[LB70 LB71 LB72 LB73 CONFIRMATION]

The Committee on Banking, Commerce and Insurance met at 1:30 p.m. on Tuesday, January 18, 2011, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB70, LB71, LB72, LB73, and a gubernatorial appointment. Senators present: Rich Pahls, Chairperson; Beau McCoy, Vice Chairperson; Mark Christensen; Mike Gloor; Chris Langemeier; Dave Pankonin; Pete Pirsch; and Dennis Utter. Senators absent: None. []

SENATOR PAHLS: Good afternoon and welcome back. It's good to see many familiar faces in the crowd and a few strange ones. And I'm not going to say who's strange (laughter). But I want to welcome you to the Banking, Commerce and Insurance Committee. My name is Rich Pahls and I'm from Omaha and I represent what we call the Millard of Omaha. I do have the opportunity and the pleasure to serve as the Chair of this committee. The committee will take up the bills in the order posted, and this is actually pretty simple: (LB)70, (LB)71, (LB)72, and (LB)73. And you see my name beside these bills, but I'm carrying those for the Department of Insurance. To better facilitate today's proceeding, I ask you to take a look at our chart over there, and there are about five or six very simple rules to follow. Of course, you've heard this many times. Please turn off your phones and then when you are ready to testify, we have chairs up here, and I sort of use that as I gauge what the afternoon will be like. So when you do come up to testify, if I can get you to go to those chairs, eventually it does give us some idea how many people are speaking. Of course, we go in the order of introducer, proponent, opponent, neutral, and then closing. I'm asking you for those of you who are new to fill out this form and to give it to our committee clerk. And another thing, too, I'm going to ask you is be sure you spell your name because many of us know each other, but the testifiers...it's hard for them to gauge at times in the spelling. And I like the idea of you being concise. If you're following people, for the most part, I'd like to have you give us new information. Now, we do need ten copies of materials that if you're going to hand out something to the committee, we need ten copies of that. If you do not have that at the moment, then I will have one of the pages...you need to wave it, so we can have that, hopefully, printed off by the time we come to your testimony. Just to introduce the people...the person right here most of you know, has been around for a while, Bill Marienau, and all the way at the other end, we moved her there a year or so ago because she wanted easy access is Jan Foster who's, again, very, very important to our committee. I'm going to have the senators introduce themselves and tell where they're from. []

SENATOR UTTER: I'm Dennis Utter from Hastings, District 33. []

SENATOR PANKONIN: Dave Pankonin, District 2, I live in Louisville. []

SENATOR LANGEMEIER: Chris Langemeier, District 23, Schuyler. []

SENATOR PIRSCH: Pete Pirsch, District 4 in Omaha. []

SENATOR McCOY: Beau McCoy, District 39, Omaha. []

SENATOR GLOOR: Mike Gloor, District 35, Grand Island. []

SENATOR CHRISTENSEN: Mark Christensen, District 44, Imperial. []

SENATOR PAHLS: Okay, and then the individual standing over there is Matt McNally from Norfolk, and our other page who's not here today is Tom Kelly. He's from Sutherland. Well, without further adieu, I think we will start off with my pleasure of announcing that we do have an appointment that we need to have addressed today. And Bruce, would you please come forward? The floor is yours, Director. [CONFIRMATION]

BRUCE RAMGE: (Exhibit 1) Thank you. Good afternoon, Senator Pahls and members of the Banking, Commerce and Insurance Committee. My name is Bruce Ramge. For the record, that's spelled B-r-u-c-e R-a-m-g-e. And I appreciate the opportunity to be here with you this afternoon to discuss my appointment and confirmation as Director of Insurance. Before getting into a description of where I believe Nebraska should be headed in the area of insurance regulation, I would like to state for the record how glad I am that Governor Heineman has given me this opportunity by nominating me as Director of Insurance. After a career focused on insurance regulation, the Governor giving me this opportunity to serve as director is a huge honor. First, let me provide a little information about my background. I grew up near Murray, Nebraska, and graduated from Dana College in Blair and received my MBA from the University of Nebraska at Omaha. After a time working in the insurance industry, I joined the Nebraska Department of Insurance. I began as a market conduct examiner and worked my way up through the ranks under a number of directors and ultimately became deputy director at the Department of Insurance. So I have a long experience with insurance regulation. The department exists to serve the people of the state, and it does so in many ways. Insurance is the sale of a promise that in exchange for money now, the insurer will take action when the worst happens and the insured needs help. Making sure that those promises meet the standards that the Legislature sets, and that they are kept in a manner set out in Nebraska law is a key function of the department along with licensing of thousands of insurance professionals, preventing insurance fraud, administering insurance plans for people who can't get insurance coverage in the voluntary market, collecting significant state revenue and resolving disputes between insurance and insurers. In this past year, the department has also undertaken new duties related to federal healthcare reform. In the next four years, I expect significant department time and resources to be devoted to this issue. Currently, we are utilizing a federal grant to study healthcare exchanges. Under the federal act, a state may create its own exchange, participate in a regional exchange, or allow the federal government to run the exchange. We have hired additional staff to analyze this issue, and we are close to announcing a stakeholder engagement plan to solicit input from across the state. Later this year, the department will make a recommendation to Governor Heineman on the exchange issue. In spite of the other duties, the primary function of the department remains assuring that financial solvency of Nebraska insurers. It is crucial that insurers have the money to pay for the promises they make. Unless insurers have the money to keep their promises, nothing else matters. I take the department's responsibility for monitoring insurer solvency very seriously. Solvency regulation represents interstate cooperation at its finest. As you know, the department is the national regulator for solvency for each of Nebraska's domestic insurers. So other states rely on us, and we rely on them. To make this system work, each of the departments goes through a rigorous annual review, and a very thorough examination by a team of regulators every four years. During that process they look to see that we are performing our duties within appropriate time frames, we have adequate staff resources, and most importantly that Nebraska has adopted appropriate regulatory and statutory standards. Maintaining our status as an accredited department is not an empty honor. Unless the department passes its reviews, we lose our accreditation, other states do not have to accept financial examinations conducted by the department, and the domestic insurers leave the state taking jobs with them. Now that I've told you a bit about where I've been, and where the department is, I'd like to talk about my objective for the agency. My objective is to encourage the growth and development of the Nebraska domestic insurance industry. To achieve that, I need your help. With your help, Nebraska has created a great environment for insurers to be located. We have a favorable tax rate, a great legal climate, if I may say so, a talented group of regulators, and most importantly, state leadership, both from the Governor and the Legislature, that understands the importance of the domestic insurance industry to the economic future of this state. Most of all, we have a talented pool of insurance professionals for insurers to hire. Nebraska is one of the leading states in terms of the economic size of its domestic insurance industry. Nebraska has a great foundation on which to build, and I intend to do just that. The department will need the appropriate regulatory tools to continue to build, and I'm looking forward to working with the Banking Committee and the Legislature to get the tools to continue on that path. So not only am I asking today for you to forward my nomination to the floor for consideration, I'm asking for your help in a long term project to foster the growth of the Nebraska domestic insurance industry. Thank you for allowing me the opportunity to be here today. I would be happy to answer any questions you have or provide any additional information to assist you. [CONFIRMATION]

SENATOR PAHLS: Director Ramge, let me ask one question. Now that you've reached what I call the apex of your organization as the director, you've given us several ideas what your vision is, but just tell me one thing that I should really notice a change in. Is there any in particular? [CONFIRMATION]

BRUCE RAMGE: I think that the department's...the continuity on how we operate was very important to me, because I believe the department has a staff that is very knowledgeable and does their job well. The greatest change that I notice in the department is actually just the amount of time and resources we're devoting to the healthcare issue specifically, but other than that, our operation should remain the same. We continue to look for efficiencies and better ways to serve the public, and that will continue to be a high priority for us. [CONFIRMATION]

SENATOR PAHLS: Thank you. Senator Pirsch. [CONFIRMATION]

SENATOR PIRSCH: Just a brief question. In terms of the healthcare issue that you say that you're addressing more and more... [CONFIRMATION]

BRUCE RAMGE: Yes. [CONFIRMATION]

SENATOR PIRSCH: ...more and more, are other states acting this session...are they taking this time to, by and large, plan as well? [CONFIRMATION]

BRUCE RAMGE: I believe that there's a variety of different activities going on in the states. Many of them are where we are, where they're reviewing all the issues and the alternatives. There's a lot, of course, waiting for USH...Department of Health and Human Services to issue their regulations, so we know how to respond appropriately. [CONFIRMATION]

SENATOR PAHLS: Senator Pankonin. [CONFIRMATION]

SENATOR PANKONIN: Thank you, Chairman Pahls. Bruce, we welcome you here and I especially welcome you because you're from Cass County, too. Right? [CONFIRMATION]

BRUCE RAMGE: Thank you. [CONFIRMATION]

SENATOR PANKONIN: That's good, District 2. Specifically, how many people are employed at the department? [CONFIRMATION]

BRUCE RAMGE: Right now, we have 106 and a few of those have been brought on specifically to help administer these healthcare grants, and their tenure with the department will expire when the grants do. [CONFIRMATION]

SENATOR PANKONIN: Okay. How many of that staff is located here in Lincoln? [CONFIRMATION]

BRUCE RAMGE: All of them. [CONFIRMATION]

SENATOR PANKONIN: All of them. [CONFIRMATION]

BRUCE RAMGE: Yes. [CONFIRMATION]

SENATOR PANKONIN: And are you in one location then? [CONFIRMATION]

BRUCE RAMGE: Yes. [CONFIRMATION]

