

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Banking, Commerce and Insurance Committee March 7, 2023

**SLAMA:** Good afternoon and welcome to the Banking, Commerce and Insurance Committee. My name is Julie Slama. I represent the 1st Legislative District in far southeast Nebraska, and I serve as Chair of this committee. The committee will take up bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. Committee members will come and go during the hearing. We have to introduce bills on other committees and we are called away for that reason. It's not an indication that we are not interested in the bill being heard in this committee. It's just part of the process. To better facilitate today's proceedings, I ask that you abide by the following procedures. The information is posted on the chart to your left. Please silence or turn off your cell phones. Move to the front row when you are ready to testify. The order of testimony will be as follows: the introducer, proponents, opponents, neutral testimony, and then the introducer's closing. Testifiers, please sign in. Hand your pink sign-in sheet to the committee clerk when you come up to testify. Spell your name for the record before you testify, and be concise. It's my request that you limit your testimony to 3 minutes. We operate on a light system. If you will not be testifying at the microphone but want to go on record as having a position on a bill being heard today, there are white tablets at each entrance where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record at the end of today's hearing. Written materials may be distributed to committee members as exhibits only while testimony is being offered. Hand them to the page for distribution to the committee and staff when you come up to testify. We'll need 10 copies. If you have written testimony but don't have 10 copies, please flag a page so we can help you make copies. To my immediate right is committee counsel Joshua Christolear. And to my left at the end of the table is the committee clerk Natalie Schunk. The committee members with us today will introduce themselves, beginning at my far right.

**DUNGAN:** Changed it up on me there. Senator George Dungan, LD 26, northeast Lincoln.

**BALLARD:** Beau Ballard, District 21, northwest Lincoln in northern Lancaster County.

**KAUTH:** Kathleen Kauth, LD 31, Millard Avenue-- or, Millard area.

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**JACOBSON:** I'm Senator Mike Jacobson, District 42. I represent Hooker, Thomas, Logan, McPherson, Lincoln and three-quarters of Perkins County.

**von GILLERN:** Brad von Gillern, Legislative District 4, west Omaha and Elkhorn.

**SLAMA:** Also assisting the committee today are our rock star committee pages, Caitlyn and Isabel. The committee will take up bills today in the following order, LB483 followed by LB640. And with that, we'll open our hearing on LB483. Good afternoon.

**KATE WOLFE:** Good afternoon, Chairwoman Slama and members of the Committee on Banking, Commerce and Insurance. My name is Kate Wolfe, K-a-t-e W-o-l-f-e, and I appear before you on behalf of Senator Jane Raybould to introduce LB483. LB483 would modernize options for investing public funds by adding state and federal credit unions to the list of permissible depositories for public funds. Such deposits would be optional, not mandatory, and would add another local choice for counties and other public entities to deposit their funds. There are 56 credit unions in Nebraska with 150 branch locations serving the savings and credit needs of over 547,000 account holders. Deposits in credit unions of up to \$250,000 are federally insured by the National Credit Union Administration, the NCUA. This is the same amount of coverage provided by the FDIC for other financial institutions. With respect to the bill itself, most of the new language is simply adding a corresponding reference about coverage by the NCUS-- NCUA, where there are references to the FDIC. The substantive change is in Section 21 found on page 17, line 4 of the green copy where the definition of "qualified depositories" would be amended to add "or a state or federal credit union" to the investment options available to counties, cities and other governmental entities. I appreciate your consideration of LB483 and encourage you to advance it to General File. NACO will be here to testify and can answer any questions for you. Thank you.

**SLAMA:** Thank you, Ms. Wolfe. Given committee practice, we will not ask you any questions. Have a wonderful day.

**KATE WOLFE:** Thank you.

**SLAMA:** All right. Proponent testimony on LB483. And if you're planning on testifying on LB483, this is not church. Please feel free to come up to the front rows. We don't bite.

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**CANDACE MEREDITH:** Good afternoon. My name is Candace Meredith, C-a-n-d-a-c-e M-e-r-e-d-i-t-h, and I am the deputy director of the Nebraska Association of County Officials, otherwise known as NACO. And I am here today as a proponent of LB483. Thank you to Senator Raybould for the introduction of LB483. County officials recognize the value of private and public relationships in our, in our communities. Counties and other local governments should have the maximum capability to diversify secured public funds on a local level as well as have local choices to make sound business decisions on how to safe-keep public funds based on services, accessibility and rates. Counties that could deposit into local credit unions would also be able to provide flexibility for deposit during tax seasons to maximize interest earned. There are currently 26 states that permit public funds to be invested in credit unions. To have another tool in the toolbox that provides a local option for a deposit is a benefit to the local governments and the communities that they serve. And from the perspective of the treasurer that collects these property taxes, anything that allows them to maximize the return on the public funds ultimately serves the taxpayer. And thank you for your consideration, and I'd be happy to take any questions if I can answer them.

**SLAMA:** Thank you, Ms. Meredith. Are there any questions from the committee? Seeing none. Thank you very much.

**CANDACE MEREDITH:** Thank you.

**SLAMA:** Good afternoon.

**BRANDON LUETKENHAUS:** Good afternoon. Chairwoman Slama, members of the Banking, Commerce and Insurance Committee, my, my name is Brandon Luetkenhaus, B-r-a-n-d-o-n L-u-e-t-k-e-n-h-a-u-s, and I'm here on behalf of the Nebraska Credit Union League, which is the state trade association for Nebraska's 56 credit unions, which are federally insured, not-for-profit, member-owned cooperative financial institutions that serve the savings and credit needs of over 547,000 Nebraska account holders. In addition to being not-for-profit, Nebraska credit unions are directed by unpaid volunteers elected by and from the membership of the credit union. Nebraska's credit unions serve communities with low-cost, modern financial banking services and products, as well as contribute to local tax coffers through paying of real property taxes, personal property taxes, employer taxes, and state credit unions additionally pay sales tax and the Nebraska Financial Institutions Tax, which both credit unions and banks pay in lieu of, in lieu of the state corporate income tax. Our association strongly supports LB483. We thank Senator Raybould and the Nebraska

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Association of County Officials, or NACO, for the bill's introduction. Nebraska counties and political subdivisions are charged with safeguarding the taxpayer funds that they receive; through LB483, our local government bodies are seeking expanded depository options by adding federally insured credit unions to their list of permissible depositories for public deposits. Credit unions are the only federally insured financial institutions that counties don't have the option for a depository. Credit unions are ready and willing to assist local governments to enhance income and return potential on the funds that they oversee, as well as their desire to diversify their portfolios with safe investment options. LB483 simply provides more depository options for local governments to invest their funds in a safe and secure way for the public good. Passing LB483 will increase the return on those funds, increase local control for political subdivisions and assist local communities to invest in themselves. Our local government bodies and those officials that are entrusted to safeguard public monies are asking you, the Legislature, to complete their list of options for depository institutions that are federally insured and can assist them in meeting their obligations to their constituency. We urge the support-- we urge you to support our counties, municipalities and other local government bodies by advancing LB483 to General File for the full Legislature to consider.

