically, the ERRP reimbursements are being used to offset increases in the State's health benefit premiums or health benefit costs.<sup>1</sup> This, in turn, is directly benefitting the plan's participants, who otherwise would be asked to help offset the increased premium cost.

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<sup>1</sup> NDPERS should confirm that this proposed use is consistent with representations made on its initial ERRP application regarding how ERRP reimbursements would be used.



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# Memorandum

**TO:** NDPERS Board  
**FROM:** Kathy  
**DATE:** March 12, 2013  
**SUBJECT:** Heart of America Health Plan

Attached is the request from Heart of America Health Plan in Rugby to continue to offer its health plan to state and participating political subdivision employees in its Rugby service area. The term of this renewal is from July 1, 2013 through June 30, 2014. The new rates are included in the materials provided by Heart of America. The premiums for all coverage levels of coverage and plan options for the upcoming contract period have increased by approximately 10% over the current year. All other required information is attached and appears to be in order. The State Insurance Department has indicated that there have been no complaints or appeals filed against Heart of America over the past year.

The following outlines the current number of contracts for those employers in the Rugby service area:

Rolette County	3
Game & Fish	1
Pierce County	6
City of Rugby	1

Since we last reported, participation in the HOA plan has decreased by 2 contracts.

Also, attached for your information is a notice we received from Heart of America announcing its intention to affiliate with Sanford Health Plan by becoming a subsidiary of Sanford Health. An application has been filed with the State Insurance Department and there will be a public hearing on April 25, 2013. Heart of American has indicated that if this transaction is approved, it will have no impact on its relationship with NDPERS for the term of the next renewal period.

## **BOARD ACTION REQUESTED**

Accept or reject the Heart of America request to continue to offer its health plan to PERS membership in the Rugby service area for the contract period July 1, 2013 through June 30, 2014.



810 S. Main, Rugby, ND 58368

(701) 776-5848 or 800-525-5661

www.hoahp.com

email: hoahp@gondtc.com

RECEIVED

DEC 31 2012

ND PERS

December 26, 2012

Sparb Collins  
North Dakota Public Employees Retirement System  
Box 1657  
Bismarck, ND 58502

RE: Request to offer HAHP to qualified ND PERS Employees

Dear Mr. Collins,

The Heart of America Health Plan is requesting its continued participation in the North Dakota Public Employees Retirement System. We are asking for the continued participation for eligible employees living in the Rugby market area. Enclosed is the following information for your use in considering our request:

1. Copy of Certificate of Authority issued by the ND Commissioner of Insurance
2. Copy from the Secretary of Health and Human Services that Heart of America Health Plan is a federally qualified HMO.
3. Rate sheets for 2013.
4. Financial statements for Heart of America Health Plan.
5. Benefit grids for Rugby market area plans (High, Low & Share Option).
6. Provider directory for the Rugby market area.

In addition, Heart of America Health Plan agrees to hold open enrollment coinciding with the dates the board holds open enrollment for the program.

As in the past, we are submitting this information to assure our continued participation with NDPERS as a health carrier for our Rugby market area. Please consider this at your next meeting and let us know if any further information is needed. Thank you for your consideration of our request.

Sincerely,

A handwritten signature in cursive script that reads "Mary Ann Jaeger".

Mary Ann Jaeger  
Marketing Representative

Enc.

Cc: Kathy Allen

STATE OF NORTH DAKOTA  
Department of Insurance

RECEIVED  
AUG 5 2004  
HMO



Certificate of Authority

This Is To Certify that pursuant to the Insurance Code of the State of North Dakota, Heart of America Health Plan, organized under the laws of North Dakota, subject to its Articles of Incorporation or other fundamental organizational documents is hereby authorized to transact within the State of North Dakota, subject to provisions of this certificate, the following lines of insurance:

Accident & Health

as such lines are now or may hereafter be defined in Title 26.1, the insurance laws of the State of North Dakota.

This certificate is expressly conditioned upon the holder hereof now and hereafter being in full compliance with all of the applicable laws and lawful requirements made under authority of the laws of the State of North Dakota as long as such laws or requirements are in effect and applicable, and as such laws and requirements now are, or may hereafter, be changed or amended.

This certificate is at all times the property of the State of North Dakota and shall continue in force as long as the Insurer is entitled thereto under the laws of the State of North Dakota and until suspended or revoked or otherwise terminated, at which time the Insurer shall promptly deliver this Certificate to the Insurance Commissioner of the State of North Dakota.

In Witness Whereof, I have hereunto set my hand at the City of Bismarck on August 1, 2004.

JIM POOLMAN

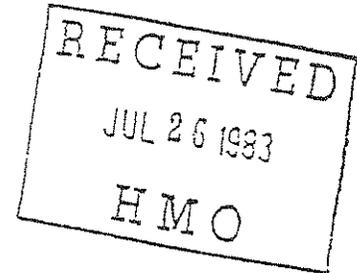
  
COMMISSIONER OF INSURANCE

Bureau of Health Maintenance Organizations  
and Resources Development

Health Resources and  
Services Administration  
Rockville MD 20857

July 22, 1983

Mr. Kenneth L. Ulmer  
Executive Director  
Heart of America Health Maintenance  
Organization  
Human Service Center  
Rugby, North Dakota 58368



Dear Mr. Ulmer:

We are pleased to inform you that Heart of America Health Maintenance Organization meets the requirements of an operational group model qualified health maintenance organization in accordance with Title XIII of the Public Health Service Act and 42 CFR 110.603. This finding is based on a review of the qualification application, other submissions to the Department and on-site inspections. The service area shown in the enclosure has been approved.

Qualification will be effective on the date of the signature on the enclosed assurance document by which the HMO agrees to continue to abide by the requirements of the Act and applicable regulations. To assist us in verifying continued compliance with the requirements of the Act, Heart of America Health Maintenance Organization must comply with the National Data Reporting Requirements for a Type A HMO. These reporting requirements will be sent to you by the Division of Compliance upon receipt of your assurances.

Please sign, notarize, and return the assurances to the Division of Qualification, Room 9-21 Parklawn Building, 5600 Fishers Lane, Rockville, Maryland 20857 within 30 days of the date of this letter. If the assurances are not returned by this date, we will assume that Heart of America Health Maintenance Organization is declining designation as a federally qualified health maintenance organization.

My best wishes for success in your HMO endeavors.

Sincerely

A handwritten signature in cursive script that reads "Frank Seubold".