SENATOR PANKONIN: Okay. I know the Terminal Building or... [CONFIRMATION]

BRUCE RAMGE: Yes, the Terminal Building. [CONFIRMATION]

SENATOR PANKONIN: Yeah, right, yeah. Okay. Thank you. [CONFIRMATION]

BRUCE RAMGE: Thank you. [CONFIRMATION]

SENATOR PAHLS: Senator. [CONFIRMATION]

SENATOR LANGEMEIER: Congratulations. [CONFIRMATION]

BRUCE RAMGE: Thank you, appreciate that very much. [CONFIRMATION]

SENATOR LANGEMEIER: Thank you, Chairman. At times we struggle through confirmations of what to ask. We feel like we should ask questions and what we should or shouldn't ask. As I look back through your background, you've been with the agency a long time. And as I sit on this committee now, starting my seventh year, I'm going to finish my career on this committee, the CHIP program has been something we've talked about every year. And you and I have talked about it earlier today within some bills that are going to follow. What's your thoughts on the CHIP program? Is it on its last leg or can we save it or are we banking on national healthcare to be the new answer or? [CONFIRMATION]

BRUCE RAMGE: Yes. Well, depending on what happens with the national healthcare reform, will have a great impact on the CHIP program. If everything were to remain as it is now, then there would be the possibility of the plan participants transitioning over into a health insurance exchange. But again, it's anyone's guess what the reform measures will look like by 2014, and there's always a good chance that there will need to be this backup for individuals who cannot find health insurance. [CONFIRMATION]

SENATOR LANGEMEIER: Thank you. [CONFIRMATION]

BRUCE RAMGE: You bet. [CONFIRMATION]

SENATOR PAHLS: Director, since that question was brought up about insurance and, of course, next session it's going to be very...it's going to be a hot issue. You do plan to keep us informed and up-to-date what's happening. Is that not true as a committee? [CONFIRMATION]

BRUCE RAMGE: I would be happy to do that, yes. [CONFIRMATION]

SENATOR PAHLS: Yes. And right now you are keeping the legal counsel and myself...we are having visits, so it's not something out there that's just happening. I mean, there is some direction to that. [CONFIRMATION]

BRUCE RAMGE: There are a lot of things to monitor and watch, not only from the U.S. Department of Health and Human Services, but also through the National Association of Insurance Commissioners as well, and so we are keeping our eye on all of those developments. [CONFIRMATION]

SENATOR PAHLS: Okay. I see no more questions. We'll let you relax a little bit and we'll see if there's anybody...if anybody in the audience would like to come up and make a comment? Seeing none, that is a good sign. Thank you, Director. Now we will continue on now with our...LB70. This is being introduced by me on behalf of the Department of Insurance. My opening on this bill will be limited to now asking our Director of Insurance to come forward to testify on the provisions of this bill. Director. As I said earlier, this is your day. [LB70]

BRUCE RAMGE: (Exhibit 1) Good afternoon and good afternoon, Senator Pahls and members of the Banking, Commerce and Insurance Committee. My name is Bruce Ramge. For the record, that's spelled B-r-u-c-e R-a-m-g-e. I'm the director of insurance. I'm here to testify in support of LB70, introduced by Senator Pahls on behalf of the department. Nebraska's current basis for imposing a tax on surplus lines insurance has been largely federally preempted under legislation passed as part of 2010's federal Dodd-Frank Wall Street Reform and Consumer Protection Act. Surplus lines insurance policies are typically purchased by commercial entities with a need for specialized insurance coverage. Currently, under the Surplus Lines Act, a tax is levied on insurance policies bought by insureds from insurance companies that are not licensed in Nebraska. The tax rate is 3 percent with an additional surplus lines tax on fire insurance, depending on the percentage of the surplus lines insurance coverage which is attributable to fire insurance coverage. Currently, tax is levied on the basis of risks located in Nebraska. Therefore, Nebraska currently collects a tax if the property insured, for example, is physically located in the state. As a result of Dodd-Frank, the state of Nebraska is no longer able to collect tax on the insurance premium paid by an out-of-state entity to cover risks in Nebraska unless it joins with other states to provide for allocation of revenues between the states. Under Dodd-Frank, Nebraska is allowed to collect a tax on all surplus lines insurance premium paid by an entity that has its home state in Nebraska, no matter where the risks insured are located. This bill works to preserve as much of the state's surplus lines tax base as it can by changing to this basis for taxation. Dodd-Frank preempts a number of other provisions of the Surplus Lines Act, relating to eligibility criteria, licensing, and industrial insureds. Changes to the existing provisions in these areas were made to allow private sector parties easier compliance. Therefore the bill includes language modeled on federal law on these specific points. The Dodd-Frank preemption is effective in July. As a result, states have been scrambling to develop an agreement to provide for allocation of revenues and hereby minimize the effects of the preemption. Since having the bill drafted, significant developments have occurred on a national level. In response to Dodd-Frank, the National Association of Insurance Commissioners and the National Conference of Insurance Regulators have been pursuing two different mechanisms allowing states to band together to allocate surplus lines taxes and thereby continue to distribute the surplus lines taxes to states on the current basis. The department's preferred option is that it be authorized to sign the Nonadmitted Insurance Multi-State Agreement, referred to as NIMA, developed by the National Association of Insurance Commissioners in response to the federal requirements. NIMA focuses its attention on tax allocation, requiring that surplus lines payments be made to a central clearinghouse which will then distribute the revenue back to the states. This should allow more streamlined tax filing for surplus lines insurance brokers. The department pledges to work with the committee to develop an amendment that would bring our filing schedule in line with the proposed NIMA filing schedule. The department prefers that Nebraska sign the NIMA contract rather than participate in the National Conference of Insurance Legislators' solution, referred to as the SLIMPACT compact, for a number of reasons. First, SLIMPACT is in the form of an interstate compact and the department prefers that compacts be avoided if that is possible. SLIMPACT is a compact, and we have an alternative form in the form of NIMA. So, we'd prefer to go with that alternative since it is available. Second, NIMA is limited to tax issues, which is the problem at hand that needs to be fixed before July 2011. On the other hand, SLIMPACT addresses additional issues such as eligibility standards and policyholder notices that we feel need more attention before they are adopted into law. There simply isn't time to give those items the attention they need before the federal deadline. Finally, the department believes that NIMA will be the model adopted by most states. Both SLIMPACT and NIMA require that Nebraska have one surplus lines tax rate, rather than its current two tax structure. Currently, most surplus lines policies are taxed twice, a 3 percent tax to the insurance tax fund, and an additional fire tax paid directly to the General Fund. The amount of the additional fire tax is minimal. The department asks that the fire tax applicable to surplus lines policies be repealed as the best alternative available to retaining as much of the surplus lines tax base as possible. The other alternatives of raising the tax rate or not signing the agreements are both unworkable. Because of the lack of information, the financial result of adoption of the mechanism contemplated in federal law allowing Nebraska to continue to receive surplus lines tax revenue on the basis of the risk location in

Nebraska, versus moving to a system where taxation is based on the home state of the insured is unclear. However, the department believes signing the NIMA will provide the best avenue for retaining the tax base. I look forward to working with the committee on this issue and I ask that you advance the bill to General File. I would be happy to answer any questions you have. [LB70]

SENATOR PAHLS: Senator Utter. [LB70]

SENATOR UTTER: First of all, congratulations on your new position. [LB70]

BRUCE RAMGE: Thank you. [LB70]

SENATOR UTTER: I guess I'm a little bit confused as to...is there a way for both of these systems to survive? It seems to me like that...and maybe and it's a lack of understanding on my part that the NIMA and the SLIMPACT thing, that they can't survive in the same environment, can they? [LB70]

BRUCE RAMGE: The only way that that would work is that...for states that opt into one system versus the other, there would just not be those reciprocity agreements, and the default would go back to taxation based on the location of the risks, or excuse me, location of the policyholders versus the location of the risks. It's possible there will be two systems. [LB70]

SENATOR UTTER: Thank you. [LB70]

SENATOR PAHLS: Senator Pirsch. [LB70]

SENATOR PIRSCH: In LB70, what three years ago, and testimony here today, you say that there's currently two taxes, 3 percent tax to the insurance tax fund and then a small prior tax paid to the General Fund... [LB70]

BRUCE RAMGE: Yes. [LB70]

SENATOR PIRSCH: ...and you're suggesting that it is such a minimal amount that it should be repealed. Is that right? [LB70]

BRUCE RAMGE: Yes. [LB70]

SENATOR PIRSCH: What's the current amount, just so I can understand? [LB70]

BRUCE RAMGE: Yeah, currently, we're receiving around $105,000 a year under the fire tax portion. [LB70]

SENATOR PIRSCH: And, obviously, that's a minimal amount, I agree with you, but is this the underlying purpose of repealing that, would that be to be attractive to these carriers, I mean, to these brokers, or is this...? [LB70]

BRUCE RAMGE: Well, the primary objective would be to get our tax rate to be a flat rate. The 3 percent premium tax is flat across the board. The fire tax was administered in a very complicated formula, depending on what portion of the policy covered property risk versus liability risks. And so, it's always been very cumbersome to administer as well as just being a nominal amount. [LB70]

SENATOR PIRSCH: So it's for ease of administration that you're asking. [LB70]

BRUCE RAMGE: Yes. [LB70]

SENATOR PIRSCH: Okay. [LB70]

SENATOR PAHLS: Seeing no more questions, thank you. [LB70]

BRUCE RAMGE: Thank you. [LB70]

SENATOR PAHLS: Now we will have any proponents. Seeing none, any opponents? Seeing none, any in the neutral? Seeing none, I will close the hearing on LB70. We will now go to LB71. This bill was introduced by me on behalf, again, of the Department of Insurance, and my opening will be limited to the discussion of having the director come forth. Thank you. [LB70]

BRUCE RAMGE: (Exhibit 1) Good afternoon, Senator Pahls and members of the Banking Committee and Insurance Committee. My name is Bruce Ramge. For the record, that's spelled B-r-u-c-e R-a-m-g-e. I'm the director of insurance, and I'm here to testify in support of LB71, introduced for the department by Senator Pahls. The bill in front of you relates to a fairly narrow topic, but represents the first step of what the department hopes will be a renewed look at the Burial Pre-Need Sales Act. LB71 is a housekeeping bill which would repeal the requirement that burial pre-need trustees be located within the state of Nebraska. Under the bill, they would continue to be required to be insured or guaranteed by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance. A federally chartered financial institution located out of state that wished to serve as trustee for a licensed pre-need seller has pointed out that the current definition of trustee may contradict federal law and regulations which generally permit national banks the right to act as trustees. We agree and so are seeking a change to the statute. While I am here, I want to bring to your attention as the general oversight committee of the department some of the issues we see as regulator of pre-need burial trusts established under Burial Pre-Need Sale(s) Act. Originally adopted in 1986, the act has not been subject to significant changes since its adoption.