**SLAMA:** Thank you, Mr. Luetkenhaus. Are there any questions from the committee? Senator Dungan.

**DUNGAN:** Thank you, Chair Slama. Thank you, Mr. Luetkenhaus, for being here. So I want to break down a little bit of what you handed us out here because I see there's quite a few pages, if that's OK. Believe it or not, I've received a number of emails about this bill from people who are both supportive and concerned about what this bill might do. One of the things that oftentimes is talked about is-- and I think you addressed this briefly in your testimony-- that credit unions don't pay their fair share of taxes, or they don't pay taxes. It looks like we have a pamphlet on that a little bit. But could you go into a little bit more detail for me to just explain sort of what the tax liability, where taxes that they do have to pay are versus what banks have to pay and kind of what the differences there are?

**BRANDON LUETKENHAUS:** Sure. I think when it comes to taxes, the tax argument on legislation like this, in my opinion, is frankly a little bit irrelevant. That being said, Senator, I appreciate the question because all credit unions pay real property tax, and this Legislature knows very well the expense of property tax and how property taxes are used in this state. I've provided to you a report from OpenSky as well

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as an email I just received from the Nebraska Chamber on March 1 talking about property taxes and how much local governments receive from property taxes and how that, that helps those communities. And credit unions are part of that. So we do pay real property taxes. And I think when you look at the tax argument that some would make and say, well, credit unions don't pay enough taxes, so therefore they shouldn't-- political subdivisions shouldn't have the ability to accept or deposit into credit unions. I would say, well, first of all, that's a federal issue. What they're discussing there is credit unions are not for profit, owned by their members. They're cooperatives, not corporations. And so they do not pay federal corporate income tax. But what I'll share with you as well is if you look at the state statute, it does not-- the current state statute does not care whether you pay taxes or not. If it did, if it cared whether you paid federal corporate income tax, there's 52 banks in Nebraska that are subchapter S banks. They don't pay federal corporate income tax. So you have 52 credit unions that don't pay federal-- or, 52 banks that don't pay federal corporate income tax. And you have 56 credit unions that don't pay federal corporate income tax. So I think-- with regards to this bill, I think if you look at the state taxes, credit unions pay the real property tax. And I think most Nebraskans would say that's a pretty high amount of money that they pay into the coffers of the state.

**DUNGAN:** And then just-- thank you. I appreciate that. That does sort of synthesize that, I think, really well. And then other complaint I think that I've heard in my emails that I just would ask you to address, or concern, rather, is that banks, obviously, as Senator Jacobson often reminds us, have a lot of scrutiny and a lot of oversight. Credit unions, could you I guess give us a little bit of details as to some of the oversight that they have as well to ensure that the money from the public would be safe in that respect?

**BRANDON LUETKENHAUS:** Yeah. Credit unions, much like banks, banking institutions, financial institutions generally have very heavy regulations to make sure consumers are protected. So when it comes to credit unions in Nebraska, we are overseen. If you were state chartered, you are overseen-- or regulated, I should say-- by the Nebraska Department of Banking and Finance, which you all are very familiar with Director Lammers and his staff and what a great job they do. But in addition to that, credit unions are also regulated by the National Credit Union Administration, which is the prudential regulator at the federal level for credit unions. Every credit union in the state must be federally insured. And the national regulator, the NCUA, oversees that insurance fund. And so every credit union in

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Nebraska is regulated by the NCUA. And then, of course, our state charters are also regulated by the Nebraska Department of Banking and Finance.

**DUNGAN:** Thank you.

**SLAMA:** All right. Thank you, Senator Dungan. Senator Jacobson.

**JACOBSON:** I'd like to follow up kind of on the line of taxation. But before that, I'd just like to ask, are political subdivisions allowed to be members of a credit union?

**BRANDON LUETKENHAUS:** With this bill, they would not be voting members.

**JACOBSON:** So they wouldn't be a member. They're not a member today and they wouldn't be a member.

**BRANDON LUETKENHAUS:** Correct.

**JACOBSON:** Why not?

**BRANDON LUETKENHAUS:** The legislation says as a mutually-- as a mutual financial institution, they cannot be a member, as in a voting member. They can deposit there. They can obviously get their money back. They can earn interest, but they would not be a voting member, which is traditional in a credit union for, for individuals.

**JACOBSON:** I'm going to circle back to that with after you've answered the following questions. First of all, I'm speaking strictly to federal credit unions.

**BRANDON LUETKENHAUS:** OK.

**JACOBSON:** Do federal credit unions pay any federal income taxes?

**BRANDON LUETKENHAUS:** Just like subchapter S banks, they do not.

**JACOBSON:** Do federal credit unions pay state income tax?

**BRANDON LUETKENHAUS:** Just like banks and credit unions, they do not.

**JACOBSON:** Well, I'm going to zero back on the banks. I just want to answer because I'm going to explain the sub S issue. But, but the answer is no, correct? OK. Do, do-- are federal credit unions subject to the deposit tax? The banks are.

**BRANDON LUETKENHAUS:** They are not.

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**JACOBSON:** Do federal credit unions pay occupation taxes?

**BRANDON LUETKENHAUS:** I'd have to get back to you on that.

**JACOBSON:** The answer is no. Do federal credit unions pay sales tax?

**BRANDON LUETKENHAUS:** In some cases they probably would, but they don't have to.

**JACOBSON:** They don't. They don't.

**BRANDON LUETKENHAUS:** They don't have to.

**JACOBSON:** All right. Are federal credit unions subject to something referred to that banks are subject to, which is the Community Reinvestment Act?

**BRANDON LUETKENHAUS:** They are not. But the CRA is, is from 1977. And that was because of redlining.

**JACOBSON:** So--

**BRANDON LUETKENHAUS:** So it's not. I know that those on the opposition side would say, well, we're subject to CRN.

**JACOBSON:** I'll accept that as a no.

**BRANDON LUETKENHAUS:** But if you, if you look at CRA, it's not a--

**JACOBSON:** I don't need-- you've answered--

**BRANDON LUETKENHAUS:** It is--

**JACOBSON:** You've answered my question.

**SLAMA:** All right. All right.

**JACOBSON:** You answered my question on that. OK. My other question then would be this. You've referred to the comparison to sub S banks, which is a red herring, OK? We know that sub S banks, when they're organized that way, there's K-1s that are passed through to the members, to the owners of the banks, and they do pay federal and state income taxes, correct?