Frank H. Seubold, Ph.D.  
Acting Associate Director for  
Health Maintenance Organizations

Enclosures

cc: Chairman of the Board

## HEART OF AMERICA HEALTH PLAN RATES - 2013

### RUGBY PLAN

*Group*

#### CONTRACT

#### PLAN TYPE

	<u>HIGH OPTION</u>	<u>LOW OPTION</u>	<u>SHARE OPTION</u>
SINGLE	\$538.40	\$493.50	\$402.00
SINGLE PLUS DEPENDENT	\$924.10	\$850.50	\$693.10
FAMILY	\$1,262.30	\$1,170.40	\$954.60

# HAHP'S BALANCE SHEET

As of 9-30-12

<b>ASSETS</b>	<b>Current YTD</b>	<b>Previous YTD</b>
General Checking	\$58,107	\$301,534
Money Market Accounts	\$179,252	\$229,213
Kodiak Oil & Gas	\$0	\$0
Ferrellgas Stock	\$36,860	\$48,659
Central Harvest States Stock	\$44,621	\$40,810
Investors Real Estate Trust (IRET)	\$197,866	\$194,981
Bonds	\$0	\$0
CD's	\$979,057	\$1,013,762
Accrued Interest on Investments	\$24,170	\$19,858
Premium Income	\$4,731	\$1,360
A/R Reinsurance	\$74,353	\$6,637
A/R CMS Settlements	\$148,394	\$0
A/R Operations	\$0	\$0
Prepaid Insurance	\$1,683	\$1,702
Furniture, Equipment & Leasehold	\$2,206	\$4,723
<b>TOTAL ASSETS</b>	<b>\$1,751,300</b>	<b>\$1,863,239</b>
<b>LIABILITIES</b>		
Unearned Premium		
Rugby Non-Medicare	\$11,765	\$14,439
Minot Non-Medicare	\$2,558	\$2,327
Rugby Medicare	\$13,499	\$16,016
CMS Contribution	\$0	\$44,945
A/P Administrative Bills	\$0	\$0
A/P Premium Tax	(\$9,101)	\$16,592
A/P Payroll Taxes	\$1,095	\$1,287
Accrued Vacation	\$8,772	\$13,140
IRA's Payable	\$0	\$0
Claims Adjustment Payable	\$21,632	\$29,264
Reported But Unpaid Claims	\$427,854	\$260,614
Incurred But Not Reported	\$214,123	\$254,654
<b>TOTAL LIABILITIES</b>	<b>\$692,197</b>	<b>\$653,278</b>
Surplus Notes	\$320,000	\$320,000
Accumulated Surplus Funds	\$739,103	\$889,961
<b>TOTAL SURPLUS</b>	<b>\$1,059,103</b>	<b>\$1,209,961</b>
<b>TOTAL LIABILITIES &amp; SURPLUS</b>	<b>\$1,751,300</b>	<b>\$1,863,239</b>

# HAHP Income Statement

As of 9-30-12

<b>REVENUE</b>	<b>Current Month</b>	<b>Current YTD</b>	<b>Previous YTD</b>
Rugby Non-Medicare Premium	\$263,879	\$2,317,664	\$2,417,225
Minot Non-Medicare Premium	\$12,906	\$127,414	\$136,153
Medicare Premium	\$98,150	\$906,222	\$913,721
Rugby Reinsurance	\$0	\$13,070	\$306,699
Minot Reinsurance	\$0	\$184,006	\$0
Interest	\$2,030	\$30,857	\$31,539
CMS Settlement Reimbursement	\$15,194	\$15,194	\$33,708
<b>TOTAL REVENUE</b>	<b>\$392,159</b>	<b>\$3,594,427</b>	<b>\$3,839,045</b>
 <b>EXPENSES</b>			
<b>Rugby</b>			
Capitation Payments	\$81,369	\$713,443	\$750,031
In-Area Services	\$34,877	\$432,627	\$384,637
Referral Services	\$188,313	\$1,733,906	\$2,671,713
Out-Of-Area Services	\$7,558	\$82,722	\$25,509
Other Medical Services	\$5,117	\$108,217	\$84,345
 <b>Minot</b>			
In-Area Services	\$41,289	\$846,127	\$368,835
Out-Of-Area Services	\$0	\$1,869	\$888
Other Medical Services	\$0	\$473	\$3,012
Discounts from Providers	(\$54,644)	(\$662,170)	(\$814,515)
Reinsurance	\$27,688	\$220,593	\$193,670
Premium Tax	\$5,181	\$47,771	\$49,774
Plan Administration	\$31,675	\$243,212	\$276,258
<b>TOTAL EXPENSES</b>	<b>\$368,423</b>	<b>\$3,768,790</b>	<b>\$3,994,157</b>
 <b>SURPLUS (DEFICIT)</b>	 <b>\$23,736</b>	 <b>(\$174,363)</b>	 <b>(\$155,112)</b>
Unrealized Gain/Loss w/ Investments	\$18,151	\$27,164	\$0
Realized Gain/Loss w/ Investments	\$0	\$0	\$0
 <b>NET SURPLUS / DEFICIT</b>	 <b>\$41,887</b>	 <b>(\$147,199)</b>	 <b>(\$155,112)</b>

# Heart of America Health Plan

# "High Option Plan"

NO Annual Deductibles!!	COPAYMENT	HAHP	EXCEPTIONS/LIMITATIONS
DESCRIPTION OF BENEFITS	AMOUNT YOU PAY	BENEFIT AMOUNT	
<b>Preventive Health Services</b> Routine childhood and adult immunizations. Routine physicals, Gynecological exams, Prostate and Breast exams, Mammograms, Pap smears, PSA's and other preventive health services.*	\$0 \$0	100% 100%	No maximum benefit allowance.
<b>Physician Services</b> Hospital visits, including inpatient and skilled nursing facility visits. Office visits and/or house calls authorized by PCP. Specialist consultation and treatment when authorized by PCP.	\$0 \$15 \$25	100% 100% 100%	
<b>Diagnostic / Therapeutic Services</b> X-Rays, CT scans, MRI's, EKG's, Laboratory Tests, Chemotherapy, Radiation, & other medically necessary services.	\$0	100%	
<b>Inpatient Hospital Services</b> Semi-private room, Physician services, General nursing services, Surgery and facilities, Intensive care, & other medically nec. services.	\$0	100%	
<b>Outpatient Hospital Services at Primary Care Hospital</b>	\$0	100%	
<b>Maternity Services</b> Prenatal care. Hospital services, Birthing/delivery, & Newborn nursery. Well-baby care.	\$15 \$0 \$0	100% 100% 100%	\$15 copay on first visit. Then 100% covered.
<b>Emergency Services</b> Emergency room, Physician/Nursing services, & Ambulance services.	\$30	100%	In or Out of Area Emergencies.
<b>Mental Health Services</b> Inpatient &/or Partial hospitalization. Outpatient Residential Treatment	\$0 \$0	100% 100%/80% 100%	Inpatient Max: 45 days per calendar year. Outpatient: 100% hours 1-5; hours 6-30 80% Up to 120 days per member per calendar year
<b>Alcohol and Substance Abuse Services</b> Inpatient &/or Partial hospitalization. Outpatient.	\$0	100% 100%/80%	Inpatient Max: 60 days per calendar year. Outpatient: 100% visits 1-5; visits 6-20 80%
<b>Referral Services</b> Authorized referral to a specialty physician or facility on the HAHP preferred physician referral list. Authorized referral to a specialty physician or facility NOT on the HAHP preferred physician referral list when services can NOT be provided by participating providers. Authorized referral to a specialty physician or facility NOT on the HAHP preferred physician referral list when services CAN be provided by participating providers.	\$25 \$25 \$25	100% 100% 80%	With prior authorization by PCP and HAHP With prior authorization by PCP and HAHP With prior authorization by PCP and HAHP \$3,000 coinsurance maximum per contract per calendar year.
<b>Chiropractic Care</b>	\$10	100%	With prior approval by PCP and HAHP
<b>Physical, Speech, and Occupational Therapy</b>	\$10		Short-term therapy is 1st two consecutive months. Long-term therapy is one PT and one OT visit/month following short term.
<b>Durable Medical Equipment</b> Orthopaedic and Prosthetic Devices.			80% coverage on items exceeding \$25. Coinsurance max. payable by the member is \$500/contract/year. Maximum benefit is \$3,500 member/year.
<b>Skilled Nursing Facility</b> Medical care and treatment including room and board, when prescribed by PCP and in participating provider facility.			100% coverage when authorized by primary care physician. (Up to 60 days per calendar year)
<b>TMJ (Temporomandibular joint disorder)</b> <b>CMJ (Cranio-mandibular joint disorder)</b>			Lifetime maximum of \$10,000 surgical, \$2,500 non-surgical/member.
<b>Home Health Nursing Care</b>			100% coverage when authorized by primary care physician.
<b>Hospice Services</b>			Covered in accordance with Medicare Guidelines.
This sheet describes the essential features of the HAHP plan in general terms and is not intended to be a full description.			
* Copayment, coinsurance and deductible cost-sharing is waived for certain preventive services.			