There are some portions of the act as adopted which are confusing and have proven difficult for the Nebraska Department of Insurance to enforce and for the regulated community to comply with. We will be reaching out to members of the regulated community over the interim to see if some changes to the act can be made to clear up the confusion and allow more straightforward compliance. I ask that you advance the bill to General File. I would be happy to answer any questions you have. [LB71]

SENATOR PAHLS: Are there any questions from the senators? Seeing none, thank you, Bruce. I'm looking for the proponent...just give me a wave. How many proponents and opponents do I see? Okay, thank you. Neutral? It looks like we have one. Any proponents? If you are, come forth. Seeing none, opponents or opponent. Good afternoon. [LB71]

JERRY STILMOCK: Good afternoon, Senators. My name is Jerry Stilmock, J-e-r-r-y Stilmock, S-t-i-l-m-o-c-k, lobbyist on behalf of the Nebraska Bankers Association testifying in opposition to the measure. Early in the session, of course, we haven't had an opportunity to canvass our respective government relations board committee and our board, but yet we're here to oppose the measure, because of the changes it would bring about in allowing deposits to be moved outside the state of Nebraska. We are in a struggle, and I'll let you measure the degree of struggle, if I may. The struggle is to grow Nebraska, to try to do what we can to keep Nebraska going, and I don't want to make a mountain out of a molehill, but I think it's important to recognize that we want to do what we can to assist community banks, assist community bankers, assist in keeping Nebraska moving in the correct direction that we heard from the Governor last Thursday. I took a brief look at some of the funeral homes and the relationship that I have to believe occur in Imperial with...if the funeral home is Liewer, and Wenburg funeral home with Arapahoe, and Curran in Grand Island and Livingston-Sondermann. In south Omaha, I would say Svoboda, but perhaps up in Schuyler it's Svoboda and perhaps it's neither. But the point of the matter is, those communities rely on their community banks and if one of the policies of the state and you as leaders is to continue in the development of Nebraska, we believe it's important to keep these investments in the state of Nebraska and to keep community banks as being the recipient of these types of funds. You know, we didn't have much of an opportunity the first day of the hearings and so forth, but nevertheless, I think it rings true of what we're in for, and what we want to see in terms of Nebraska growing, and we think this would be a measure that would not be good to amend. There are at least two other instances that I was able to come up with--public funds in which those funds are restricted to being deposited in Nebraska institutions as well as real estate broker trust accounts. I think it would be detrimental to Nebraska community banks in passing LB71, and I'd ask you to kill it. [LB71]

SENATOR PAHLS: I have a question, and I agree with you, keeping the money...Nebraska money in Nebraska. And when I found out that it is a large sum of money that does go into this burial pre-need, but most of that, I would assume, would stay in the state of Nebraska, because I can't see where those small communities, they would go for finding somebody outstate of Nebraska to be their trustee. Does that make sense? [LB71]

JERRY STILMOCK: I think it does. I mean, I understand your point is maybe a majority of the money stays in Nebraska, but once the door is opened, I think is the concern of which we have, Senator. [LB71]

SENATOR PAHLS: Yeah, yeah. And, again, I will just push back a little bit. I'm not seeking to move money out of the state of Nebraska. It seems to me without my having all the information that it would be minimal, and I would think somebody from a small town which would affect if...because you mentioned the small towns...those people have a rapport with that banker, that they wouldn't necessarily be seeking out to send their money to, let's say, to Texas or to Oklahoma as opposed to...I mean, that's just my feelings about that. [LB71]

JERRY STILMOCK: Yes, sir. [LB71]

SENATOR PAHLS: Yeah. Senator. [LB71]

SENATOR LANGEMEIER: Chairman Pahls, thank you and thank you for your testimony. In the director's testimony, he talked about the current definition of trustee that is bringing...that's why we have LB71 before us, is in contradiction with federal law. Would you agree? [LB71]

JERRY STILMOCK: I haven't had an opportunity to look at that, Senator, to see if it or is not in contradiction of federal law. I don't know particularly, you know, which piece is it...is it because of the commerce clause in that we can't restrict certain items here in Nebraska? I don't know, and I'd need to take a look at that, Senator. [LB71]

SENATOR LANGEMEIER: Okay, so with that said, let's presume it's correct. Are you prepared to bring us an amendment that would make that contradiction go away if you want this LB71 to not repeal this program or this requirement? [LB71]

JERRY STILMOCK: That would take some work, and I'd be glad to work with the director however we could, if that is, in fact, possible to correct it by means of amendment, Senator. [LB71]

SENATOR LANGEMEIER: Thank you. [LB71]

JERRY STILMOCK: Yes, sir. [LB71]

SENATOR PAHLS: Thank you. [LB71]

JERRY STILMOCK: Okay. Thank you, Senators. [LB71]

SENATOR PAHLS: Any more opponents? People in neutral? Yeah, just write...yes, sir. [LB71]

GREG EASLEY: My name is Greg Easley and that's E-a-s-l-e-y. I'm from Omaha, Nebraska. I'm the president of the Nebraska Cemetery Association and former past president of the International Cemetery and Funeral Association. I helped formulate this bill back in 1984. We started working on it and finally got it passed in 1986. And I'm just coming before neutral on this. The one area that they brought up about leaving the money in a Nebraska institution...we borrowed that from the perpetual care system. That's where all the cemeteries put in money from the sale of their lots, graves, mausoleums, or niches. That is kept in Nebraska, and that says it. That is a huge amount of money. Okay, this one, it's a smaller amount. This is merchandise or things that can't be delivered until somebody dies--the digging of the grave, the casket, a funeral service, something like that. That's what this fund is all about. And you're right, when you made the statement that that's going to be kept in the local communities, alright? In the Omaha community we'll keep it in the Omaha area, and the Lincoln...and all these small communities because of the relationship they have with their banker, and they're generally in bonds. And I don't know how that really affects it all, because a lot of that stuff turns...we put it in all bonds. I think I have about Forest Lawn, about a million dollars of it, and it's all in bonds, so we can make sure we get it out, and it's constantly on a rotation basis. We don't invest in stocks of any kind, because we want to be able to get to the money as soon as possible. We keep some in cash. Stuff is always coming in and out of that fund. So I'm very neutral on this. It's not going to affect the money leaving the state. The perpetual care fund, if that ever came up on that, I would be against that because those are investments which is used in the communities and the state and used for purchasing power and other stuff. But these bonds...I mean, that's a trusted item. It's in trust. You can't take it out; you can't do anything with it. The banks can't do anything with it from what I understand. I'm not sure about that, but that is a trust item in generally bonds or certificates of deposit. So that's all I have to say. [LB71]

SENATOR PAHLS: Well, Mr. Easley, let me ask you this question then. You're saying, in your aspect of this, this is not a money thing that we have to worry about losing money...significant monies. [LB71]

GREG EASLEY: To another state or what? No. [LB71]

SENATOR PAHLS: Yes. [LB71]

GREG EASLEY: Omaha has got the biggest. Lincoln and Omaha is the biggest amount involved in this whole thing, and they're going to keep them with their local banks. There is no reason to go anywhere else. [LB71]

SENATOR PAHLS: Okay. So then you...then I'm to interpret this as sort of a turf battle then. I mean, the banks say... [LB71]

GREG EASLEY: I have no idea. All I know is that nothing is ever going to change as the way of doing business, and we'll deal with our local banks and buying bonds and their entrusted items, and I don't see any problem with this at all. [LB71]

SENATOR PAHLS: But do you see, though, the person just before you said we ought to kill it? [LB71]

GREG EASLEY: Yeah. No. [LB71]

SENATOR PAHLS: And you're saying that we...before we decide to kill anything, we ought to look...get more information? [LB71]

GREG EASLEY: Well, yes, I suppose so from...what happens to the stuff in bonds and trusts? That's where...how does that affect the community? And I don't see where I would go anywhere else to buy except the bonds you buy. I suppose you're buying federal...we're buying bonds that are, you know, corporate bonds and other things. That's basically where it's at. So if it's a housekeeping item, I have no problem against this. We only borrowed that language way back when because it was in the perpetual care language for the state. [LB71]

SENATOR PAHLS: Senator Pirsch. [LB71]