**BRANDON LUETKENHAUS:** Correct. Same with credit union members.

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**JACOBSON:** All right. So do credit unions pay taxes on undistributed income?

**BRANDON LUETKENHAUS:** No, they wouldn't.

**JACOBSON:** They don't. Do credit unions routinely make dividends to their members?

**BRANDON LUETKENHAUS:** Yes.

**JACOBSON:** Dividends?

**BRANDON LUETKENHAUS:** Dividends, yes.

**JACOBSON:** Credit-- credit unions make un-- generally make--

**BRANDON LUETKENHAUS:** I get dividends every year.

**JACOBSON:** Every year. Equal to their earnings?

**BRANDON LUETKENHAUS:** Well, I mean, when you have earnings, there are-- they give those-- some of those funds back in lower fees and things like that.

**JACOBSON:** Isn't it true that banks pass through, through a K-1, 100 percent of their earnings to their members-- or, the other owners and they pay 100-- taxes on 100 percent of that distribution?

**BRANDON LUETKENHAUS:** Senator, I wouldn't know.

**JACOBSON:** [INAUDIBLE].

**BRANDON LUETKENHAUS:** I mean, I did, I did own a sub S gym and I did not take all the profits and get a K-1.

**JACOBSON:** OK. All right. I guess one thing, I guess the last thing I'd come back to is, why is it that credit unions are not subject to all these taxes?

**BRANDON LUETKENHAUS:** Because credit unions are not corporations, they are cooperatives; they're member-owned financial institutions. There's two ways in which you could structure as a financial institution: for-profit, not-for-profit. If it's beneficial and you're a business person and you look at no matter what business it is and say, I can be a not-for-profit gym or I can be a for-profit gym, you're going to make the determination whether you want to go the nonprofit way or for-profit way, depending on the advantages or what you want to get



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out of it. I think the same thing goes with financial institutions. You have not-for-profit credit unions and for-profit banks. Both make the decision, I want to operate as a not-for-profit credit union where all my members are the owners of the institution. Or if you're a bank, you may say, I'd like to own this bank for myself and I'd like to take the profits. And there is nothing wrong with that. They're both equally good structures. It's just a matter of, what's your choice and what do you choose? That's, that's really what it comes down to. And the federal tax stuff, that's a red herring. I mean, this is about monies coming in to local political subdivisions here in Nebraska, from Nebraska. And credit unions-- every credit union pays property tax, which those reports tell you is the majority of taxes that local political subdivisions receive.

**JACOBSON:** One last question. I guess my understanding is that credit unions were formed to serve people of modest means. And there are several different types of credit unions. There are credit unions that are community credit unions. There are credit unions that are really by a specific class. So how do we deal with that with this legislation?

**BRANDON LUETKENHAUS:** You wouldn't deal with that in this legislation. Frankly-- I guess my answer to that would be credit unions do, as you say-- they can have various fields of membership. So they can be a community charter; they could serve Lancaster County. We have credit unions that serve associations; we have credit unions that serve employers, Union Pacific Railroad. So there are many ways in which credit unions serve their members. And having a community charter isn't always the best choice for credit unions. Many credit unions do very well with their field of membership. And it might be an employer-based credit union. It might be multiple seg. That's multiple employers, or second-- segments of the population. And some thrive with a community charter. But, but this legislation would not touch the field of membership, Senator.

**JACOBSON:** And I'm not saying it does. I guess I'm just asking if you are a credit union-- UP Credit Union, for example. And yet you would be taking deposits from nonmembers and outside of that field of membership, correct? Under this legislation.

**BRANDON LUETKENHAUS:** Potentially, it could. I don't foresee that happening, but I suppose that could potentially happen.

**JACOBSON:** But the legislation doesn't prohibit that, that you're proposing.

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**BRANDON LUETKENHAUS:** No. No, it wouldn't.

**JACOBSON:** All right. Thank you.

**SLAMA:** Thank you, Senator Jacobson. Additional committee questions? Seeing none. Thank you very much.

**BRANDON LUETKENHAUS:** Thank you.

**SLAMA:** All right. Additional proponents for LB483. All right. Opponent testimony for LB483. Good afternoon.

**BOB HALLSTROM:** Good afternoon, Chairman Slama, members of the Banking, Commerce and Insurance Committee. My name is Bob Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today as registered lobbyist for the Nebraska Bankers Association in opposition to LB483. The legislation attempts to piggyback onto existing law authorizing mutual savings and loans to accept the deposit of the state and local political subdivision funds. And while the credit unions today are seeking similar treatment to that accorded to the mutual savings and loans, there's a significant distinction to be drawn. At one time, mutual savings and loans were like credit unions, not subject to most of the taxes that are paid by other financial institutions. But at some point in time they became so, so much bank-like that the federal law was changed and they were subjected to the panoply of taxes that traditional banks pay. Savings and loans to pay federal and state income taxes; federally-chartered credit unions do not. In addition, in order for the credit unions to be eligible to accept public deposits under LB483, they must go against the very grain of what they stand for in terms of being member-owned and member-driven. Specifically, there's a state constitutional provision that precludes the state or local political subdivisions from having an ownership interest in a private corporation. So when the change was made for mutual financial savings and loans once they started paying taxes, they did provide an out to amend their bylaws and charters to specifically eliminate some of the vestiges of ownership that would otherwise apply to a member. And that is exactly what this bill would allow for credit unions. And we would submit that to the extent that the credit unions are not paying their fair share of taxes into the public coffers, that they should not feed from the public trough. Senator Jacobson referenced the Community Reinvestment Act; that is something that is very significant in terms of local investments, particularly in low- and moderate-income neighborhoods. Banks are subject to that; credit unions are not. The final thing that I would note is that these public funds serve a particular significance for

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community banks in terms of the source of liquidity to make loans to small businesses, beginning farmers, first-time homeowners and so forth. And if we take away some of these public funds by allowing tax-exempt advantaged credit unions to have access to those funds, we will harm the ability of community banks to fully serve their communities. I think Senator Jacobson has honed in on the S corporation issue that Mr. Luetkenhaus addressed. It's clear that banks do transfer through a Schedule K-1 their full income, whether it's distributed or not. Credit unions historically have retained those earnings, not passing them through necessarily in the form of dividends to their customers. And therefore, those retained earnings are not taxed until and unless they are distributed. And when you see particularly federally-chartered credit unions having naming rights on large football stadiums and basketball stadiums and building large buildings, that becomes retained earnings rather than distributed. For those reasons, we oppose the bill. I'd be happy to address any questions of the committee.