# Heart of America Health Plan

# "Low Option Plan"

NO Annual Deductibles!!		COPAYMENT	HAHP	EXCEPTIONS/LIMITATIONS
DESCRIPTION OF BENEFITS		AMOUNT YOU PAY	BENEFIT AMOUNT	
<b>Preventive Health Services</b> Routine childhood and adult immunizations. Routine physicals, Gynecological exams, Prostate and Breast exams, Mammograms, Pap smears, PSA's and other preventive health services.*		\$0 \$0	100% 100%	No maximum benefit allowance.
<b>Physician Services</b> Hospital visits, including inpatient and skilled nursing facility visits. Office visits and/or house calls authorized by PCP. Specialist consultation and treatment when authorized by PCP.		\$0 \$15 \$25	100% 100% 100%	
<b>Diagnostic / Therapeutic Services at Primary Care Hosp.</b> X-Rays, CT scans, MRI's, EKG's, Lab tests, Chemotherapy, Radiation, & other medically necessary services.		\$0	100%	20% Coinsurance will be applied to readings & interpretations for these services billed by an outside facility.
<b>Inpatient Hospital Services</b> Semi-private room, Physician services, General nursing services, Surgery and facilities, Intensive care, & other medically nec. services.		\$250 (1st/4th Day)	100%	\$1,000 copay maximum per contract per calendar year
<b>Outpatient Hospital Services at Primary Care Hospital</b>		\$0	100%	
<b>Maternity Services</b> Prenatal care. Hospital services, Birthing/delivery, & Newborn nursery. Well-baby care.		\$15 \$250 \$0 (1st/4th day)	100% 100% 100%	\$15 copay on first visit. Then 100% covered. \$1,000 copay max per calendar year
<b>Emergency Services</b> Emergency room, Physician/Nursing services, & Ambulance services.		\$30	100%	In or Out of Area Emergencies.
<b>Mental Health Services</b> Inpatient &/or Partial hospitalization. Outpatient. Residential Treatment		\$250 (1st/4th day) \$250 (1st/4th day)	100% 100%/80% 100%	Inpatient Max: 45 days per calendar year. Outpatient: 100% hours 1-5; hours 6-30 80% Up to 120 days per member per calendar year
<b>Alcohol and Substance Abuse Services</b> Inpatient &/or Partial hospitalization. Outpatient.		\$250	100% 100%/80%	Inpatient Max: 60 days per calendar year. Outpatient: 100% visits 1-5; visits 6-20 80%
<b>Referral Services</b> Authorized referral to a specialty physician or facility on the HAHP preferred physician referral list. Authorized referral to a specialty physician or facility NOT on the HAHP preferred physician referral list when services can NOT be provided by participating providers. Authorized referral to a specialty physician or facility NOT on the HAHP preferred physician referral list when services CAN be provided by participating providers.		\$25 \$25 \$25	80% 80% 80%	\$500 coinsurance max. per calendar year \$500 coinsurance max. per calendar year With prior authorization by PCP and HAHP. \$3,000 coinsurance max. per calendar year
<b>Chiropractic Care</b>		\$10	80%	With prior approval by PCP and HAHP.
<b>Physical, Speech, and Occupational Therapy</b>		\$10		Short-term therapy is 1st two consecutive months. Long-term therapy is one PT and one OT visit/month following short term
<b>Durable Medical Equipment</b> Orthopaedic and Prosthetic Devices.				80% coverage on items exceeding \$25. Coinsurance max. payable by the member is \$500/contract/year. Maximum benefit is \$3,500/member/year.
<b>Skilled Nursing Facility</b> Medical care and treatment including room and board, when prescribed by PCP and in participating provider facility.				100% coverage when authorized by primary care physician. (Up to 60 days per calendar year)
<b>CMJ (Cranio-mandibular joint disorder)</b> <b>TMJ (Temporomandibular joint disorder)</b>				Lifetime maximum of \$10,000 surgical, \$2,500 non-surgical/member.
<b>Home Health Nursing Care</b>				100% coverage when authorized by primary care physician.
<b>Hospice Services</b>				Covered in accordance with Medicare Guidelines.

This sheet describes the essential features of the HAHP plan in general terms and is not intended to be a full description.

\* Copayment, coinsurance and deductible cost-sharing is waived for certain preventive services.