SENATOR PIRSCH: Do we have any idea in terms of dollars? You said pre-need is...this particular type of expenditure is a smaller type of expenditure than the perpetual care funds. Right? You wouldn't favor that. Can you give us an idea of scale? What are we talking here statewide in terms of...? [LB71]

GREG EASLEY: I really don't know, because this encompasses two complete different systems. One is the cemetery sales and one is funeral sales, and we're the only state in the union where we've combined them both into one bill. Nebraska is the only one in the union that does this. They each one operate under their own separate clauses. This is the only state where they put them all together. So I just don't know how much is in the funeral portion which would be a lot greater than the cemetery side, because the cemetery side...its markers, and they generally come back out in three years. So as soon as they got the money paid in, they go buy the marker. And there's the opening, closing, and some vaults sold, so the funeral side would have a great deal more, and I did talk to them, and they are also neutral on this. They have no problem with this, and they had had the greater amount. And I don't know, I'll say they're...I don't know, if there's like $8 million or I have no idea. It might be something like that. Perpetual care, something like probably $20 million in perpetual care monies--takes care of cutting the grass and mowing the lawns and shoveling the snow at cemeteries. And that's kept in the state of Nebraska. [LB71]

SENATOR PIRSCH: Thank you. [LB71]

SENATOR PAHLS: Senator Pankonin. [LB71]

SENATOR PANKONIN: Thank you, Chairman Pahls. Sir, I guess, and part of it I'm going off of the testimony of the director, but you're talking about that the money is in bonds yet in his testimony he's talking about money that's insured or guaranteed by the FDIC which to me would be a deposit instead of a bond. I mean, my interpretation of a bond would be, you know, municipal bond, government bond, something like that. And the other question I have when they serve as trustee, does this financial institution have a...it's under a trust department or is it just they can have deposits that they handle for these burial items? The other thing that I've got a question about is that, obviously, you've said and the director may have indicated that they think in most cases, or Senator Pahls did, that the money would stay locally, and I think many times it would. But also, I think it's to be noted that there was an out-of-state institution that has asked for this, so I assume they think they're going to get the funds or have a chance to get the funds. [LB71]

GREG EASLEY: I have no idea who that'd be or what that's about. [LB71]

SENATOR PANKONIN: Okay. But I guess the direct question is, do you know if these funds are all under a trust department's control or are these just...can they be that and deposits? [LB71]

GREG EASLEY: They can be either one. [LB71]

SENATOR PANKONIN: Okay. [LB71]

GREG EASLEY: Some people do deposits... [LB71]

SENATOR PANKONIN: So it's not all bonds then. [LB71]

GREG EASLEY: No. [LB71]

SENATOR PANKONIN: All right. Okay. I wanted to clarify that. So I think we need more information maybe before we make some decisions on this. [LB71]

SENATOR PAHLS: I see no more questions. Thank you for your testimony. [LB71]

GREG EASLEY: Okay. [LB71]

SENATOR PAHLS: Appreciate it. Any more people in the neutral? If not, it will close the hearing on this, LB71, and we're ready for LB72. Again, I'll ask the director to come forth since this is a Department of Insurance bill. [LB71]

BRUCE RAMGE: (Exhibit 1) Good afternoon, Senator Pahls and members of the Banking, Commerce and Insurance Committee. My name is Bruce Ramge. For the record, that's spelled B-r-u-c-e R-a-m-g-e. I'm the director of insurance. I'm here to testify in support of what we call the department bill, introduced by Senator Pahls as LB72. The bill in front of you includes a good number of insurance related topics. A number of them, but not all of them certainly are in the nature of housekeeping for an insurance code. The bill would change the penalties imposed for violation of the statute requiring that life insurers pay interest on life insurance policy proceeds from a Class III misdemeanor to the penalties prescribed for a violation of the Unfair (Insurance) Claims Settlement Practices Act. Under the Unfair (Insurance) Claims Settlement Practices Act, a violation can only be acted upon if it is either flagrant or a general business practice. Administrative penalties can range from up to $1,000 per violation to revocation or suspension of the insurer's certificate of authority. This structure allows more predictable enforcement than a criminal penalty. The idea here isn't to increase penalties, but standardize them so they are the same as for similar other violations of the insurance code. Separate accounts are used by insurers to segregate funds held by the larger insurance company that should not rightfully be placed at risk for the rest of the insurer's general insurance obligations. These segregated funds are meant to apply as separate investments to a limited defined block of business or contractual obligations. The investments support only that specific block of business or contractual obligation and are not available in the event of insolvency to pay the remainder of the insurer's obligations to other policyholders. Therefore, a policyholder whose policy was subject to a separate account may receive back 100 percent of the money they're owed, but a policyholder outside of the account may receive 50 percent. Because of the potential for unfairness, creation of separate accounts should be subject to approval by the director as opposed to the current statute that allows creation of separate accounts to be done after simple notice. We're asking the Legislature to adopt an NAIC model act revision that allows counterparties to certain types of financial transactions to proceed to enforce their contract notwithstanding the stay that is in place in insolvency proceedings. These contracts generally referred to as netting agreements include repurchase agreements, netting contracts, securities contracts, derivatives contracts, and commodity contracts. The model follows the protections granted under the U.S. Bankruptcy Code with respect to noninsurance entities with respect to banking institutions. Counterparties to derivative transactions with Nebraska domestic insurers have begun to express concerns regarding entering into derivative instruments due to the uncertainty of the treatment of these instruments under Nebraska law. A number of leading insurance regulatory domiciles, including Connecticut and Iowa, as well as Maryland, Michigan, Texas, and Utah have adopted similar legislation. Insurers domiciled in these states have a competitive advantage over Nebraska domestic insurers because the counterparties to these transactions do not charge the same fee to insurers domiciled in those states as they do in states where the law on this point is not clear, such as Nebraska. Recent new federal law has made numerous changes to the landscape of health insurance. The state is preempted with regard to the changes made by the federal government. In order to provide a catchall for these changes, we're asking the Legislature to require insurers to include within their form filings an affirmative statement that they will comply with federal law. This is based on a current provision, Neb. Rev. Stat. Sec. 44-710.04, which allows insurers to include a conformity with state statutes section. In this way, when a company does file a policy with this provision, it will mandate that the policy conform with the new federal standards, even if the state statute does not meet the federal minimum standards. The provision will allow the Nebraska Department of Insurance to comply with federal mandates in a short term. The Nebraska Department of Insurance believes that it will be best for the state and its citizens to coordinate its effort with other states and to allow time to develop National Association of Insurance Commissioner(s) model laws to minimize differing standards across state lines. In addition, federal agencies issue regulations on a fairly regular basis. They have even begun to change recently adopted regulations. This uncertainty adds additional reasons to undertake changes in a measured way after receiving all of the information rather than changing the law repeatedly, which will only confuse people who must comply with the law. Meanwhile, this provision should allow the Nebraska Department of Insurance to respond to any federal requirements that apply in the interim. I ask that you advance the bill to General File. I would be happy to answer any questions you have. [LB72]

SENATOR PAHLS: Thank you, Director. Any proponents? Good afternoon. [LB72]

JAN McKENZIE: (Exhibit 2) Good afternoon, Senator Pahls, members of the Banking, Commerce and Insurance Committee. Nice to be here. Happy New Year. For the record, my name is Jan McKenzie spelled J-a-n M-c-K-e-n-z-i-e. I'm executive director and registered lobbyist for the Nebraska Insurance Federation. I'm here in support of LB72 representing the industry. I think I've mentioned this every year, but maybe it's worth hearing again, that unlike many states our relationship as an industry with our regulatory body, our Department of Insurance, is a civil one, and that we are given opportunities to both vet potential changes to legislation before the bill is finally all put together and sent to PRO for review, and then ended up introduced, but also opportunities to provide ideas for changes that may need to take place. I have a letter supporting, in particular, the netting aspect of the bill in front of you from ACLI which is our national trade association of life insurers that I'd like to submit to the record also. That's a very important part of the bill to us in that it makes sure that we are in compliance with the modernization acts of NAIC. With that, I would answer any questions you might have. Appreciate the opportunity to testify. [LB72]

SENATOR PAHLS: I have one question. I hear NAIC an awful lot. Are you generally...is your profession generally in support of what comes out of NAIC? [LB72]

JAN McKENZIE: Senator, that would depend, but for the most part, I think Nebraska companies and Nebraska's Department of Insurance are very active in our National Association of Insurance Commissioners. We chair many committees, co-chair many committees. The companies are actively involved and participate in the meetings. I attended one meeting a couple of years ago just so I had an idea of what this is like, and it's actually much like a Legislature in that unlike a conference or an NCSL or other groups like that, this is actually a rule-making and model act-producing group. And there's a lot of input. There are a lot of committees and then subcommittees and various steps to the process before something comes out as a model law. So, in general, when something comes out of NAIC, the industry in Nebraska has been supportive. [LB72]

SENATOR PAHLS: Okay, and the reason I'm asking, I've also had the opportunity to go to some of the NAIC functions, and I was impressed how the state of Nebraska, the Department of Insurance, their members are all over the place. And when you talk about Nebraska, they speak highly in that organization, and one of the reasons why I'm asking this question, because in a previous bill, the director said they had two choices to go which direction, and I'm taking, it looks like they're looking at the NAIC model in a previous bill. You may not have been aware of that. I was just trying to figure out the strength of NAIC. [LB72]