**SLAMA:** Thank you, Mr. Hallstrom. Any questions from the committee? Seeing none. Thank you very much.

**BOB HALLSTROM:** Thank you, Senator.

**SLAMA:** Additional opponent testimony to LB483. Good afternoon.

**DEXTER SCHRODT:** Good afternoon, Madam Chair, members of the committee. My name is Dexter Schrod, D-e-x-t-e-r S-c-h-r-o-d-t. I am president and CEO of the Nebraska Independent Community Bankers Association. I'm here to testify in opposition of LB483. Real quick, I just want to touch on community banks in general. You know, I know my bankers are honored to hold these public funds that come into their trust. And they, as a community bank, work to put those funds back into the community, whether that be through lending either to small businesses or to consumers; maybe the, the family that just moved in needs a new SUV to get all their kids to baseball, that sort of thing. So I just want to just kind of refocus that community banks are there to serve their communities. And that's why we do feel that public funds belong with community banks. Real quick, just to clear the air on some things. And for the record-- I know there was a lot of back and forth, and I didn't really have much more to add than the back and forth than what Mr. Hallstrom added. It is correct that political subdivisions would not be members of credit unions under this bill, since they have to be membership-based. And I think that should just give us all a pause just to consider why they would want those funds then if, if it's not coming from their membership and they're not allowed to be

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members. And there was talk on the CRA, the Community Reinvestment Act. And Senator Dungan, I appreciate your question on the regulation of credit unions. And Mr. Luetkenhaus said that most of the regulation pertained to consumer protection. But the CRA, the Community Reinvestment Act, as Mr. Hallstrom explained, requires banks to put lending back into the community, extend credit to the community. So if these public funds go into the credit unions, there's no guarantee that those funds would go back into the community in the form of lending credit. And we heard it, you know, Mr. Luetkenhaus said that they put it back into lower costs for their members, or the retained earnings that Mr. Hallstrom mentioned. That's what would be happening with the public funds, not community lending as banks are required to do. So that's why we bring up the Community Reinvestment Act. And then finally, I would just address that NACO said they wanted options for public entities, but there is no banking desert in Nebraska. We're actually one of the strongest community banking states in the country and it's something that we should be proud of. And I'll, I'll end on that.

**SLAMA:** Thank you, Mr. Schrodt. Are there any questions from the committee? Senator Kauth.

**KAUTH:** Thank you, Chair Slama. Mr. Schrodt, so clearly both sides would like to have this chunk of money. Can you tell me what size of, of dollars are we talking about? What is actually being discussed?

**DEXTER SCHRODT:** That's a very good question, Senator Kauth.

**KAUTH:** I thought so.

**DEXTER SCHRODT:** And that's something-- I might have to get back to you. I would-- and Senator Jacobson might be able to scale up what he has in his bank, but I would assume it would be in the-- close to billions. I would assume. Don't quote me on that, but I'll get back to you.

**KAUTH:** Thank you. I'd appreciate that.

**SLAMA:** Thank you, Senator Kauth. Senator Dungan.

**DUNGAN:** Thank you, Chair Slama. And you may not know the answer to this. I'm quickly trying to google it because I genuinely don't know. How many other states allow credit unions to act in this way?

**DEXTER SCHRODT:** That I do not know. I'm sorry, Senator.

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**DUNGAN:** I can look it up later. My Google machine was too slow, but.

**DEXTER SCHRODT:** That will happen.

**DUNGAN:** Thank you.

**SLAMA:** Thank you, Senator Dungan. That is one thing we can all agree on in this hearing. Additional committee questions? Senator Bostar.

**BOSTAR:** Thank you, Chair Slama. Thank you, Mr. Schrodt. You talked about how the, the focus that community banks have on serving a community is a reason why the community public funds should remain with community banks. Do you have any problem with those public funds being housed in large, non-community-focused banks?

**DEXTER SCHRODT:** I can't really speak to that because all my members are community-focused banks.

**BOSTAR:** I know they are, but-- so on behalf of your members, do you think that these public funds should be in the accounts of your members or--

**DEXTER SCHRODT:** Would--

**BOSTAR:** Should it be spread across also large national banks as well?

**DEXTER SCHRODT:** Would I rather see public fund deposits in my community bank members as opposed to a Wells Fargo? Yes.

**BOSTAR:** One last question, and it's, it's only tangentially related to the bill in front of us. What are the-- in broad strokes-- the different sort of platform positions between the organization you represent and the Nebraska Bankers Association?

**DEXTER SCHRODT:** Well, a lot of our members are the same. My members, however, are solely focused community banks, Nebraska-based banks. And again, there's a lot of overlap between the membership.

**BOSTAR:** And I'm-- genuinely, I'm curious. I mean, I don't know the last time that I saw that there was a, a, a difference within a hearing where the organization and the NBA were on different sides. And I'm just curious when, when is that difference manifested in the policy decisions that we make here?

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**DEXTER SCHRODT:** As far as the state level is concerned, I don't foresee many differences occurring between my, my organization and the NBA. Where the differences arise are often at the federal level.

**BOSTAR:** Thank you.

**DEXTER SCHRODT:** Yep.

**SLAMA:** Thank you, Senator Bostar. Additional committee questions?  
Senator Jacobson.

**JACOBSON:** I just have a couple of questions. And thank you for your testimony today. First of all, maybe you don't know the answer to this question, but I'll ask it anyhow. I don't-- kind of a follow up to Senator Bostar. There are several very large credit unions in Nebraska, primarily federal credit unions, and most of those are domiciled in Omaha as their headquarters. Can you give us an idea of how, how big they are in relationship to your members?

**DEXTER SCHRODT:** I actually do not know that information, Senator. I apologize.

**JACOBSON:** I would think it's safe to say that they are many, many times bigger than most-- than the majority of your members in terms of total assets that they control. The other question was we raised again about CRA, a Community Reinvestment Act-- a Reinvestment Act, and we were told earlier that this had to do with redlining. As you look at your members across the state of Nebraska, particularly the rural members, do you see any reason why any of them would redline?

**DEXTER SCHRODT:** I wouldn't think so, especially considering it's against federal law. I would certainly hope not. But, yeah, redlining historically was more in urban areas than the rural areas, Senator.

**JACOBSON:** And that's what I'm getting at is even prior to any of that federal regulation that came down, that, that credit unions were able to skirt, we were all-- we were still dealing with small community banks in rural areas that were in the same areas where, where credit unions were located. And yet, those small community banks are subject to CRA, which requires not only certain lending that has to occur, but certain investments that have to be included as well, plus additional examinations. Is that correct?

**DEXTER SCHRODT:** That is correct. And the cost on the community banks is considerably out of proportion compared to the larger national banks, yes.

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**JACOBSON:** Thank you.

**SLAMA:** Thank you, Senator Jacobson. Additional questions from the committee? I see none. Thank you, Mr. Schrodt. All right. Additional opponents for LB483? I see none. We'll now move to neutral testimony for LB483. All right. Seeing none, that will bring to a close our hearing on LB483. For the record, we had-- letters for the record, the number of which I'm finding now. We had six opponent letters for LB483 and one proponent. So closing out LB483. We'll now open our hearing on LB640. Senator Kauth.