# Heart of America Health Plan "Share Option Plan"

Deductibles= SNG-\$500 SPD-\$750 FAM-\$1000 Coinsurance Max/Yr= SNG-\$1000 SPD-\$1500 FAM-\$2000	COPAYMENT AMOUNT YOU PAY	BENEFIT AFTER DEDUCT.	EXCEPTIONS/LIMITATIONS
DESCRIPTION OF BENEFITS			
<b>Preventive Health Services (By Primary Care Physician)</b> Routine childhood and adult immunizations. Routine physicals, Gynecological exams, Prostate and Breast exams, Mammograms, Pap smears, PSA's and other preventive health services.*	\$0 \$0	100% 100%	No maximum benefit allowance. Deductible Waived
<b>Physician Services (By Primary Care Physician)</b> Hospital visits, including inpatient and skilled nursing facility visits. Office visits and/or house calls authorized by PCP.	\$0 \$15	100% 100%	Deductible Waived
<b>Diagnostic Services</b> X-Rays, CT scans, MRI's, EKG's, Lab Tests and other medically necessary services provided at Primary Care hospital or other facility.	\$0	80%	
<b>Chemotherapy &amp; Radiation Therapy</b> Services provided at Primary Care Clinic	\$0	100%	Deductible Waived
Services provided at Primary Care Hosp.or contracted Referral Facility	\$0	80%	Deductible Applies
<b>Inpatient Hospital Services</b> Semi-private room, Physician services, General nursing services, Surgery and facilities, intensive care, & other medically nec. services.	\$0	80%	
<b>Outpatient Hospital Services</b> at Primary Care Hospital or Referral Facility	\$0	80%	
<b>Maternity Services</b> Prenatal care (at Primary Care Clinic) Hospital services, Birthing/delivery, & Newborn nursery. Well-baby care (at Primary Care Clinic)	\$15 \$0 \$0	100% 80% 100%	\$15 copay on first visit. Then 100% covered. Deductible applies Deductible waived
<b>Emergency Services</b> Emergency room, Physician/Nursing services.	\$30	80%	In or Out of Area Emergencies.
<b>Ambulance Services</b>	\$0	80%	When medically necessary
<b>Mental Health Services</b> Inpatient &/or Partial hospitalization. Outpatient. Residential Treatment	\$0 \$0 \$0	80% 80% 80%	Inpatient Max: 45 days per calendar year. 100% hours 1-5; (hours 6-30 80% after deductible) Up to 120 days per member per calendar year
<b>Alcohol and Substance Abuse Services</b> Inpatient &/or Partial hospitalization. Outpatient.	\$0 \$0	80% 80%	Inpatient Max: 60 days per calendar year. 100% visits 1-5;(visits 6-20; 80% after deduct.)
<b>Referral Services</b> Authorized referral to a specialty physician or facility on the HAHP preferred physician referral list. Authorized referral to a specialty physician or facility NOT on the HAHP preferred physician referral list when services can NOT be provided by participating providers. Authorized referral to a specialty physician or facility NOT on the HAHP preferred physician referral list when services CAN be provided by participating providers.	\$25 \$25 \$25	80% 80% 60%	With prior authorization by PCP and HAHP With prior authorization by PCP and HAHP With prior authorization by PCP and HAHP
<b>Chiropractic Care</b>	\$10	80%	With prior approval by PCP and HAHP
<b>Physical, Speech, and Occupational Therapy</b> Outpatient	\$10	80%	Short-term therapy: 1st two consecutive months Long-term therapy: one PT/ one OT visit/month
<b>Durable Medical Equipment</b> Orthopaedic and Prosthetic Devices.	\$0	80%	\$2,000 Maximum Benefit per member/year.
<b>Skilled Nursing Facility</b> Medical care and treatment including room and board, when prescribed by PCP and in participating provider facility.	\$0	80%	When authorized by primary care physician. (up to 60 days per calendar year)
<b>TMJ/CMJ (Temporomandibular/Craniomandibular joint disorder)</b>	\$0	80%	Lifetime max. of \$10,000 surg./\$2,500 non-surg.
<b>Home Health Nursing Care</b>	\$0	80%	when authorized by primary care physician.
<b>Hospice Services</b>	\$0	80%	Covered in accordance with Medicare Guidelines.

This sheet describes the essential features of the HAHP plan in general terms and is not intended to be a full description.

\* Copayment, coinsurance and deductible cost-sharing is waived for certain preventive services.



810 S. Main, Rugby, ND 58368

(701) 776-5848 or 800-525-5661

www.hoahp.com

email: hoahp@gondtc.com

RECEIVED

APR 03 2013

ND PERS

April 1, 2013

**Re: Notice of Public Hearing Regarding the Acquisition of Control of Heart of America Health Plan**

To: Heart of America Health Plan Policyholders

Heart of America Health Plan is pleased to announce a new relationship and opportunity with Sanford Health Plan! The purpose of this letter is to inform you of our intention to affiliate with Sanford Health Plan by becoming a subsidiary of Sanford Health Plan.

Pursuant to the North Dakota Insurance Holding Company System Act, chapter 26.1-10, you are hereby notified that Sanford Health Plan's *Form A* Application was filed on April 1, 2013, to acquire control of Heart of America Health Plan, a North Dakota domestic insurer, by Sanford Health Plan. The *Form A* Application outlines Sanford Health Plan's history, method of acquisition and future plans for Heart of America Health Plan.

As a Heart of America Health Plan member, you may attend and participate in a hearing open to the public and attendees may comment or ask questions about the transaction or simply observe this portion of the North Dakota Insurance Commissioner's approval process. Reasonable accommodations will be made for persons with disabilities.

DATE: Thursday, April 25, 2013

TIME: 1:00 p.m.

PLACE: Grand International Hotel located at 1505 N. Broadway, Minot, ND 58703

As a member of Heart of America Health Plan, please be aware that you will experience minimal impact as a result of this transaction. Heart of America Health Plan will continue its daily operations to support its current product lines and clientele. No changes will be made in the senior management and current staff will continue to facilitate its daily operations. After the transaction is consummated, Sanford Health Plan may choose to combine the operations of certain departments to cause operational efficiencies, introduce new business procedures, information systems, or expand product lines and/or services currently offered by Heart of America Health Plan.

RECEIVED

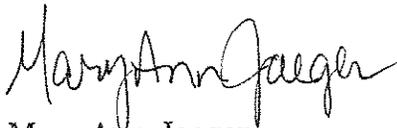
APR 03 2013

ND PERS

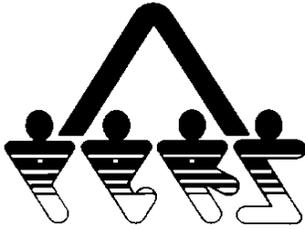
Heart of America Health Plan will continue operations and maintenance of all records relating to its business in their current location at 810 S Main, Rugby, ND 58368.

Sanford Health Plan is a community focused non-profit organization. Built on the foundation of becoming *stronger together*, this new relationship will provide our members with new opportunities and a continued commitment to our organization and the communities we serve.

Respectfully,

A handwritten signature in cursive script that reads "Mary Ann Jaeger".

