

**1999 SENATE INDUSTRY, BUSINESS AND LABOR**

**SB 2222**

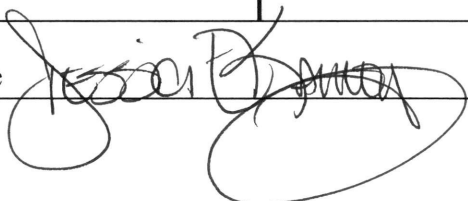
1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2222

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date 1/19/99

Tape Number	Side A	Side B	Meter #
1		X	1100-end
2	X		0-1429
Committee Clerk Signature 			

Minutes:

Senator Mutch called the meeting to order. Roll call was taken, all were present.

Senator Mutch opened the hearing on SB 2222.

Senator Heitkamp introduced the bill. He explained that the bill would allow owners of Blue Cross Blue Shield to run the company how they want.

Senator DeMers also introduced the bill. She stated that it provides a method to help the blues do what they say they want to do.

Representative Cleary also spoke in support of the bill. She felt they need to let the consumers have a voice.

Senator Mutch: What is wrong with the way it is run now?

Representative Cleary: The consumers don't have a voice in what goes on.

Senator Sand: Do the representatives on the board have to have certain qualifications such as nurse or doctor?

Representative Cleary: There are medical people on the board but we need to have more common people on it too.

Senator Heitkamp: The technical advice is there, the one overriding qualification that these people have to serve on the board is the fact that they are a policy owner, they're making the payment into that company every month.

Senator Mutch: They don't allow anyone to be a member on the board if they aren't a policy holder do they?

Senator Heitkamp: No, and this wouldn't change that.

Don Morrison from the ND Progressive Coalition spoke in favor of SB 2222. Testimony enclosed.

Senator Krebsbach: Could you give me some idea the progressive coalition what it consists of, how many members and who it involves.

Don Morrison: We are a broad based coalition of organizations that are grass roots, democratic based, such as labor unions, ND farmers union, etc. It's a real broad based organization.

Senator Krebsbach: Is this a full time job of yours?

Don Morrison: Yes it is.

Senator Mutch: So then you are speaking for the labor unions?

Don Morrison: I might add that in this particular discussion we have worked closely with groups such as the AARP, the NDEA, and many consumer grass roots based groups.

Senator Mutch: You are not speaking on behalf of any particular organization.

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Senate Industry, Business and Labor Committee

Bill/Resolution Number Sb 2222

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Don Morrison: No they are here today.

Senator Sand: How many votes were cast last time they elected a director?

Don Morrison: I have no idea.

Chris Runge from the ND Public Employees Association spoke in favor of the bill. Testimony enclosed.

Senator Klein: How is the board made up of now?

Chris Runge: The composition is mostly business owners, I think they went down to 11 members.

Senator Mutch: The board determines who is to be placed on the ballot?

Chris Runge: Blue Cross Blue Shield has a nominating committee.

Senator Mutch: They could have placed more on the bill?

Chris Runge: Yes but they chose not to.

Senator Sand: With the board controlling the nominating committee it has the ability to perpetuate it's own policy by the people who are elected to the board, is that so?

Chris Runge: We believe that is correct.

Shelley Seeberg, a consumer of Blue Cross Blue Shield spoke in favor of the bill. Testimony enclosed. No questions were asked of her.

Howard Snortland from the AARP spoke in favor of SB 2222. He stated that during the last legislative session they followed the bill that changed the Blue Cross Blue Shield into a mutual corporation. He said that many things they were concerned about were addressed but nothing was done about them. He said the AARP felt they really should be able to have at least one consumer member on the board.

Trent Heinemeyer from the NDID spoke in support of the bill. He said that currently in the law there is no prescribed way for a person to become nominated for the board of directors of any insurance company. There really isn't any effective way for a consumer to get on the board, it is not very easy to do that.

Senator Krebsbach: Are you trying to say that business owner isn't an average person?

Trent Heinemeyer: No, I apologize that's not what I meant. People often get the impression that the people on the board aren't common folk.

Senator Mutch: At the present time, consumer nominees can not be put on the ballot unless they meet certain requirements?

Trent Heinemeyer: It is my understanding that there is a nominating committee that screens each of the nominee applicants.

Senator Mutch: What do you have to do if you went to the meeting and wanted to be put on the ballot?

Trent Heinemeyer: There might not be an effective way.