**KAUTH:** Good afternoon, Banking Committee.

**SLAMA:** Good afternoon.

**KAUTH:** My name is Kathleen Kauth, K-a-t-h-l-e-e-n K-a-u-t-h. I was asked to introduce LB640 by the health insurance members of the Nebraska Insurance Federation. This legislation, which is based upon legislation passed in both Colorado and Nevada, would simply require hotel-- pardon me, hospital-owned clinics and facilities that are not on the main campus of the hospital to obtain their own national provider identifier, which is more simply known as an NPI. The NPI is utilized in claims for reimbursement or payment for healthcare services to identify the location of where the service is provided. This simple measure provides some level of transparency to where the service was provided to the payer of the healthcare service whether or not the payer is an individual, employer or an insurer. Such transparency is important because service provided at an actual hospital is reimbursed at higher rates than those services provided at off campus, because of all the critical acute care services available at the hospital. However, when such service is provided at an off-campus physicians clinic, which do not have such critical acute services available, the reimbursement rates are lower. By requiring separate NPIs, transparency and an accurate reimbursement are encouraged. Further, the transparency will assist independent physician practices who are not part of the hospital systems remain competitive. Independent physician practices cannot charge hospital facility fees or hospital rates like their hospital-owned competitors. This issue is one that has been tackled by both parties in Washington, with both President Obama and President Trump targeting reforms at site-related transparency and reimbursement in the Medicare. MedPAC, the bipartisan Medicare Payment Advisory Commission, which advises Congress on Medicare payment issues, also is encouraging reform for site-related reimbursement. This is a simple act of transparency. So basically, if you have a big, big, big hospital, it gets charged

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higher rates. And then each little clinic owned by the big hospital is charging those higher rates. They have one NPI number. By each having its own NPI number, you'd have a more accurate reflection of what the actual costs are, which should bring down the costs that insurers and ultimately consumers pay. So thank you.

**SLAMA:** All right. Thank you, Senator Kauth. Are there any questions from the committee? Senator Jacobson.

**JACOBSON:** Thank you, Chair Slama. Senator Kauth, I just-- I'm just curious. So who are you bringing this bill on behalf of?

**KAUTH:** The Insurance Federation.

**JACOBSON:** OK. That's why they're sitting in the front row.

**KAUTH:** That's why. They're right here.

**JACOBSON:** OK. I'll save the rest of my question--

**KAUTH:** And they, they have lots of information, they can give you lots of stuff.

**JACOBSON:** I'll save the rest of my questions for them.

**SLAMA:** Thank you, Senator Jacobson. Additional questions from the committee? Seeing none, thank you, Senator Kauth. Proponent testimony on LB640. Good afternoon.

**JEREMIAH BLAKE:** Good afternoon, Chairwoman Slama and members of the Banking, Commerce and Insurance Committee. My name is Jeremiah Blake, spelled J-e-r-e-m-i-a-h B-l-a-k-e. I'm the government affairs associate and registered lobbyist for Blue Cross and Blue Shield of Nebraska. I'm testifying in support of LB640. I wanted to thank Senator Kauth for her vision and her leadership on this issue. Blue Cross and Blue Shield of Nebraska is a member-owned mutual health insurance company that has been serving Nebraskans for nearly 85 years. We are not a publicly traded company beholden to shareholders. Our mission has always been to provide Nebraska families with healthcare coverage at an affordable price. As healthcare costs continue to skyrocket, it is more important than ever that we advocate on our members' behalf. According to Forbes, Nebraska ranked, ranked as the sixth most, most expensive state for healthcare in 2020. These rising costs are on an unsustainable path and is a growing concern for many Nebraska families. And this committee has taken a number of steps in the past to increase, increase patient access without increasing



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healthcare costs. LB640 builds on these efforts. As Senator Kauth said, very simply, this bill clarifies that hospitals should charge hospital prices and clinics should charge clinic prices. Unfortunately, we're seeing a national trend of provider consolidation in the hospital setting that's driving up healthcare costs. In 2021, nearly 70 percent of physician practices were owned by hospitals, health systems, private equity firms or other corporate entities. That's a 12 percent increase in just over two years. When hospitals and health systems acquire private practices, they-- the prices they charge grows by an average of 14 percent. LB640 would help prevent these artificial price increases by requiring hospital-affiliated clinics to use a unique national provider identification number that is separate from the hospital. Simply put, this bill clarifies that the cost of healthcare is determined by the service and the site of care, not the type of entity that owns the facility. Blue Cross believes this is a commonsense approach to controlling healthcare costs for Nebraska families in a transparent and meaningful way. For these reasons, I would encourage you to advance LB640 to General File.

**SLAMA:** Thank you, Mr. Blake. Are there any questions from the committee? Senator Jacobson.

**JACOBSON:** I think a quick one. I appreciate your testimony today. I think I'm piecing together where the competing interests are right now, judging by who I think the opposing view will come from.

**JEREMIAH BLAKE:** Yes.

**JACOBSON:** And, and, you know, full disclosure, I do serve on a hospital board and, and I, I wrestle with these issues because I, I hear what you're saying--

**JEREMIAH BLAKE:** Yep.

**JACOBSON:** --but yet I get concerned about, do we, do we-- we have a situation where without the hospital facilities, do we have the clinics even viable? And I think from living in rural Nebraska, that really becomes a concern of mine in terms of, how can we provide affordable care and yet how can we provide the kinds of care that we need in terms of ERs that offer, in many cases, free services because there are people that can't pay, don't pay. So there's a mid-- a number of unprofitable parts of a, of a hospital. And consequently, they have to pass charges on to other places. I get it with Blue Cross and Blue Shield. Thank God you guys exist, because hospitals certainly don't make it with Medicare and Medicaid.

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**JEREMIAH BLAKE:** Right.

**JACOBSON:** So I, I appreciate the dilemma. I'm just wrestling with the idea that, as I understand this, there's a requirement that there would have to be a separate ID number. Is that correct?

**JEREMIAH BLAKE:** Correct. Correct.

**JACOBSON:** And would they be required to charge different serve-- or could they charge the same price?

**JEREMIAH BLAKE:** That helps us identify who's actually delivering the service at which site of care.

**JACOBSON:** OK.

**JEREMIAH BLAKE:** And that's how you would determine what the reimbursement rate is.

**JACOBSON:** And would you, as an insurance provider, be able to deny insurance as a, as a preferred provider to those clinics that maybe don't lower their rates?

**JEREMIAH BLAKE:** No. I think that would become an issue of the contract negotiation.

**JACOBSON:** OK.

**JEREMIAH BLAKE:** So I don't think it becomes an issue of whether or not a service is covered and reimbursable; it becomes an issue of what that reimbursement rate is.