Mary Ann Jaeger  
Executive Director  
Heart of America Health Plan



**North Dakota  
Public Employees Retirement System**  
400 East Broadway, Suite 505 • Box 1657  
Bismarck, North Dakota 58502-1657

**Sparb Collins**  
Executive Director  
(701) 328-3900  
1-800-803-7377

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FAX: (701) 328-3920 • EMAIL: [NDPERS-info@nd.gov](mailto:NDPERS-info@nd.gov) • [www.nd.gov/ndpers](http://www.nd.gov/ndpers)

# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** April 18, 2013  
**SUBJECT:** About the Patient Diabetes Program

Wendy Brown and Mike Schwab will be at the next Board meeting to discuss the renewal of the diabetes program for the 2013-15 biennium. This program as established in Section 54-52.1-17 of the North Dakota Century states:

**54-52.1-17. Uniform group insurance program - Collaborative drug therapy program - Funding.**

1. The board shall establish a collaborative drug therapy program that is to be available to individuals in the medical and hospital benefits coverage group. The purpose of the collaborative drug therapy program is to improve the health of individuals with diabetes and to manage health care expenditures.
2. The board shall involve physicians, pharmacists, and certified diabetes educators to coordinate health care for covered individuals with diabetes in order to improve health outcomes and reduce spending on diabetes care. Under the program, pharmacists and certified diabetes educators may be reimbursed for providing face-to-face collaborative drug therapy services to covered individuals with diabetes. To encourage enrollment in the plan, the board shall provide incentives to covered individuals who have diabetes which may include waived or reduced copayment for diabetes treatment drugs and supplies.
3. The North Dakota pharmacists association or a specified delegate shall implement a formalized diabetes management program with the approval of the prescriptive practices committee established in section 43-15-31.4, which must serve to standardize diabetes care and improve patient outcomes. This program must facilitate enrollment procedures, provide standards of diabetes care, enable consistent documentation of clinical and economic outcomes, and structure an outcomes reporting system.
4. The board shall fund the program from any available funds in the uniform group insurance program and if necessary the fund may add up to a two dollar per month charge on the policy premium for medical and hospital benefits coverage. A state agency shall pay any additional premium from the agency's existing appropriation.

Pursuant to the above, we established the PERS diabetes disease management program modeled on the Asheville program with North Dakota pharmacists.

Attached is information from Wendy on the program and a proposed renewal. She will go over this at the Board meeting and be available to ask questions.

When rolled out, this program was offered to all eligible employees and to all newly eligible employees. That is what we call our current service level (CSL). Consequently, since all existing eligible employees have been solicited for this program we are now only soliciting newly eligible employees. If we decided to continue forward at the current service level, the cost of maintaining program would be \$77,000 as discussed on page 4.

However, as you will note, it is being suggested that we should consider not only maintaining our CSL but also resoliciting existing eligible employees (those who were previously eligible but did not elect to participate). This expanded service level (ESL) is discussed on page 5 and could cost up to \$481,000. Staff would recommend the ESL.

Funding from this program will come from the PERS reserves.

Board Action Requested:

Approve the program for the 2013-2015 biennium and determine if it should be offered at the CSL or the ESL.

# About the Patient

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## Collaborative Drug Therapy Program Annual Report

2013

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Wendy Brown, Clinical Coordinator

About The Patient— 1641 Capital Way Bismarck, ND 58501

T: 1.888.326.4657 DD: 701.231.6685 E: [wbrown@aboutthepatient.net](mailto:wbrown@aboutthepatient.net)

## Executive Summary

The Uniform Group Insurance Program-Collaborative Drug Therapy Program in accordance with section 54-52.1-17 of the North Dakota Century code purpose is to improve the health of individuals with diabetes in order to manage health care expenditures through face-to-face collaborative drug therapy services by pharmacists and certified diabetes educators. For covered individuals waived or reduced co-payment for diabetes treatment drugs and supplies are provided as an incentive for program participation. The North Dakota Pharmacist Association or specified delegate currently About the Patient facilitates patient curriculum based on national standards for diabetes care, enrollment procedures, documentation of clinical encounters, and assess economic/clinical outcomes. Funding of program is through the uniform group insurance program and if necessary an additional charge on the policy premium for medical and hospital benefits coverage may be added up to two dollars per month.

The About The Patient Program has been administering the Diabetes Management Program since July of 2008. A cost analysis of the Diabetes Management Program was conducted by the Center for Health Promotion and Prevention Research, University of North Dakota School of Medicine and Health Sciences in November of 2010. Return on investment calculation demonstrated a \$71.14 pmpm health cost savings (\$2.34 saved for every \$1.00 spent for the program). Funding and program administration by About The Patient was extended for next biennium July 2011-June 2013.

In an effort to control cost associated with the Diabetes Management Program clinical documentation software changed from Medication Management Systems documentation platform, Assurance, to the North Dakota Pharmacy Services Corporation electronic health record system MTM Express in 2010. October of 2011 the original clinical coordinator for About the Patient Jayme Steig stepped down and Michael Schwab assumed interim clinical coordinator responsibilities. The new clinical coordinator, Wendy Brown, co-funded by North Dakota State University College of Pharmacy, Nursing and Allied Sciences was hired as a 0.5FTE and resumed coordination of the program January 2012.

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## CONTENTS

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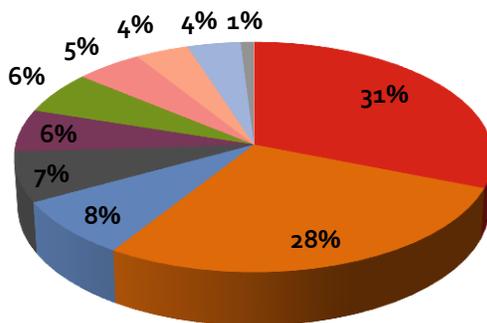
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# Diabetes Management Program

The Diabetes Management Program is an opt-in program for North Dakota Public Employee Retirement System beneficiaries with diabetes. On a monthly basis newly eligible patients are sent a letter explaining the program as well as a wellness enrollment form. The wellness enrollment form allows patients to choose one of 50 community pharmacy locations across North Dakota for face-to-face program participation. Patients are eligible for six visits within the first year and two visits per year thereafter. By actively partaking in the program patients receive reimbursement of co-pays on diabetes medications, ACE inhibitors and testing supplies on a quarterly basis. The patient curriculum is based on the seven self-care behaviors identified by the American Association of Diabetes Educators and principles of medication therapy management as outlined by the American Pharmacist Association. Patients are seen by a health professional, currently a community pharmacist, who has complete additional training in diabetes management outside of their terminal degree and must document continuing education in this area on an annual basis. All patient clinical encounters are documented and billed using the North Dakota Pharmacy Services Corporation electronic medical record software MTM Express™.