Mike Hamerlich from Blue Cross Blue Shield spoke in opposition of SB 2222. An outline of his testimony is enclosed.

Senator Thompson: It was stated that the policy holders are the owners of the company, why didn't this name that was submitted make it on the ballot?

Mike Hamerlich: You are using words that are difficult because you are talking about campaigning, that's not what being elected to a board of directors is about. That's what I'm talking about, the politicization of the process.

Senator Thompson: I use the campaign because the word candidate was used and nominations and I don't know how else to say it, but whenever there is a vote there generally is a campaign, but it appears by the action of the board that what has happened here it that they are running things from the top and not from the policy holders up. It just appears that they ignored that.

Mike Hamerlich: I don't think they ignored it they just didn't agree.

Senator Mutch: Was there any attempt from the floor to be nominated?

Mike Hamerlich: Nobody was nominated from the floor and they didn't attempt to.

Senator Mutch: And if they would have had enough votes from the floor they could have been elected?

Mike Hamerlich: Yes.

Senator Heitkamp: You say you don't want to politicize the process, but by sending out documentation that allows people to take part in something that they own and then those people respond back to your hand-picked nominating committee, you already have politicized it, if you had allowed these people to run and be put on the ballot the politics would have been out of it and we wouldn't be having this discussion. Do you agree?

Mike Hamerlich: I don't agree, but I see what you're saying.

Senator Heitkamp: You talk about the structure of the bill and how the bill can't work because of the structure you have in your bylaws, but you as a former representative know very well that if this bill becomes law your bylaws are going to have to change, and your going to have to make this thing work.

Mike Hamerlich: Absolutely.

Senator Mutch: I think one problem too is the reference made is we own it, and I don't know what we own, we don't have stock, we have nothing only pay in.

Mike Hamerlich: Ownership in a mutual is not something you can sell.

Senator Krebsbach: Who determines and how is the nominating for the nominating committee established?

Mike Hamerlich: The nominating committee is established by the board of directors.

Senator Klein: Of the 146,000 people the board represents how many members were present at the general meeting?

Mike Hamerlich: Fewer than 10, maybe 4 or 5.

Senator Heitkamp: How many proxies did the proxy committee control?

Mike Hamerlich: The proxy committee had about 20,000. They didn't control all those.

Senator Heitkamp: My point was imagine how I would feel going in to try to get elected with the 50 that I'm allowed to walk in the door with.

Mike Hamerlich: That 50 is not something we made up, it's in the statute.

Senator Mutch closed the hearing on SB 2222.

Committee discussion took place on February 1, 1999.

Senator Thompson motioned for a do pass on SB 2222. Senator Heitkamp seconded.

Discussion was held. Senator Thompson withdrew his motion. Senator Mutch closed discussion

More discussion was held on February 2, 1999.

Senator Sand motioned for a do not pass. Senator Klein seconded. The motion carried. (4-3-0)

Senator Sand will carry the bill.





SR 221781

Date: 2/2/99  
Roll Call Vote #: 2222

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

Senate INDUSTRY, BUSINESS AND LABOR COMMITTEE Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DO NOT PASS

Motion Made By SAND Seconded By KLEIN

Senators	Yes	No	Senators	Yes	No
Senator Mutch	X				
Senator Sand	X				
Senator Klein	X				
Senator Krebsbach	X				
Senator Heitkamp		X			
Senator Mathern		X			
Senator Thompson		X			

Total (Yes) 4 No 3

Absent 0

Floor Assignment SAND

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)  
February 3, 1999 11:04 a.m.

Module No: SR-22-1781  
Carrier: Sand  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SB 2222: Industry, Business and Labor Committee (Sen. Mutch, Chairman)** recommends **DO NOT PASS** (4 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). SB 2222 was placed on the Eleventh order on the calendar.

1999 TESTIMONY

SB 2222



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## TESTIMONY IN SUPPORT OF SENATE BILL 2222

**Before the Senate Industry, Business and Labor Committee  
North Dakota Public Employees Association, AFT Local 4660, AFL-CIO  
January 19, 1999**

Chairman Mutch, members of the Senate Industry, Business and Labor Committee, my name is Chris Runge and I am the Executive Director of the North Dakota Public Employees Association and I am here to testify in favor of SB 2222. If you recall the 1997 Legislative Assembly, this committee passed legislation allowing Blue Cross Blue Shield of North Dakota to convert from a non-profit health services corporation to a non-profit mutual insurance company. The legislation that was passed in 1997 established the policyholders as the owners of the company. Blue Cross Blue Shield testified that as policyholders, you and I, would become the owners with voting rights and participation rights in the governance of Blue Cross Blue Shield. The first policyholder meeting was held in December 1998.