JAN McKENZIE: Right. I really think that in most cases, because it is a body that provides much like you do...they have hearings that allow different points of view and industry, different players and interests in the particular topic to provide testimony, to serve on committees, to vet model laws, to vet policy statements. It's very much like a legislative process. It's not just a conference that provides information, so and Nebraska is a very important player in the NAIC as a well-respected state with a pretty powerful industry. And just as an aside, for your information, I will be distributing to your offices an updated copy of the economic impact study that the federation just replicated again this year that, once again, shows very exciting, promising job opportunities, growth potential for Nebraska in the industry, and I will get these to you as soon as I get them from the printer. But exciting, new stuff. [LB72]

SENATOR PAHLS: Thank you. Senator Christensen. [LB72]

SENATOR CHRISTENSEN: Thank you, Chairman Pahls. Question...on page 11 where it talks, a provision as follows: "CONFORMITY WITH STATE AND FEDERAL LAW: Any provision of this policy which on effective date is in conflict with law of the federal government or (the) state in which insured resides or on such date have been amended to conform..." There's times that I disagree with what the feds are doing. Do we automatically want to just update what the feds are doing? [LB72]

JAN McKENZIE: Well, I think in most cases we are preempted by federal law and until the session comes that we can actually either reform or amend our statutes, we are preempted by the federal law and are held under those standards. But I understand what you're saying, Senator. [LB72]

SENATOR CHRISTENSEN: Yeah, I guess I'm afraid we're heading down a dangerous trend, possibly, here with the federal government not listening to the people. So I didn't know if there could be some better language put in there. [LB72]

JAN McKENZIE: I think we could probably put any language we want in, but I'm not sure it makes any difference, sadly. [LB72]

SENATOR CHRISTENSEN: Thank you. [LB72]

SENATOR PAHLS: Senator. [LB72]

SENATOR LANGEMEIER: Thank you, Chairman Pahls. Thank you for your testimony. To follow up on that note, you know, we've had a lot of bills before this committee, and within seven years in the Legislature that we, too, put dates in whether it's the appraiser act or it's anything else, we always put dates in. We don't follow...this would be a total deviation from that, but that's okay. [LB72]

JAN McKENZIE: Well, I have to defer to the department, Senator. [LB72]

SENATOR LANGEMEIER: I know. You just happened to be there when the light popped on. You're there (laughter). [LB72]

JAN McKENZIE: I just...I should have been quicker. [LB72]

SENATOR LANGEMEIER: It'll pop out quick too so. Okay. [LB72]

JAN McKENZIE: I should have said me too (laugh). [LB72]

SENATOR LANGEMEIER: Thank you. [LB72]

JAN McKENZIE: Thank you. [LB72]

SENATOR PAHLS: Seeing no other questions, thank you for your testimony. Any more proponents? Opponents? Neutral? And I think the department is listening to some of these questions that you may have to come back with us at a later time. That will conclude the hearing on LB72. The next one is LB73. Again, Director, we need your presence. This is the Department of Insurance. [LB72]

BRUCE RAMGE: (Exhibit 1) Good afternoon, Senator Pahls and members of the Banking, Commerce and Insurance Committee. My name is Bruce Ramge. For the record, that's spelled B-r-u-c-e R-a-m-g-e. I'm the director of insurance. I'm here to testify in support of LB73 introduced by Senator Pahls on behalf of the Department of Insurance. The bill in front of you today addresses two issues relating to the administration of the Comprehensive Health Insurance Pool, often referred to as CHIP. Specifically, the bill would set reimbursement services provided by health care providers to CHIP policyholders at 125 percent of Medicare reimbursement rates, and allow persons other than insurers to administer the program. The CHIP program is the state's program to provide health insurance for Nebraskans who can't get health insurance in the private market. This program involves a significant and growing subsidy by the state. With the rising cost of health care and a chronically ill population, that state subsidy for CHIP is of constant concern to the department. As of December 2010, the state subsidy was more than $21.6 million, up from $11.5 million in 2001. CHIP has available to it premium tax of between $34 million and $37 million up from almost $33 million in 2001. As you can see, CHIP financing is a matter of constant concern for the department. The cost of this subsidy has risen at a rate outpacing any increases in available funds. In 2009, the Legislature adopted a series of eligibility restrictions and increased premium for policyholders to address the looming shortfall in CHIP finances. As introduced, that bill included a provision that would tie health care provider reimbursement rates to 125 percent of Medicare reimbursement. At that year's hearing, concerns were raised about the provision, with some arguing that the reimbursement would be inadequate to recoup their cost of care. Other concerns relating to the availability of state care and networks of providers. As a result, Nebraska Department of Insurance agreed it would be best to replace the provision with a section that would allow the administrator to seek reduced reimbursements on a negotiated basis. As it turned out, however, the department has been advised that the administrator's effort to negotiate reduced reimbursements on behalf of CHIP were unfortunately unsuccessful. No savings were realized under the plan put forth by the administrator in 2009, and CHIP reimbursement rates remain the same as those for the administrator's commercial business. The department proposes to complete the process begun in 2009 and tie provider reimbursement for services provided to CHIP patients at 125 percent of Medicare. Even with the reduced rate of reimbursement, the CHIP program is of great benefit to the medical providers as it provides a reliable source of payment for providers. Without it, providers can expect large increases in the amount of charity care they provide and increased uncollectible receivables. Fundamentally, the department believes that all parties to the CHIP program should share in the cost. The state subsidizes the program through medical insurance company premium tax. Policyholders are paying very expensive rates. Medical providers, however, receive private sector levels of reimbursement even though CHIP is a program of last resort. The Medicare plus system of reimbursement would lower the cost to the state and policyholders and allow medical providers to share in the cost of this private program, but still provide reimbursement well above the rates of other public benefit programs such as Medicare and Medicaid. The proposal requires providers who accept reimbursement at this level to not bill the insureds for remaining charges. Ultimately, reducing provider reimbursement rates would reduce the cost of claims paid, and therefore directly reduce the taxpayer subsidy to CHIP. The savings will depend on the multiplier of Medicare rates chosen. For purposes of this proposal, the department has chosen 25 percent above Medicare rates. This multiplier is our preferred solution, but we would be open to a higher multiplier if that makes this proposal more palatable. North Carolina, South Dakota, and Wisconsin tie reimbursement rates to Medicaid or Medicare. The department believes that using Medicare rates at the 125 percent rate will save the state significant amounts, but frankly, there is a significant range in the expected savings to the state. Estimates have ranged from $6.5 million per year to as high as $18 million per year in savings to the state. Policyholders are projected to see savings as well as a result of reduced coinsurance requirements. Estimates have ranged as high as $7.9 million in annual savings for policyholders. That said, there will be costs associated with this change. In 2009, the administrator advised the department that creation of a new network of contracted health care providers, as well as adjustments to calculation of the reimbursement rates may drive increased administration costs. They estimated this as between $100,000 and $150,000 per year. Based on the experience of our actuarial assistant, the department believes this number to be low. It is also important to note that the fiscal note for the bill was factored on a July 1, 2011 effective date. This is an aggressive implementation schedule. In an effort to gather information on this proposal, the department contacted the South Dakota pool to find out their per member per month administrative costs and found them to be lower than the costs we currently pay for routine provider reimbursement. South Dakota estimated their per member per month charge at less than $15 per member per month. The South Dakota administrator of the out-of-state portion of the business receives between 15 and 20 percent of negotiated savings with out-of-state providers. We currently pay a charge of $45 per member per month for plan administration, with an additional fee for participating in the Blue Card program which facilitates out-of-state care. You will hear some obvious concerns regarding the proposal. Obviously, making sure there are sufficient providers under the program will be a challenge. Out-of-state care will be difficult to obtain. These challenges have been met and mastered in South Dakota, and they can be met here. The department has contacted the South Dakota pool to discuss their experience with paying claims based on a multiplier of Medicaid rates, and in particular, with their experience relating to provider participation and out-of-state treatment. Provider participation in South Dakota is very good. The South Dakota program rents a provider network through DAKOTACARE. All hospitals in the state are in a network, and all but a handful of individual providers are as well. South Dakota has managed the issue of out-of-state care. They realize that they cannot enforce the statutory reimbursement for out-of-state care, and so they give their policyholders an incentive to seek in-state care. They do this by requiring out-of-state care to pay higher costs out of pocket and they have a preauthorization process. They use a vendor to administer out-of-state care which audits claims and has access to a network. The current administrator has expressed concerns that they will be unable to administer the program. Therefore, the proposed legislation would amend the CHIP Act to allow third party administrators, as well as insurers, to act as CHIP administrator to process claims, collect premium, and other duties associated with operation of the CHIP pool. Current law restricts potential administrators of the plan to insurers, even though the actual duties of the plan administrator are those of a third party administrator and the administrator does not bear any risk. In the last bidding process, there was interest from vendors other than insurers. Those potential bidders were not eligible because they were not insurers, as currently required by the CHIP statute. If the statute is broadened to include entities other than insurers as potential administrators, we believe we will be able to generate an increased number of bidders for this account. To summarize, this proposal would result in significant savings to CHIP policyholders, significant savings to the state, and we believe that the program can find viable ways to administer the proposed changes. I ask that you advance the bill to General File. I would be happy to answer any questions you have. [LB73]

SENATOR PAHLS: Senator Pankonin. [LB73]

SENATOR PANKONIN: Thank you, Chairman Pahls. Director, obviously, this is far-reaching and we know this program has issues and problems. Are you pretty confident you'll have people come forward with the changes if the statutes change to be administrators? Have you had some people indicate that? I understand it opens it up to other third-party type folks, but have you any discussions or have you taken the temperature of anybody to see if that will happen? [LB73]