## Program Analysis 2011-2013



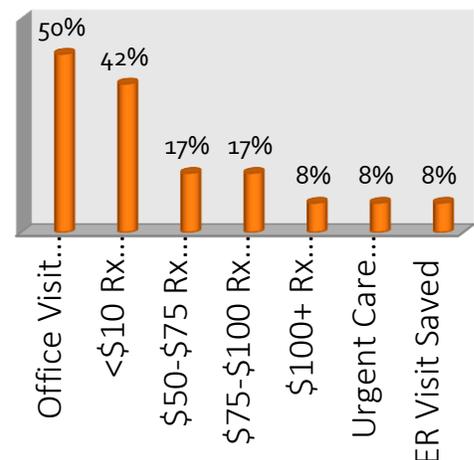
- Side Effect Minimized/Eliminated
- Dosage to Low
- Preventive Medicine
- More Effective Drug Available
- Adherence Barrier
- Discontinue Therapy
- Untreated Condition Identified
- Cost Barrier
- Dosage to High
- Avoided ADR

Total interventions were 155. Most common interventions were addressing know side effect of medications with education on how to minimize effects to improve medication adherence and necessity to adjust insulin dosing due to too low of dose. This was also reflected in the average A1c upon entry into program of 7.3 (Range 6.1-13.1). Half of all cost savings documented by pharmacists were in relation to prevention of unnecessary office visits. Noteworthy interventions were the ability to discontinue Actos to prevent a potential adverse drug reaction and identification of untreated depression and stable angina, then due to collaboration with primary care provider's initiation of proper medical management.

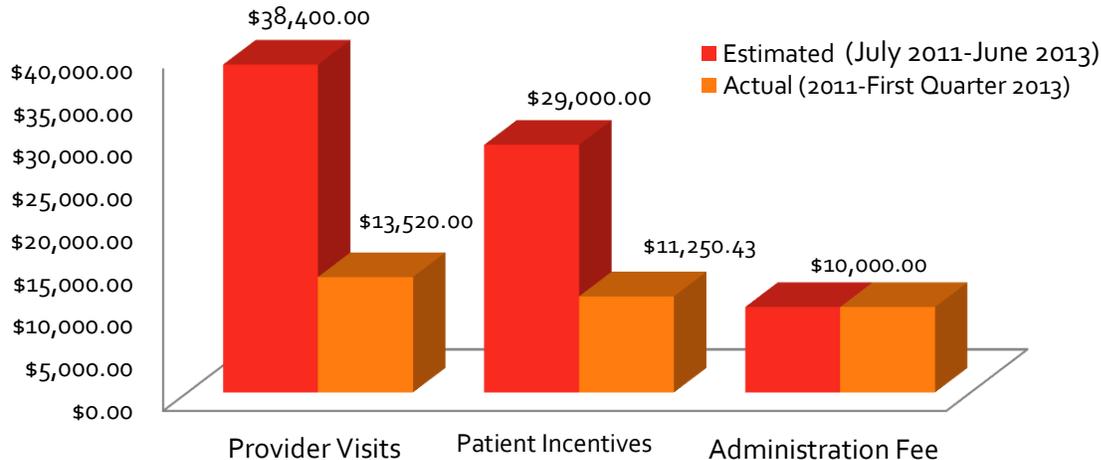
### DEMOGRAPHICS

- ▲ 54% FEMALE AND 46 % MALE
- ▲ 67% OF PARTICIPANTS ARE 50 YEARS OLD OR OLDER
- ▼ MAJORITY OF PATIENTS ARE PARTICIPATING IN BISMARCK, GRAND FORKS, FARGO OR MINOT
- ▼ RURAL LOCATIONS BEING UTILIZED ARE CARRINGTON, FORMAN, CAVALIER AND OAKS

### Intervention- Cost Saving



## Current Levels of Services July 2011 - June 2013



### Marketing:

In 2008 when the program was first launched a letter to **all eligible** patients as well as a follow up postcard was delivered and over 200 individuals opted into the program that year. Current recruitment occurs on a monthly basis where **newly eligible** patients are sent a letter and a wellness enrollment form that lists all the program provider locations. In 2012, current marketing strategy engaged ~4% of the **newly eligible** patients.

### Provider Visits:

Estimate based on 1 initial visit (\$400.00) and 7 follow up visits (\$80.00 each) over 2 years for a total per patient cost of \$960.00 or approximately 40 patients. Actual number of active patients from 2011-first quarter of 2013 was 39. The difference in estimated and actual cost is due to patients not taking advantage of all available follow up visits.

### Patient Incentives:

The difference in the estimated cost compared to actual cost was due to engagement of more patients with Type 2 Diabetes who were more commonly on oral generic agents compared to patients with Type 1 Diabetes who are on brand name insulin.

**Using the current level of service, cost estimates for the next biennium (July 2013-June 2015) would be similar to the current biennium (\$77,000). The estimated cost would cover current patients being served and approximately 40 new patients.**

## Proposed Level of Services July 2013-June 2015

July 2013-June 2015	
<b>Direct Program Cost</b>	
Provider Visits	\$336,000.00
Patient Incentives	\$120,000.00
<b>Subtotal</b>	<b>\$456,000.00</b>
<b>Administration Costs</b>	
<b>Subtotal</b>	<b>\$20,000.00</b>
<b>Marketing Costs</b>	
Direct to consumer mailings	\$5000.00
<b>Subtotal</b>	<b>\$5000.00</b>
<b>TOTAL Biennial Expenses</b>	<b>\$481,000.00</b>

Expense estimates are for serving 400 patients (~10% participation rate) over the next biennium. Each patient would receive a Comprehensive Medication Review (CMR-\$400.00) and up to 2 Targeted Medication Reviews (TMR-\$80.00) the first year and one CMR (\$200.00) and one TMR (\$80.00) in year two for a potential total of 5 visits (\$840.00 per patient) over 2 years. Looking at total patient incentives paid and numbers of participants over the last biennium, incentive estimates per patient were \$300.00.

New estimates adjusted for observed patient utilization of program would save about \$33,000.00 in total program costs.

In-kind from NDPhA and NDSU: Telephone (maintaining toll free direct number for patients), office space, office supplies, Training/Credentialing/Certification of providers, patient curriculum, Clinical Coordinator, Data Analysis.

## Marketing proposal

During the fourth quarter of 2013 a direct to consumer marketing campaign will be launched with a goal to activate 10% of the **eligible patient** population over the next biennium. Newly eligible patients will continue to receive a letter and enrollment form on a monthly basis. In addition, all eligible patients will receive a letter explaining the program along with enrollment form and two follow up postcards.