**JACOBSON:** Gotcha. Thank you.

**JEREMIAH BLAKE:** I cer-- if I could, I just-- I certainly appreciate and share your concern about the sustainability of rural healthcare. Again, we have members that live all across the state, so we want to make sure they have access to adequate healthcare services as well.

**JACOBSON:** And I couldn't agree with you more. I, I, I don't question that at all.

**JEREMIAH BLAKE:** Yeah.

**JACOBSON:** And, and I appreciate that. And I think you have-- Mr. Bell is going to follow you. And then I'm waiting to see what the next testifier has to talk about as well.

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**JEREMIAH BLAKE:** I can probably guess for you.

**JACOBSON:** I do too. And I'll have some additional questions at that time. Thank you.

**JEREMIAH BLAKE:** Thank you.

**SLAMA:** Thank you, Senator Jacobson. Additional questions from the committee? Senator von Gillern.

**von GILLERN:** Yeah. Mr. Blake, thank you for your testimony.

**JEREMIAH BLAKE:** Yeah.

**von GILLERN:** I just would ask you to expound just a little bit upon Senator Jacobson's questions about contract negotiation and reimbursement rates. And we know that-- and the scenario I'm most familiar with, being in Metro Omaha is UNMC and the remote clinics. Of course, Methodist has remote clinics and Creighton has remote clinics. So everybody does. But there's-- obviously, there's a mothership, for lack of a better term, that, that houses HR and administration and research and everything else. And none of those remote, remote clinics would survive without those so--

**JEREMIAH BLAKE:** Correct.

**von GILLERN:** I'm just wondering if you can affirm or deny and-- deny, I hate that-- that's a bad word to say. Can you confirm for me that as those, as those rates are being negotiated, that those allocations certainly must be taken into account, that those clinics cannot exist on their own without their, the mothership--

**JEREMIAH BLAKE:** Sure.

**von GILLERN:** --to, to support them?

**JEREMIAH BLAKE:** Yeah. To be clear, we're not talking about-- we're not trying to draw a bright line or prohibit provider consolidation. All we're saying is that when that happens, we want to know where the service is provided because, again, that helps us determine what the reimbursement rate should be. We go through this process of negotiation with the hospitals, the provider, the clinics, the physicians. So we understand how to do this. What we're looking for is transparency on the payment side to understand where that care was provided.

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**VON GILLERN:** OK. Thank you.

**SLAMA:** Thank you, Senator von Gillern. Senator Ballard.

**BALLARD:** Thank you, Chair Slama. One of your main points in your testimony was cost savings.

**JEREMIAH BLAKE:** Yes.

**BALLARD:** Can you help me? I know it's-- if it's going to vary, it's probably hard to quantify. Can you kind of help me wrap my head around-- my head around how much this would save for--

**JEREMIAH BLAKE:** I can give you a couple of national figures. So, again, if what I referenced in my testimony is that 14 percent increase in prices when a hospital or-- can't remember how I phr-- let me just read it to you. A 12 percent increase when hospitals are acquired by-- when clinics are acquired by hospitals or private equity firms. OK? When you extrapolate that out-- actually, we did a-- we, being the Blue Cross Association, did a study at the national level to extrapolate this out. And what that study found is it would be-- it would save commercial insurance plans about \$117 billion over ten years. Now, that's national. That's not Nebraska--

**BALLARD:** Yeah.

**JEREMIAH BLAKE:** --specific, but it's a big number.

**BALLARD:** That's a big number. And then how many hospitals would this impact? I know this is probably a tough number to--

**JEREMIAH BLAKE:** Yeah, I can't answer that question. Again, I will just say, generally, this isn't a major problem in Nebraska yet. It does happen, but I wouldn't consider it a major issue. I think with this legislation, we can get in front of the curve and, and can make sure that we have that transparency on reimbursement rates going forward.

**BALLARD:** OK. Thank you.

**SLAMA:** Thank you, Senator Ballard. Senator Jacobson.

**JACOBSON:** I have one more question.

**SLAMA:** Sure.

**JACOBSON:** I'll be brief, though.

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**SLAMA:** Sounds good.

**JACOBSON:** When we define "off-campus," what is the definition of "off-campus?"

**JEREMIAH BLAKE:** So it defines it in the legislation, but generally, you're talking about a hospital-owned clinic that is more than 250 yards from the hospital.

**JACOBSON:** OK. So I'm just looking right now at, in North Platte, for example. We have a hospital facility, the hospital tower. They own property across the street and it goes two blocks to the west. There's a-- just as a point of reference, there's a large bank building sitting there on that corner, or opposite the corner, and they're going to be building a new facility there. So what you're telling me is each of those facilities, which would be part of the hospital not acquired, but they would be building on--

**JEREMIAH BLAKE:** Right.

**JACOBSON:** --and expanding, that they would have to have separate numbers and charged separately, potentially?

**JEREMIAH BLAKE:** If it's more than 250 yards. I believe so, yeah.

**JACOBSON:** OK. And that's in this bill, the 250--

**JEREMIAH BLAKE:** Correct.

**JACOBSON:** So that could be changed.

**JEREMIAH BLAKE:** Correct.

**JACOBSON:** Gotcha. All right. Thank you.

**SLAMA:** Thank you, Senator Jacobson. Additional committee questions? I see none. Thank you, Mr. Blake.

**JEREMIAH BLAKE:** Thank you.

**SLAMA:** Good afternoon.

**ROBERT M. BELL:** Good afternoon, Chairwoman Slama and members of the Banking, Commerce and Insurance Committee. My name is Robert M. Bell. Last name is spelled B-e-l-l. I am the executive director and registered lobbyist for the Nebraska Insurance Federation, the State Trade Association of Insurance Companies, both mutual and stock-owned

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insurance companies. I am here today to testify in support of LB640. And thank you to Senator Kauth for introducing LB640 on the behalf of the Federation. As you've already heard, LB640 would require hospital-owned facilities that are not on campus of the main hospital facility to obtain a national provider identifier, NPI. The NPI is one of the pieces of information utilized when a claim for reimbursement or payment for health services is sent to the payer, such as a health insurer. Utilizing separate NPIs allow the payer to better identify where the particular service was provided. While, as Mr. Blake mentioned, this is currently not a large issue in Nebraska, it could be an issue in the future as health provider consolidation continues to occur. Services provided at a hospital are notably more expensive to provide, and for good reason. Hospitals are able to provide access to comprehensive, high-quality, acute care if needed. Offsite facilities such as urgent care clinics or ambulatory surgery facilities do not, by their nature, provide access to such comprehensive care. Use of a unique NPI for facilities permit payers to pay for service based upon the service provided and the location of the service, as opposed to merely who owns the facility. In the healthcare policy world, this is called site-neutral payments. While LB640 would only address Nebraska, site neutrality is a national issue. Federal lawmakers and federal agencies are looking toward site-neutral payments as a way to control runaway spending in healthcare, particularly in the Medicare spending space. MedPAC, the bipartisan organization that advises Congress on Medicare spending issues, and the Congressional Budget Office both suggest that site-neutral payments could save billions of federal taxpayer dollars annually. However, LB640 does not go that far, as those studies would suggest. It just requires hospitals to be transparent on where the service was provided. The Nebraska Insurance Federation believes this is a simple step in the correct direction, and would urge the committee's support. Thank you for the opportunity to testify.