BRUCE RAMGE: We're at the beginning stages of just seeing who is out there and who would have the capabilities. There are a lot of entities already licensed here in Nebraska and, hopefully, even some in-state entities. [LB73]

SENATOR PANKONIN: And so in South Dakota they do have...is it an insurer or noninsurer in South Dakota? Do you know? [LB73]

BRUCE RAMGE: I'm not certain. I believe that it is a branch of an insurer that manages it. [LB73]

SENATOR PANKONIN: Okay, thank you. [LB73]

SENATOR PAHLS: Senator Langemeier. [LB73]

SENATOR LANGEMEIER: Thank you, Director. Thank you, Chairman Pahls. You have two concepts here. One is a provider rate at 125 percent, but I want to drive into this, changing to a pool administrator just because, as I read through this, as you talk about widening this up and then you open it up to pool administrators, maybe insurers. Okay, I understand that. They're licensed to use this in Nebraska. Health maintenance organization, probably licensed in Nebraska to do something, or a third-party administrator authorized to transaction in Nebraska, probably licensed. Now here's the big one, the fourth one. Any other appropriate entity authorized by the director--you. [LB73]

BRUCE RAMGE: Yes. [LB73]

SENATOR LANGEMEIER: Senator Christensen is going to be done--I'm going to pick on him here. He's going to be done in four years. He's probably going to be looking for a job (laughter). How wide open does that line make it? I would say, in fact, I'll be done in two years. You know, but I guess that one there seems to bother me the most that man, that really makes it a wide open...with no requirements. [LB73]

BRUCE RAMGE: I think that's only put in there as a catchall or matter of last resort or even if it had to go...come back to the state for a state agency itself to administer. But trust me, we would be very selective on who was permitted to administer this program, because of...we would want it to be done correctly and with experience as well. [LB73]

SENATOR LANGEMEIER: To follow up on that exact statement is, you said, trust me (laughter). That goes back to what we started this day with and that's your confirmation. So now, I've got to put more weight into the confirmation process that we did earlier today, because now I have to trust you to pick the right person. See how we're building here? That, you know, I have a lot of faith in you, but like I said, two years from now I'm gone. Our directors kind of starting to turn over in my seven years here. Then I hopefully will trust the next one that comes. [LB73]

BRUCE RAMGE: Yep. Well, I understand, and it's my thought that the correct party for administering this would either be an insurer, an HMO, or a third-party administrator. Those are the three correct categories for administering such a plan. [LB73]

SENATOR LANGEMEIER: I would agree, but I've been around in government long enough to see wild things happen, so appreciate your answers. Thank you very much. [LB73]

BRUCE RAMGE: You're welcome. [LB73]

SENATOR PAHLS: Senator Gloor. [LB73]

SENATOR GLOOR: Thank you, Chairman Pahls, and my congratulations also. [LB73]

BRUCE RAMGE: Thank you. [LB73]

SENATOR GLOOR: You and I have had a chance to visit before about this and I appreciate that, so my question is the ones that you and I have talked about, but you've had a couple of weeks now to think about the questions I posed. Let me pose them again. How do we protect the patients from an insurer who comes to the state and has 80 percent of Nebraskans covered, so it looks like their network is full? We're a pretty thorough network except that 80 percent relates to the eastern part of the state, and the providers who are actually in their network are few and far between when you get west of York. How do we protect those particular enrollees? [LB73]

BRUCE RAMGE: Yeah, I believe we would have to have some network adequacy standards much as are...is currently in place in our managed care laws, because we recognize you can't expect policyholders to drive a great distance except in circumstances where they may need to seek specialized care that's not available in their area. But there are policyholders of this plan distributed throughout the state, and we would need to take that into consideration when selecting an administrator and network. [LB73]

SENATOR GLOOR: Let me ask if I could, another question. This has to do with opportunities for whoever is selected in whatever capacity, and Senator Christensen, as an example, if that's what he decides to do in four years. But there's an incentive for under the utilization review of quality management piece for that group to keep some of the dollars that they're able to save as a result of...for want of a better word, ratcheting down the review process on authorizations of people who may head off to the Mayo Clinic, as an example, or even to some of our institutions in this state. What kind of transparency is there, so that we can feel comfortable that they're not just squeezing those dollars out of denying appropriate care for patients? [LB73]

BRUCE RAMGE: The entities that do that type of work...it's what we refer to as utilization review. They are also required to be certified, and they undergo review by different accreditation agencies such as utilization review and accreditation committee or the NCQA. And I apologize, I'm not certain what that...those initials stand for. Additionally, a third-party administrator or an insurer who is administering this block of business would not have an incentive to keep...I mean, their incentive would be to administer the contract as it is written and not to do anything unfair to reduce claims payment, because really, they're not at risk. It's the...they are administering funds on the behalf of someone who is contracting with them. [LB73]

SENATOR GLOOR: And so if they were denying appeals...let's talk about appeals. [LB73]

BRUCE RAMGE: Yes, yes. [LB73]

SENATOR GLOOR: If they were denying a hundred percent of the appeals, there is no financial incentive in there for them to be denying every appeal that comes their way. [LB73]

BRUCE RAMGE: No, no. Their incentive would be to administer the plan appropriately in order that their contract not be cancelled. [LB73]

SENATOR GLOOR: Okay. How would we know that...and, again, is there a degree of transparency that we would know that they're not denying a hundred percent of appeals or I, as a citizen, wanted to find out what level of denial are we looking at? [LB73]

BRUCE RAMGE: I think primarily it would be from feedbacks through the CHIP board. The CHIP board is charged with, overall, oversight of the program, and I think they would be made aware if policyholders were not being treated appropriately. [LB73]

SENATOR GLOOR: Because we supply that information to them, so they have a chance to look at it on a yearly basis, an annual report of some kind? Okay. Thank you. [LB73]

BRUCE RAMGE: Yes. You bet. If I may, one more point to get back to Senator Langemeier's question. In terms of administrating this, there would be a process also where we would follow the state's procedure for issuing a request for a proposal, so that would all be transparent and follow the rules set forth in the Department of Administrative Services, if that is... [LB73]

SENATOR PAHLS: Senator Utter. [LB73]

SENATOR UTTER: Thank you, Chairman Pahls. I do...I have some of the same concerns that Senator Langemeier has as it appears the wide openness of the selection of an administrator. But even beyond that, I guess I'm wondering...seems like we're undergoing a really radical change to this whole CHIP program. And in view of the road, or not a road, that we're traveling down toward the ultimate affordable health care or not getting affordable health care, is how do you see this fitting in to what's coming down the road health care wise? [LB73]

BRUCE RAMGE: Well, primarily, I think we owe it to the CHIP members who have really paid dearly for this coverage. It costs 1.5 times the rate that most commercial policyholders pay, and so I think any savings we can bring to them, I think that would be just a good thing for us to do. In terms of how this all fits in with the proposed federal health care reform measures, these policyholders as the law currently stands, would have an opportunity to transition into plans offered through a health insurance exchange starting in 2014. And so, I guess the plan would eventually transition into a different mechanism at that time. However, the claims and the costs, they'll all still be there. Those costs will just be spread to different programs, and whether or not some of these members would then become eligible for other state plans such as Medicaid, that's a possibility. Some will go into the...with a standard commercial market, and it's just going to be a variety of different scenarios. [LB73]

SENATOR UTTER: One additional question, if I may here, Chairman Pahls. Have you tested the water any with regard to providers and the acceptance of providers of the concept of 125 percent of Medicare, both from the physician standpoint and from the hospital standpoint as to whether or not...is that going to be a viable approach? [LB73]

BRUCE RAMGE: We have had a brief discussion with not only the hospital association, but with also the medical association, and I believe that they will probably be speaking as well. But we just had to find a starting place so that 125 percent was a number that we started with, and in the hopes of finding some good, meaningful savings. [LB73]

SENATOR UTTER: Thank you. [LB73]

BRUCE RAMGE: Thank you. [LB73]

SENATOR PAHLS: Director, I have a question. Is...or has this or will it be a surprise to all the people involved in this? What you came up with, should this be a surprise to the providers? I mean, should... [LB73]

BRUCE RAMGE: I really can't... [LB73]

SENATOR PAHLS: Did they know that this was going to...something like this was...? [LB73]

BRUCE RAMGE: They had some advance notice, but not a great deal. I would say it was just mentioned briefly, but not in great detail. [LB73]

SENATOR PAHLS: But the last time we had this in front of us, did we not say that... [LB73]

BRUCE RAMGE: Oh. [LB73]

SENATOR PAHLS: ...in the future this could affect? [LB73]

BRUCE RAMGE: Oh, absolutely. [LB73]

SENATOR PAHLS: That's what I'm saying. [LB73]

BRUCE RAMGE: Absolutely, because of the proceedings from a couple of years ago, yes, they should... [LB73]

SENATOR PAHLS: Right. This was supposed to be to have been done, so we wouldn't have to have any legislation was my understanding. That was part of the compromise. [LB73]

BRUCE RAMGE: Absolutely. That's correct. [LB73]

SENATOR PAHLS: Everybody was involved, and we did raise the rates on the individuals who needed a service, and the other individuals were going to participate in future changes. That's my understanding. So this...even though the arrangement you came up with, they may not have had a lot of input in that, but this was not a surprise. [LB73]

BRUCE RAMGE: No, because it did come up here two years ago. [LB73]

SENATOR PAHLS: Okay. Senator Pirsch. [LB73]

SENATOR PIRSCH: Yeah, just a question with respect to the other states you've listed here--North Carolina, South Dakota, and Wisconsin, right, that currently have some sort of tie to Medicaid and Medicare. South Dakota was pegged at 125 percent of Medicaid, was that...? [LB73]