	Letter/Enrollment form	Postcard 1	Postcard 2
<b>Newly Eligible</b>	<b>Monthly</b>		
<b>All Eligible Patients Last Names Starting with A-L</b>	<b>Fourth Quarter 2013</b>	<b>First Quarter 2014</b>	<b>Second Quarter 2014</b>
	Oct- A-D	Jan-A-D	Apr-A-D
	Nov- E-H	Feb-E-H	May-E-H
	Dec-I-L	Mar-I-L	Jun-I-L
<b>All Eligible Patients Last Names Starting with M-Z</b>	<b>First Quarter 2014</b>	<b>Second Quarter 2014</b>	<b>Third Quarter 2014</b>
	Jan-M-P	Apr-M-P	Jul-M-P
	Feb-Q-T	May-Q-T	Aug-Q-T
	Mar-U-Z	June-U-Z	Sep-U-Z

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## Strategic Goals

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In addition to a Clinical Coordinator,

About The Patient to hire full time  
Program Manager third quarter 2013

Marketing Campaign for eligible patients  
beginning forth quarter 2013

Cost Analysis of Program first quarter  
of 2015 and to be presented second  
quarter 2015 NDPERS board meeting

About The Patient would like to thank the North Dakota Pharmacist Association and North Dakota Public Employees Retirement System for their continued partnership to provide innovative community based clinical pharmacy services to eligible patients in North Dakota.

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## Diabetes Management Program

Date

Dear Member ,

Living with daily health concerns can affect all parts of your life. North Dakota Public Employees Retirement System (NDPERS) knows that the care you receive now is important to your future health. Having a health care team (Primary care Provider, Diabetes Educator, Clinical Pharmacist, and Dietician) is the best way to manage diabetes. We have joined forces with *About the Patient* to provide **free** clinical pharmacy services to round out your health care team. The best part is that it may be as simple as spending a little extra time when you fill your prescription at your local pharmacy, if they are a provider.

We know your time is valuable. Our way of thanking you for taking part in this program is to ***refund co- pays for diabetes medications, testing supplies and certain medicines used for kidney safety every six months while in the program.***

Taking part in the program is easy. **Call 1-888-326-4657 to sign up over the phone or visit the About The Patient website: [www.AboutThePatient.net](http://www.AboutThePatient.net) to download the enrollment form.** At your convenience, schedule a one-on-one visit with a pharmacist specially trained in diabetes. A list of diabetes management programs in your area is listed on the back of this letter.

You do not need to be a patient or customer at the location of the program. Your medications will continue to be covered through any pharmacy of your choice. Because the diabetes management program is customized to your needs, you can opt out at any time.

After all, *it is all about you and your health.* Now is the best time to manage your diabetes. Hope to hear from you soon!

Sincerely,

Wendy Brown Pharm.D, PA-C, AE-C  
Clinical Coordinator

Location	Address	City	Certified Local Pharmacist
Belcourt Drug	1110 Hospital Rd Suite #1	Belcourt	Mary Jo
Churchill Pharmacy	1190 W. Turnpike Ave.	Bismarck	Patricia, Daniel
Dakota Pharmacy	705 East Main Ave.	Bismarck	Stacey, Crystal
Gateway Health Mart-North	3101 North 11th St.	Bismarck	Pat, Barb, Janel, Jennifer, Pamela, Allison
Gateway Health Mart-South	835 S. Washington	Bismarck	Lance, Tom, Jennifer, Brita
Northbrook Drug	1929 N Washington St	Bismarck	Cindy, Debra, Kim, Thomas
St. Alexius Community Pharmacy	900 E. Broadway Ave.	Bismarck	Connie
The Medicine Shoppe	1304 E Blvd. Ave.	Bismarck	Tanya, Jodi
White Drug #5	117 N 5th St.	Bismarck	Ken, LeNeika
Central Pharmacy	990 Main St.	Carrington	Shane, Kristin
White Drug #53	201 E 3rd Ave. S.	Cavalier	Kinsey
Bell Pharmacy (Thrifty White #47)	323 5th St NE Suite 2	Devils Lake	Donna, Allison
Clinic Pharmacy	1001 7th Street NE	Devils Lake	Diane
White Drug #63	425 College Drive S #10	Devils Lake	Marcus
ND Pharmacy	446 18th Street West	Dickinson	Dawn
Family Health Care Pharmacy	301 NP Avenue	Fargo	Miguel, Betty, Nicole, Jennifer, Sue
Linson Pharmacy	3175 25th Street S	Fargo	Steve
Sanford Mills Ave Pharmacy	737 Broadway	Fargo	Susanne, Grace
NDSU College of Pharmacy	Sudro Hall On the NDSU Campus	Fargo	Heidi, Alicia, Jeanne, Liz, Wendy
Southpoint Pharmacy	2400 32nd Ave S	Fargo	Shayla, Jeff, Karla, Staci
The Medicine Shoppe #80	1605 S University Dr	Fargo	Oliver, Ross
White Drug #68	4255 30th Ave S	Fargo	Krystal
White Drug #39	1401 33rd St SW	Fargo	Cindy
Thrifty Patient Care Center	706 38th Street NW	Fargo	Melissa, LaNell, Wendy
Forman Drug Inc.	330 Main St S	Forman	Diane, Nathan
Thrifty White #65	544 Hill Avenue	Grafton	Samantha
Family Medicine Residency Pharmacy	725 Hamline Street On the UND campus	Grand Forks	Jana
Thrifty White Drug #9	2475 32nd Ave S Suite #1	Grand Forks	Donell, Tim
Wall's Medicine Center	708 S Washington Street	Grand Forks	Dan
Hazen Drug	30 W. Main	Hazen	Mike
White Drug #55	112 S Main St	Hettinger	Kim
Hillsboro Drug	13 North Main St.	Hillsboro	Randy
White Drug #45	310 First Ave S	Jamestown	Paul
Gateway Health Mart	500 Burlington Street SE	Mandan	James, Heather, Robert
Thrifty White Drug #43	511 First Street NW	Mandan	Mark, Nadine
B & B Northwest Pharmacy	20 Burdick Exp. W	Minot	Marla
Key Care Pharmacy	400 Burdick Express E #201	Minot	Marla
Market Pharmacy	1930 S Broadway	Minot	Brad
Thrifty White Drug #40	2700 8th St NW	Minot	Tayna
White Drug #17	1015 S Broadway Suite 3	Minot	Tayna
Central Pharmacy	4 N 8th Street	New Rockford	Shane
Tara's Thrifty White	610 Main Ave	Oakes	Tara
White Drug #50	107 2nd Street SE	Rugby	Kyle
Turtle Lake Drug	218 E Main	Turtle Lake	Jamie
Central Avenue Pharmacy	323 N Central Ave Suite 101	Valley City	Doreen
Thrifty White #60	148 S Central Ave	Valley City	Thrifty Patient Care Pharmacists
Southtown Econodrug	387 S 11th Street	Wahpeton	Ashley, Paula
White Drug #46	1100 13th Ave East	West Fargo	Holly, Danielle
Service Drug Pharmacy	317 Main	Williston	Lisa, Jody



When was the last time you sat down one-on-one with a local medication expert to talk about your diabetes medication?

