

**INSURANCE COMMITTEE
Testimony in Support HB 2065**

**Dean Newton, Managing Director & Executive Vice President,
Delta Dental of Kansas**

Good afternoon Representative Schwab and Committee Members. My name is Dean Newton and I am the Managing Director and Executive Vice President of Delta Dental of Kansas. Thank you for allowing me to testify today in support of HB 2065, which effectively amends K.S.A. 40-19a11.

I'd like to begin by giving you a little background on our company. Delta Dental of Kansas is the largest dental benefits carrier in the state of Kansas. We sell benefits plans to companies with headquarters in Kansas and currently serve about 950,000 enrollees represented by more than 3,000 employers. In 2012 we introduced Delta Dental Individual & Family plans which currently provides coverage to 13,000 Kansans.

I'm here today to explain our requested changes to Kansas Statute 40-19a11.

Delta Dental of Kansas was founded in 1972 by KSA 40-19a01, et. seq. as a non-profit dental service corporation. One portion of that statute, specifically K.S.A. 40-19a11, limits the amount of expenses that can be attributed to administration, therefore limiting Delta Dental of Kansas' amount of overhead expense. We embrace this overhead limit and have historically remained well under the limit.

The bill that brings me here today is Delta Dental of Kansas' desire to clarify language within the statute when calculating this overhead limit. As written in 1972, KSA 40-19a11 states that the amount of payments received from "subscribers" shall be used when determining the percentage of revenue that can be attributed to overhead expenses. Unfortunately, the term "subscriber" is not defined within K.S.A 40-19a01 or any relevant section. This undefined term, coupled with codification, resulted in unintended consequences for Delta Dental of Kansas. Specifically, the Kansas Insurance Department's adoption of codification resulted in reporting risk insurance only and eliminated inclusion of self-funded plans as revenue. As a result, Delta Dental of Kansas can only recognize approximately 30 percent of our total revenue in calculating our overhead limit.

Our request to change the statute is multi-fold.

First, the statute change will resolve the discrepancies between Delta Dental of Kansas' enabling statute and codification. The proposed language clarifies that all payments received from purchasers of insured products and self-insured groups through administrative fees and related claims payments shall be included when determining our overhead limits. These are all payments that may be received under K.S.A. 40-19a02, which allows Delta Dental of Kansas to operate as an insurance carrier or third party administrator. This change eliminates ambiguity with regard to the term "subscribers" and allows us to utilize total revenue in calculating overhead expense.

Second, our goal as a company is to provide best-in-class service and products to all Kansans. This change will enable us to continue making investments in technology, customer service, consumer ease of use and online and mobile services so that services for Kansans throughout our state continue to be best in class. While a change in the statute is necessary to continue to improve service to consumers, **the requested change will have NO financial cost for consumers.** Premiums, claims, administration fees, etc. will all remain the same. The requested change will only impact Delta Dental of Kansas' annual reporting to the Kansas Insurance Department on this issue.

Third, while not the sole cause for this requested change, Delta Dental of Kansas has incurred significant administrative costs over the past two years because it has followed its mission of improving the oral health care of Kansans by making its products available on the Federally Facilitated Marketplace. The regulatory burden and administrative expenses related to this decision have been significant with very little financial return.

Thank you for your time and consideration of this matter and we hope you will support our efforts to clarify the language within K.S.A. 40-19a11.