BRUCE RAMGE: Medicaid, yes. It's my understanding that Medicaid rates are easier to administer than Medicare rates. [LB73]

SENATOR PIRSCH: So in North Carolina and Wisconsin, the only ones who are tied currently right now to some sort of that formula, or are there other states as well? [LB73]

BRUCE RAMGE: I believe that's correct. [LB73]

SENATOR PIRSCH: Do you know what they're pegged at? [LB73]

BRUCE RAMGE: I do not. I'm sorry, but we can get that information to you. [LB73]

SENATOR PIRSCH: Okay. Thank you. [LB73]

SENATOR PAHLS: I have one more question. Okay, so we don't do anything. Okay, let's leave it as is. What have we to gain by moving forward? I mean. [LB73]

BRUCE RAMGE: Well, I mean, okay, depending on where this goes in the future, there's always a possibility that the state's portion could bump up against the available funds that are available through the premium taxes. That's one scenario, although that's not a dire concern this year. Depending on what happens with health care reform and how long this program remains in effect, there's only a certain amount of time where increased claims costs where they're eventually going to intersect with available funds. [LB73]

SENATOR PAHLS: Okay. That intersection which I think is important, though, that may not occur until after 2014 if this thing changes. [LB73]

BRUCE RAMGE: Yes. [LB73]

SENATOR PAHLS: But right now there would be a savings if we would make these... [LB73]

BRUCE RAMGE: There would be between $6.5 million to $18 million estimated per year, so we would be foregoing those potential cost savings and also foregoing the opportunity to save some claims costs for the policyholders. [LB73]

SENATOR PAHLS: Okay. So you're telling me you saved between $6 million and $18 million...that's the difference maker. [LB73]

BRUCE RAMGE: Yes. [LB73]

SENATOR PAHLS: Okay. Mr. Marienau. [LB73]

BILL MARIENAU: Just one quick technical question, Bruce, and I don't expect an answer from you. I'm just kind of tossing this at you for future reference when you consider amendments to the bill, because I see Christie and Martin and Eric are here. Looking at the section that Senator Langemeier focused on was section 4 to amend section 44-4223. In addition to the other appropriate entity, that could be the pool administrator under the proposed language of the bill. You mentioned, of course, insurer HMO or TPA. But for whatever reason, I was looking at my copy of the CHIP Act here. I notice in section 44-4210 which in the CHIP Act is the definition of insurer for purposes of the CHIP Act, and insurer is defined as an insurance company as defined in section 44-103 or a health maintenance organization as defined in section 44-32,105 so the question becomes for future amendment purposes, was it necessary in section 4 to have actually mentioned HMOs since HMOs are already included in the definition of an insurer? Maybe there's an easy answer to that we could, and move on. But in the consideration of future amendments, I just wondered if that could be taken under consideration. [LB73]

BRUCE RAMGE: Okay, thank you. We'll certainly look at that. [LB73]

SENATOR PAHLS: No more questions? Thank you. Proponents? Seeing none, how many opponents do I see? One? Okay, two. That's one reason why I have the reserve. See, that gives me an indication, so at least give me a feel. Looks like we have two opponents. How many people in the neutral? So it looks like we have at least two. I'll let either one of you begin. Good afternoon. [LB73]

KEVIN CONWAY: (Exhibit 2) Good afternoon. Once we decided who goes first here. Good afternoon, Senator Pahls and Chairman of the committee and committee members. My name is Kevin Conway. That's K-e-v-i-n Conway, C-o-n-w-a-y. I'm the vice president of health information for the Nebraska Hospital Association, and I'm here today to testify in opposition of LB73, the Comprehensive Health Insurance Pool Act. On behalf of the 86-member hospitals in Nebraska and the 45,000 individuals they employ, we are opposed to LB73. As major employers in Nebraska, hospitals recognize the desire to control the expense related to health care insurance premiums. As providers, we understand the desire to set reimbursement rates, but rates alone are not the answer to controlling health care expenses. We also understand the desire to model reimbursement rates on other developed systems. LB73 proposes to establish reimbursement rates designed to achieve rates at a percentage of Medicare rates. The Medicare hospital reimbursement system is complex and intertwined with Medicare policies and coverage decisions. The paper Medicare instruction manuals were so complex and large that the Centers for Medicare and Medicaid Services or CMS started publishing only online manuals. With the reimbursement process, Nebraska hospitals are routinely paid differing amounts for what would be perceived as the same services. Although there are organizations that may understand the Medicare reimbursement process, the systems and resources to implement and manage such a system would be an impediment to the implementation. Section 44-4220.02(1) also includes a provision to reimburse the lesser of the billed charges or the rates established. This also does not fit the Medicare model as a set reimbursement rate. If a fixed reimbursement rate is desired, there are less cumbersome models to employ. LB73 proposes a reimbursement rate to be established at 125 percent of what Medicare would pay. This percentage is set at such a low rate, Nebraska hospitals would end up providing care at rates lower than their expense of providing that care. On a whole, Nebraska hospitals lose money on Medicare and Medicaid services. When discussions took place two years ago, solvency of the Comprehensive Health Insurance Pool or CHIP was in question. Data from the Nebraska Department of Insurance indicates that funds received from premiums and premium taxes are in excess of claims paid. In a meeting last week between the NHA representatives and the department, the department indicated that part of the intent of LB73 was to transfer $8 million of the savings from provider reimbursement to help CHIP participants with reduced premium and out-of-pocket expenses. There is no protection in LB73 that ensures any reduction and provider reimbursement translates into reduced participant premiums and out-of-pocket expenses. An additional concern of the Nebraska hospitals is the broad range of estimated fiscal note of $6.5 million to $18 million per year. The annual budget for the CHIP program is between $45 million and $50 million with nearly 50 percent of the provider payments to hospitals. If the annual reimbursement is decreased 35 to 40 percent, there will be a significant impact on the current providers and access to care could be at risk. Our goal is not to appear before the committee and simply oppose LB73. Instead, Nebraska hospitals contend there are better ways to control health care costs and protect access to care. One recent change that has helped the solvency of the pool is reduced enrollment. We understand that the department looked at authorization processes to reduce utilization with minimal impact on utilization. Authorization of services does not have a long-lasting impact on utilization of services. A care management program focuses on providing appropriate care at the right level at the right time. This approach to managing health care has the effect of reducing expenditures over time by avoiding more costly care settings. More importantly, participants are more satisfied with their services, because they are treated before the condition worsens. There are considerable cost savings to be achieved through care management while simultaneously providing better care. The benefits of care management are even more pronounced in populations with chronic conditions. We also have a concern with section 44-4223. There is a proposed requirement that the pool administrator have the ability to negotiate reduced health care provider reimbursement rates payable under the pool. With a set reimbursement rate, there is no need for a pool administrator to have that skill of negotiating rates. The rates are predetermined. Thank you for this opportunity to testify in LB73, and I will address any questions you have. [LB73]

SENATOR PAHLS: Senator Utter. [LB73]

SENATOR UTTER: You mentioned other models that might be preferable to base premium or to base reimbursements on...what are those models that look better to the hospital association? [LB73]

KEVIN CONWAY: I'm not sure I'd say they all look better to the hospital, but Medicaid has a different model and most of the significant payers in the state also have a model that has a set fee schedule. [LB73]

SENATOR UTTER: From the hospital standpoint, the Medicaid reimbursement model is better than the Medicare reimbursement model? [LB73]

KEVIN CONWAY: You know, whether it's better or not would really depend upon the percentage that's applied at the end, but the Medicaid model is less complex than the Medicare model. [LB73]

SENATOR UTTER: Thank you. [LB73]

SENATOR PAHLS: Senator Langemeier. [LB73]

SENATOR LANGEMEIER: Chairman Pahls, thank you. Mr. Conway, thank you for your testimony. You testified, you don't like the 125 percent. Got that. I think the director indicated it might be a starting point in this discussion. The sentence in here that I find disturbing is you talk about the solvency as getting better, because the pool has reduced enrollment. So is it the hospital stance that we just get all of these people off of it, we don't have a problem? [LB73]

KEVIN CONWAY: No. I think the question...we were here two years ago was the solvency of the program was in question. We had to do something. I think that was the impetus two years ago. At this point, it doesn't look like the solvency of the program is really the issue. The issue is, rates that are being paid to providers so. [LB73]

SENATOR LANGEMEIER: So over two years, the fact that we have less enrollment has helped the solvency, so we just do nothing. [LB73]

KEVIN CONWAY: I, you know, I'm not proposing that we do nothing at this point. I still think we need to work through issues and increase the effectiveness of the program. [LB73]

SENATOR LANGEMEIER: Okay. So if you don't like the 125 percent, what is your number? [LB73]

KEVIN CONWAY: You know, at this point, we haven't had time to work through the numbers, and I'm a data and IT person back in the office, so I like to be real confident. I know when we were here two years ago, the number was 158 percent of Medicare. Looking at what's happened in inflation over the time for medical services and what's changed within the Medicaid reimbursement system, that would put that about 182 at this point or 182 percent of Medicare. [LB73]

SENATOR LANGEMEIER: Okay. Thank you. [LB73]

SENATOR PAHLS: Senator Pirsch. [LB73]

SENATOR PIRSCH: Just to clarify. You're saying a number of years ago you thought the break-even point for providers, is that what you're saying, is 158 percent of Medicaid and now it's 182 percent or so. [LB73]

KEVIN CONWAY: Of Medicare, yes. [LB73]