ND Public Employees Retirement System is providing **FREE** one-on-one face to face visits with specially trained pharmacists in your area

- ♦ For taking part in the program **CO-PAYS** on select medications and testing supplies are **REFUNDED**

Call or click today for more Information:  
1-888-326-4657  
[www.AboutThePatient.net](http://www.AboutThePatient.net)

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PATIENT ADDRESS



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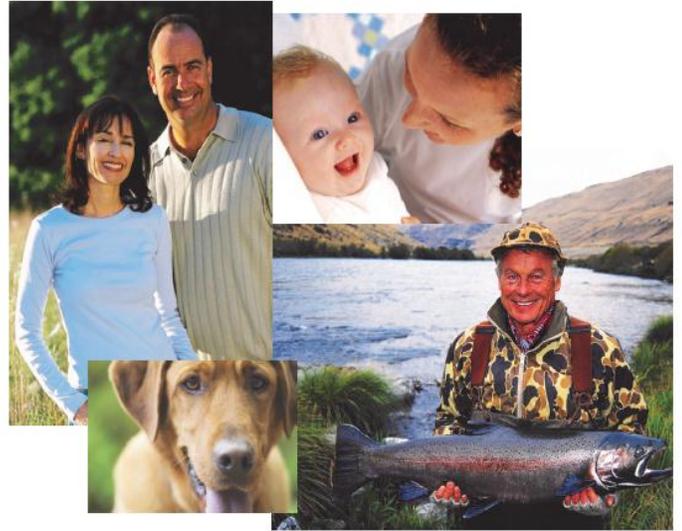
1641 Capital Way  
Bismarck, ND 58501



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**Co-pays on select medications are refunded.**

**To learn more >>>** [www.AboutThePatient.net](http://www.AboutThePatient.net) **1-888-326-4657**

PATIENT ADDRESS



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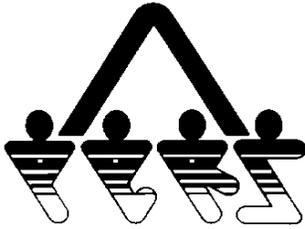
1641 Capital Way  
Bismarck, ND 58501



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**North Dakota  
Public Employees Retirement System**  
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**Sparb Collins**  
Executive Director  
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1-800-803-7377

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# Memorandum

**TO:** NDPERS Board  
**FROM:** Sharon  
**DATE:** April 16, 2013  
**SUBJECT:** Budget Update

Last August, as part of the consideration for hiring an outside vendor for claims processing services for the FlexComp Plan, we discussed the need for appropriation authority to make the vendor payments. To address the appropriation authority after June 2013, the Board took the following action:

**MR. TRENBEATH MOVED APPROVAL TO SEEK A CONTINUING APPROPRIATION FOR OUTSOURCING OF THE FLEX COMP CLAIMS PROCESSING IN THE PERS ADMINISTRATIVE BILL. THE MOTION WAS SECONDED BY MS. SMITH.**

Pursuant to this action, our administrative bill (SB 2060) was amended to include a continuing appropriation. This bill passed and has been signed by the Governor.

In addition, we discussed the need to make the vendor payments from January – June 2013, the remainder of this biennium. At that time, we projected we would not have sufficient appropriation authority in our operating expense line item to make these payments. In order to make these payments, we estimated we would need to transfer up to \$75,000 in appropriation authority from the contingency line item to the operating line item. The Board has the authority to make this transfer if it deems it necessary. The minutes reflect the following:

**The Board discussed this and concurred to move forward with appropriation authority and to move dollars out of contingency into the operating for the remainder of the biennium (ending June 30, 2013).**

As we approach the end of the biennium, we are in a better position to determine how much will need to be transferred. Based on actual expenditures through March 31, 2013, we are projecting we will need to transfer between \$25,000 - \$50,000 from the contingency line item to the operating line item before the end of the biennium. This will provide the necessary appropriation authority to make the payments to ADP for claims processing services for January – June totaling approximately \$52,000. We will provide the Board with the final transfer amount in May and request Board action to authorize the line item transfer at that time.

## MEMORANDUM

**TO:** NDPERs Board  
**FROM:** Jim Smrcka  
**DATE:** April 08, 2013  
**SUBJECT:** **Consultant Fees**

Attached is a report showing the consulting, investment and administrative fees paid during the quarter ended March 31, 2013.

Attachment

**North Dakota Public Employees Retirement System  
Consulting/Investment/Administrative Fees  
For the Quarter ended March 31, 2013**

Program/Project	Fee Type	Jan-13	Feb-13	Mar-13	Fees Paid During The Quarter	Fees Paid Year-To-Date
<b>Actuary/Consulting Fees:</b>						
Sagitec Solutions LLC	Actual	\$12,500.00		\$25,000.00	\$37,500.00	\$37,500.00
Deloitte consulting	Time charges	\$6,370.56			\$6,370.56	\$6,370.56
Mid Dakota Clinic	Fixed Fee	\$1,150.00			\$1,150.00	\$1,150.00
The Segal Company	Retirement Disability	\$17,050.00			\$17,050.00	\$17,050.00
The Segal Company	Retirement (DB)	\$3,150.00			\$3,150.00	\$3,150.00
The Segal Company	Ret Health Credit		\$1,031.25		\$1,031.25	\$1,031.25
The Segal Company	FlexComp	\$4,575.00			\$4,575.00	\$4,575.00
The Segal Company	Job Service	\$1,687.50		\$3,420.00	\$6,513.75	\$6,513.75
The Segal Company	QDRO/Compliance	\$4,168.75		\$47,387.50	\$56,948.75	\$56,948.75
The Segal Company	Legislation			\$4,293.75	\$6,731.25	\$6,731.25
The Segal Company	Deferred Comp					
<b>Audit Fees:</b>						
Brady Martz	Fixed Fee	\$9,950.00			\$9,950.00	\$9,950.00
<b>Legal Fees:</b>						
ND Attorney General	Time charges	\$2,428.37	\$2,367.55	\$2,689.52	\$7,485.44	\$7,485.44
<b>Investment Fees:</b>						
SIB - Investment Fees	% Allocation	\$2,148.00	\$68,530.00	\$907,007.00	\$977,685.00	\$977,685.00
SIB - Investment Fees	% Allocation	\$461.00	\$484.00	\$902.00	\$1,847.00	\$1,847.00
SIB - Investment Fees	% Allocation	\$304.00	\$1,251.00	\$461.00	\$2,016.00	\$2,016.00
SIB - Administrative Fees	% Allocation	\$14,283.00	\$18,353.00	\$25,063.00	\$57,699.00	\$57,699.00
<b>Administrative Fee:</b>						
Blue Cross Blue Shield	Fixed fee	\$1,064,443.26	\$1,067,579.96	*	\$2,132,023.22	\$2,132,023.22

\* fees not yet available



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# Memorandum

**TO:** NDPERS Board

**FROM:** Sparb

**DATE:** April 17, 2013

**SUBJECT:** RIO Update

Mike Sandal will provide an update to the Board on the recruitment efforts for the RIO Executive Director.