**SLAMA:** Thank you, Mr. Bell. Are there any questions from the committee? Senator Bostar.

**BOSTAR:** Thank you, Chair Slama. Thank you, Mr. Bell.

**ROBERT M. BELL:** You're welcome.

**BOSTAR:** We received a letter from the Nebraska Rural Health Association opposing the legislation and talking about how this would increase administrative duties on sort of rural health providers. Do you have a-- I mean, and they make recommendations of what funding

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should be used for instead of regulatory burdens, as I think it's referred.

**ROBERT M. BELL:** Oh. OK. Certainly--

**BOSTAR:** Do you-- do you have--

**ROBERT M. BELL:** I mean, I have not seen that letter, but.

**BOSTAR:** Obviously, we're concerned about rural health access and--

**ROBERT M. BELL:** We are.

**BOSTAR:** --we certainly don't want to imperil its availability to the folks of Nebraska.

**ROBERT M. BELL:** Of course not. Now, there, there is going to be the burden of getting the additional NPI for an off-campus facility, and then it will be necessary for the system to track where that service is provided and provide the accurate statement of what NPI applies to what claim for reimbursement. I mean, I don't doubt that that is more difficult than just putting on the NPI for the main hospital facility. But we believe there would, there would be savings overall for, for the payers, all the payers of healthcare on that. And would that come at a certain, I believe, minor cost to facilities? Perhaps. I can't deny that it will be just a tad bit more burdensome. I don't believe-- I mean, I don't know. I have not filed one of these claims before in my life where I have not asked for an NPI number, but-- so I don't know how difficult that might be. I understand it is not, it is not terribly difficult, but.

**BOSTAR:** So there is there is, though, an argument to be made that I'm hearing that some regulatory burdens are worth it for the greater good.

**ROBERT M. BELL:** Hmm. Well, we have an entire code of regulatory burdens that we gladly accept and sometimes bring to you. For instance, we believe that--

**BOSTAR:** It doesn't sound like you're answering the question.  
[LAUGHTER].

**ROBERT M. BELL:** There are certain consumer protections that are needed for pet insurance that is sitting on a Select File that need to pass in this legislative session, and so.

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**BALLARD:** Big issues.

**ROBERT M. BELL:** And, you know, we don't involve veterinarians in our NPI numbers either, so that's--

**BOSTAR:** Thank you for answering some of my questions.

**ROBERT M. BELL:** You're welcome.

**BOSTAR:** I'll yield the remainder of my time back to the Chair.

**SLAMA:** You're trying to kill me. Thank you, Senator Bostar. Additional committee questions? Seeing none, thank you, Mr. Bell.

**ROBERT M. BELL:** You're welcome.

**SLAMA:** OK. Any proponent testimony for LB640? Seeing none. Opponent testimony for LB640? Good afternoon, Mr. Hale.

**ANDY HALE:** Good afternoon, Chairwoman Slama, members of the Banking, Commerce and Insurance Committee. My name is Andy Hale, A-n-d-y H-a-l-e. I am a registered lobbyist and I am vice president of advocacy for the Nebraska Hospital Association. And I'm here in opposition to LB640. Our hospitals have increased the availability of services they provide by growing the number of hospital outpatients departments located off of main campuses. This has resulted into greater access to care and a more streamlined approach to overall healthcare. Because these locations typically bill insurance using systems that are fully integrated with the main hospital, payers have argued that they are unable to determine the exact location of services. Our hospitals do not need additional administrative burdens, especially at a time when staffing shortages and expenses are at an all-time high. Our hospitals do not have the financial capabilities to hire more people and prove, that prove unnecessary and have-- really are trying to push back against these mandates as noted earlier, especially in our rural areas. Right now, our focus is on retaining and hiring and training medical professionals, not necessarily those that are going to be involved in processing claims. Right now, we spend a tremendous amount of time on prior authorizations, and we don't need any more hoops to jump through that may cause delays in patient care. I believe Mr. Blake mentioned that Colorado-- I believe it was Senator Kauth mentioned that Colorado passed similar legislation in 2018. I spoke to my associate at the Colorado Hospital Association and they described it as a nightmare. They described how the administrative burden of implementing the change, especially upfront, caused delays in services, particularly in the rural areas of



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the state. And they've had issues with overall payer claims with the database that it can no longer distinguish between services that are provided off campus or independent practices. And it's just been a mess, to quote them. Adding additional regulations to hospitals requires careful consideration and balancing all of the interests involved. Essentially, this is telehealth, telehealth payment parity. This is what they've done, what the insurance companies have done. They've essentially picked us apart. And so they are now going after and attempting to differentiate between the clinics and the hospitals so that they can charge a different rate for reimbursement. It's exactly why Senator Brewer has introduced LB256. That was, I believe, February 13 before this committee. And you heard both testifiers, proponent testifiers that this is not a problem in the state. We are already heavily burdened with regulations. I know we joined other industries that come before this committee. This right now is one we just don't need. So I'll be happy to answer any questions.

**SLAMA:** Thank you, Mr. Hale. Are there any questions from the committee?

**JACOBSON:** Sure.

**SLAMA:** Senator von Gillern.

**von GILLERN:** Beat you to the punch. Previous testifier could not really tell us what the process was or how burdensome it might be to get a, a separate NPI. Can you share briefly with us what that looks like?

**ANDY HALE:** It is time-consuming. The amount of time, it really depends on the facility, depends on the manpower. To be quite honest, especially with the smallest of our critical access hospitals, they have individuals wearing several hats. And oftentimes, there are individuals that are taken off the line that are providing care that they have to pull back in to back offices to do administrative tasks such as this. This would be a case where they're pulling people away from other things to do. Given an exact time amount, I'm not sure what that would be. But I know we do have another bill before this committee down the road dealing with prior authorizations. That is just another hoop that they have to jump through in dealing with it.