SENATOR PIRSCH: Medicare, okay. Very good. You mention in your letter if a fixed reimbursement rate is desired, there are less cumbersome models. To what model would you prefer to attach your figure? How would you...did you have specific proposals in that fashion, or do you just think that's just a generalized statement without any particular alternative in mind? [LB73]

KEVIN CONWAY: We have not developed any alternative proposals at this point, but we'd be glad to work with the department in developing those alternatives. [LB73]

SENATOR PIRSCH: Okay. Thank you. [LB73]

SENATOR PAHLS: See no more questions. Thank you. [LB73]

KEVIN CONWAY: Thank you. [LB73]

DAVID BUNTAIN: Senator Pahls, members of the committee, my name is David Buntain. It's spelled B-u-n-t-a-i-n. I'm an attorney, legal counsel, and registered lobbyist for the Nebraska Medical Association, and we also are here today in opposition to LB73. Mr. Conway has already covered many of the points that I wanted to make. It is true that this issue was before this committee two years ago, and at that time there was hope I think among the participants that there would be a way to work out some reductions within the contract that the state had with its administrator. There were some practical difficulties with accomplishing that, and so I know the department feels that it hasn't gotten the reductions that it anticipated. But this is not the same situation that we faced two years ago. There were really three significant changes during that period of time. One is that two years ago, this was brought to you because there was a concern about the solvency of the CHIP program, and I'm not sure what all materials have been handed out, but I would just commend to you if you have a chance to look at the totals for the last ten years as far as claims paid, the income from the CHIP fund. Basically, two years ago, as the department's own numbers reflect, there was a time where there was about $35 million in premium tax income, and there was a spike in the claims from the CHIP fund which...it went basically from $19.5 million to $26.5 million in a year's time. That was right...the year before we were in front of you on the last version of this bill. And I think the department was concerned about what that meant about the solvency of the fund. That situation does not...is not what's driving this presently. The fund is solvent. The amount of claims that have been paid out have been basically flat for about the last five or six years. The premium fund receipts have actually gone up during that period, and so this isn't a matter of the CHIP fund running out of money. The second thing that's happened is the passage of the Affordable Care Act and the possibility...I won't begin to predict whether it's going to happen or not that by 2014 there will no longer be the need for the CHIP fund. If the Affordable Care Act remains in effect in its current form, as the director testified, there won't be a need for the CHIP fund. There won't be another mechanism to cover these persons. The third thing that has happened, happened last week, and that is that the Governor's budget that you'll be considering is proposing cutting across the board provider rates of 5 percent for Medicaid. Medicaid rates have been...have always lagged, private provider rates at a time...at times when the insurance rates have gone up 5, 8, 10 percent or more. Medicaid rates typically have gone up 1 or 2 percent, and the providers have swallowed hard, and most of them have continued to provide care. The current budget calls for reducing provider rates, and I will note that in the medical areas outside of primary care, by 5 percent. That's all providers except primary care and developmentally disabled providers. What that means is that that is one reduction that the state is asking these providers to take. This proposal would ask the providers on another group of patients that they treat to take a decrease in what they're being reimbursed. And that is of great concern, because of the effect that it's going to have on providers I think will have...both of those changes, both of those policy decisions by the Legislature, if implemented, will create access issues for the delivery of health care across the state. That is always a concern that we have whenever you're talking about reducing provider rates. We do agree that this is an important issue to look at. We want to work with the department. As Mr. Conway said, there may be some other models that are preferable. Certainly, the 125 percent reimbursement rate is not acceptable, and I think would create severe access problems. But I submit to you that in a way, this is a solution for which there is no problem at the present time. The CHIP program is solvent; it's working well, and we would...I think to move off of this in a different direction at this stage does not make sense certainly from the medical association standpoint. Yes, sir. [LB73]

SENATOR PAHLS: Okay. You're telling me...and just for my own clarification here. Already the Governor is asking for a reduction, and if we do this, actually will be a reduction in payments to the providers. [LB73]

DAVID BUNTAIN: What I'm saying is, a physician has a mix of patients, some of whom are private pay; some of whom are Medicaid; some of whom are CHIP. And what the Governor is proposing is on those Medicaid patients that the providers take a 5 percent reduction. This reduction, if you go $6 million to $18 million out of $50 million, that's a reduction in reimbursement of 10 percent to 35 percent in that part. So what I'm saying is you're reducing income from the Medicaid portion of the providers' services; you're reducing the CHIP income to that provider, and either that provider absorbs all of that himself or the case of a hospital, absorbs it as an institution, or some of that, if not all of it, gets moved on to other parts--the paying part of that patient load which is your private providers. I mean, it could very much result in a cost shift to the private providers, and the effect of that as far as what you're trying to accomplish is, perhaps generating some income that would go into the state's General Fund. That would be the consequence of what you're trying to do. [LB73]

SENATOR PAHLS: Okay. Just...because I want to make...because we're throwing money around. So you're telling me right now you do not see this program being in financial trouble like it was a couple of years ago. [LB73]

DAVID BUNTAIN: I think that's what the department's own report shows. [LB73]

SENATOR PAHLS: Okay. So the program is not in trouble financially... [LB73]

DAVID BUNTAIN: Correct. [LB73]

SENATOR PAHLS: What we're doing, we're digging into your pockets, who you represent, to enable our General Fund to have more money. Is it that simple? [LB73]

DAVID BUNTAIN: It is. I mean, yes, I mean I...nothing's ever as simple as it sounds, but that is...I think that's a principal consequence of this. I mean, we don't see that this will actually have much of an effect for the policy...policyholders or the participants. You know, it looks to us as though it's primarily an effort to reduce the amount of money coming out of the premium tax and going into the CHIP fund as opposed to the General Fund. [LB73]

SENATOR PAHLS: And then I also heard you say, you're willing to work with the department to see if we can't make changes. I mean, maybe not this, but... [LB73]

DAVID BUNTAIN: Right. [LB73]

SENATOR PAHLS: ...you're willing to work with the department is what you're telling me. [LB73]

DAVID BUNTAIN: Yes. [LB73]

SENATOR PAHLS: See I...excuse me. I prefer that attitude than somebody coming up and saying, kill the bill. That is irritating. Let's at least...let us kill the bill... [LB73]

DAVID BUNTAIN: Yeah, right. [LB73]

SENATOR PAHLS: ...but throw in some information that we can have, you know, back and forth. And I appreciate you telling us that you'd at least work. [LB73]

DAVID BUNTAIN: Well, and I just want to say, the department has always been good to work with on this and other issues. [LB73]

SENATOR PAHLS: Yeah, and I understand that, yeah. [LB73]

DAVID BUNTAIN: So it's not...if I came down too strong, I didn't mean to suggest that,... [LB73]

SENATOR PAHLS: No. [LB73]

DAVID BUNTAIN: ...but I just think that this doesn't have the same set of things behind it, I don't think, that it had two years ago because the world has changed the last two years. [LB73]

SENATOR PAHLS: Okay, okay. I think Senator Pankonin, then I'll... [LB73]

SENATOR PANKONIN: Thank you, Chairman Pahls. Mr. Buntain, your statement that while things are going well and, obviously, the director and, you know, he said it's not a dire situation, and I agree that things have...the world has changed in this area. But to say that the policyholders, you know, are in good shape, they're paying 1.5 times...many of them have serious medical problems. I know people that are on this insurance program, and they, most of them have difficult situations. Obviously, they can't access health care any other way and...and I guess my reading and looking at..that it would...understand it's a cost shift from providers to...but you don't think there would be under these provisions or something like it, any benefit to the policyholders? You kind of just said that, you know, you thought it was more of a shift to help the General Fund and move money that way. But you don't think the policyholders, the insureds, would have any advantage in this type of approach? [LB73]

DAVID BUNTAIN: There's nothing in the bill that would directly accomplish that. I can't really say what the indirect effects would be. And you are right. This is a...it's a very medically needy group of persons that are served by this, and I don't...we don't...I don't disagree with you that it is a heavy financial burden for the people who are in this program. That is correct. And I just am not...from what we can see, the primary effect of this is to reduce the amount of the premium tax that's going to be paid into the CHIP fund as opposed to what...it having benefits for the participants. [LB73]

SENATOR PANKONIN: Well, I think we'll get more information on this as the process moves forward, yeah. [LB73]

SENATOR PAHLS: Senator Gloor. [LB73]

SENATOR GLOOR: Senator Pankonin's question was pretty much my question so. [LB73]

SENATOR PAHLS: Okay. Senator Langemeier. [LB73]

SENATOR LANGEMEIER: Thank you, Chairman Pahls. Might be the last question, last testifier, and for a pretty short day for us. Here, I'm going to throw this at you and I want you to think about it a little bit before you answer. As the director said that this program may come to the end in 2014 because of potential national health care coming. Are you looking forward to that change, or would you rather have the CHIP program continue? [LB73]

DAVID BUNTAIN: (Laugh) I don't know that I have an answer to that. This is definitely a population that needs to be served, and, you know, it's wonderful that the state has taken responsibility for this, and the department has been a good steward of this fund. What we're really talking about are two different ways to spread the risk of caring for this population. And I think you could probably make a case on both sides of that question (laugh). [LB73]

SENATOR LANGEMEIER: Very good. Thank you. [LB73]

SENATOR PAHLS: Seeing no further questions? Thank you, appreciate it. [LB73]

DAVID BUNTAIN: Thank you. [LB73]

SENATOR PAHLS: Any more? Anyone in the neutral? That closes the hearing. Thank you. Would like to move to exec. [LB73]