Earlier this past summer, we received a letter from BCBS letting us know there was an opening for a consumer director on the BCBS Board of Directors and inviting nominations for that open position. Those of us who have followed the BCBS conversion to a non-profit mutual insurance company thought this would be a terrific opportunity to

*Quality Services from Quality People*

# Testimony

take BCBS up on their offer to become involved in the governance of BCBS. So many of us nominated a qualified policyholder for the open consumer director position. . Imagine our surprise when we received the proxy ballot a few months ago only to find that only one name had been placed on the ballot for us to vote. Curiously, the open physician director positions each had two doctors running but the consumer director only had one, the incumbent. There were many qualified policyholders whose names could have been placed in nomination from those that had been submitted to BCBS. We were later told by BCBS that they did not have to place any other names on the ballot since the incumbent director was running. So they didn't.

As a policyholder of BCBS and a voting member of the non-profit mutual insurance company, my first involvement in this new governance structure has left a sour taste in my mouth. During the 1997 legislative session BCBS testified that it wanted BCBS to be owned and governed by its members. It is quite dismaying to try to get involved and play by the rules BCBS set only to find out later that we had no chance from the outset to place a nomination on the ballot. Yes, we could have gone to the BCBS board meeting in Fargo and nominate someone from the floor and carry in only 50 proxy votes. But the simple reality is that the chances of electing someone from the floor of a policyholder meeting are difficult if not downright impossible. SB 2222 will change what happened with this election and will increase policyholder involvement in the governance of BCBS. It provides that the majority of the board of directors shall be composed of everyday consumer members. SB 2222 will allow a policyholder who gets 100 signatures of other policyholders on a petition designed by BCBS to have their name placed in nomination and on the ballot for a consumer director when a vacancy occurs.

The use of a mail ballot will allow for the optimum participation by the rank and file policyholders. NDPEA and the North Dakota AFL-CIO support this bill and urge a DO PASS on SB 2222. Thank you and I am available to answer any questions.

TESTIMONY OF  
Blue Cross Blue Shield of North Dakota  
(Noridian Mutual Insurance Company)  
Senate IBL Committee -- January 19, 1999  
Mike Hamerlik, BCBSND

1. Politicization of the Board Election Process
2. Disenfranchisement of thousands of Voting Members
3. Time frames don't allow for orderly election
4. Proposal may attempt to elect ineligible Directors.

Description of Current election process:

1. Solicitation in April
2. Candidate Questionnaire
3. Review by Nominating Committee
4. New for '99: Interview with Committee
5. Recommendation to Board of Directors
6. Approval by Board of Directors

1998 Annual Meeting

Sent out 146,000 notices

Received over 15% response

Approx 7200 voted

Approx 14,000 gave Proxy Committee their vote

*No vacancies for Consumer Directors*

Board downsizing

SB 2222

Language is imprecise (e.g., Consumer Member not used)

May lead to self-perpetuating board

Dates do not allow for adequate time for completing the information necessary to run an election

Disenfranchises Members who chose the proxy committee, which required an affirmative election

Does not include a way to determine eligibility or willingness to serve on the Board (significant time commitment).

*Many Candidates possible*

Testimony SB 2222  
By Shelley Seeberg

Chairman Mutch and Committee Members, I am here today as a Blue Cross/Blue Shield insurance consumer. For over ten years my husband and I have carried a family insurance policy. My husband and I, like 70 percent of North Dakota insurance consumer have trusted the Blues.

Today I am here to say that the Blues have broken trust with its policy holders and the North Dakota Legislature. In 1997 I followed the debate around the Blues moving from a non-profit insurer to a mutual company. I did not like the outcome to a mutual company, yet I felt some relief in the statements made by Blue Cross and Blue Shield representatives and lobbyists that the new board would take into consideration the interests of consumers and would allow more consumer involvement in the Board.

The process that was provided to consumers was complex and precalculated against any real consumer involvement on the Board.

Today we have a Board that represents Doctors, Business, Hospitals and Clinics and poorly at best represents consumers.

The trust that was provided the Blues during the 1997 Legislative Session has been broken, the 1999 Legislative Session must restore this trust to the consumers by providing real consumer involvement that was promised two years ago. That is why I am hear today requesting that this committee recommend a do pass for SB 2222.