**von GILLERN:** Clearly, two very different things. This would be a-- this appears to me at least to be a one-time effort. It would be like registering with the Secretary of State for a new business or something along those lines. So I think those are clearly two

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different, two different activities. Just another quick question. Should the bill move forward, I don't see anything regarding enactment that would make it any different than a normal bill. So it would, it would take place within this next calendar year, obviously, after the end of the session. What-- is that a, is that a cumbersome time frame? Would it-- if the bill were to move forward, would a, would a protracted enactment time be beneficial?

**ANDY HALE:** Yeah. I think that the more time that we could get to have to implement this with, with any rules and regulations that are imposed, the better.

**von GILLERN:** I would ask, if you could, to maybe share with the committee obviously offline what exactly the process is to obtain an NPI. If you could do that, that would be appreciated.

**ANDY HALE:** Absolutely.

**von GILLERN:** Thank you.

**SLAMA:** Thank you, Senator von Gillern. Senator Jacobson.

**JACOBSON:** Sure. Thank you. Thank you, Mr. Hale. Let me double back on some other questions. I asked a question earlier of Mr. Blake, on off-campus. That seems to give me quite a bit of indigestion. Where would you see that-- just that piece alone fitting in here if you were to define "off-campus?"

**ANDY HALE:** Well, the way they have it defined now, I believe it's, it's 250 yards from that facility. When we talked to some of our members, they had concerns knowing that the facility that you're referencing in North Platte, where does that begin and end? Is it the end of the property line? How do you define that? I think, I don't know where they-- I would like to know where they came up with this number of 250 yards. How did they define that-- or, come up with that definition?

**JACOBSON:** The follow-up question and I, I'm-- again, I'm just trying to picture how this would actually work. And I think you raised the question about telehealth. And I know in the question earlier of Mr. Blake. So are there, is there going to be a difference-- required to be a difference in billing rates for different numbers? And I think you're, you're referencing that this would be handled probably like telehealth, where we're going to only pay 50 percent or we're going to pay a lower rate. But to that point then, if that's the case-- I'm just looking out in rural Nebraska and I'm looking at how many rural

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Nebraska hospitals were profitable last year. And, and I look at what's going ahead with where we're-- where things are being proposed for Medicaid reimbursement rates. I'm very concerned about how many of those are going to continue to be viable, how many clinics are going to be viable. Look at the number of physicians who have wanted to sell their practices to the hospital because they can't make it work anymore. And so I'm trying to figure out if you absorb those and then you're going to have a lower reimbursement rate, what would be the motivation for the hospital to buy those clinics?

**ANDY HALE:** I, I don't see one, Senator, other than to provide care. I think we all know that preventative care is a big component to your future health, and that's where these clinics do a lot of their good work.

**JACOBSON:** So, so to be clear, then, I guess what I'm looking at is if you're in a hospital-- let me just pick a hospital in my, in my district, Grant. Actually, technically, I think it's just off of my-- outside of my footprint, but I'm going to use it. So they work with North Platte back and forth. Let's just say that they decided that they wanted North Platte to absorb that hospital. Then they could potentially be looking at a different reimbursement rate there if it was absorbed into GPH. So then at what point would GPH say, if you're only going to reimburse 75 percent of our rates, then would they just say, I'm not going to buy it. You're just going to have-- your people are just going to have to travel further to get there. Is that not the logical outcome?

**ANDY HALE:** Yeah. We've, we've seen that here locally and nationally, when hospitals do close. The last closure we had was in 2021 in Oakland. They kept a clinic there to at least serve that population with some sort of healthcare. But, but to your point, if it's not financially viable-- like you said, our hospitals aren't, you know, rich with cash right now. And so when you make those determinations businesswise as a-- in your profession outside of this, it wouldn't make good sense if I came in and asked you to loan me money to take on a clinic that's going to be reimbursed at a different rate than at the hospital, regardless of the care. Again, it goes back to my telehealth point. We're providing great care to that patient, regardless of where it is. But the insurance companies are now mandating and dictating the reimbursement of their rate, regardless of the care that it's received; regardless of the provider. It's the same path they're going down with, with the clinics.

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**JACOBSON:** Well, being the member, committee member who wants to bring everyone together, I would just say that, I would just say that I, I-- the other thing I've watched as a hospital board member is the fact that the biggest problem and the biggest elephant in the room is the fact that Medicare and Medicaid reimbursement rates are horrible. And as a result of that, costs are having to go up. And so those that are truly private [INAUDIBLE] and can afford to pay privately or Blue Cross Blue Shield in most cases has to pick up the difference. And that's really the push-pull that's going on. And a lot of this could probably be solved if we had decent reimbursement rates coming from Medicaid and from Medicare. Would you agree with that?

**ANDY HALE:** I would agree with that 100 percent. And that's why we've, we've asked the Legislature this year for an increase in Medicaid. And without that, your-- it's just not sustainable. You're absolutely right.

**JACOBSON:** I mean, Mr. Bell and Mr. Blake are great guys and they represent great organizations. But, but at the end of the day, that's the problem that we're dealing with is, how can we keep rural hospitals in particular viable? And metro hospitals aren't exempt from that. And ultimately, we've got to deal with regulation and we've got to deal with reimbursement rates, or these costs aren't going to get under control.

**ANDY HALE:** I would agree 100 percent--

**JACOBSON:** Thank you.

**ANDY HALE:** --with that, Senator.

**SLAMA:** Thank you, Senator Jacobson. Additional committee questions? Seeing none, thank you, Mr. Hale.

**ANDY HALE:** Thank you, Senator Slama.

**SLAMA:** All right. Additional opposition testimony to LB640? I see none. Any neutral testimony for LB640? I see none. Senator Kauth, you're welcome to close as you approach. We have one opponent letter for the record.

**KAUTH:** Thank you very much, Chair. Listening to some of the testimony from the opponent, we went online and googled, how do you get an NPI number? And you submit it to CMS. If you do it electronically, it takes 10 days. By paper, it takes 20 days. So I don't think that the burdensomeness of getting an NPI number is truly an accurate

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representation. I think understanding where service is being held is really important for us to be able to start tailoring those conversations about how much are we actually charging. Those are two separate things. So I don't want us combining those in this discussion. This is just truly to say, where are people getting their services? Because then we can start analyzing that data. Without that data, all we're looking at is, well, Methodist or CHI or UNMC is everywhere and they're doing all of this stuff. We don't have accurate information. And to the point that does it provide a disincentive for these large organizations to go in and buy small community clinics? I would say that it provides a perverse incentive for them to go in and purchase them. Because if they can look at that as an extension of getting a lot more money for those rates, we're going to have small community clinics being closed or, or absorbed by these large monoliths. So I think that cuts both ways. I would really like us to focus on just the transparency issue of where exactly is service being provided and save the other issues for another time. So thank you.

**SLAMA:** Thank you, Senator Kauth. Any questions from the committee? I see none. Thank you very much. This brings to a close our hearing on LB640 and a close for all of our hearings for the day.