

TO: The Honorable Ty Masterson, Chair
Senate Ways and Means Committee
FROM: Mike Herbert, President and Chief Executive Officer
Delta Dental of Kansas
SUBJECT: S.B. 309
DATE: May 21, 2015

MEMORANDUM

Mr. Chairman, Members of the Committee: My name is Mike Herbert and I am the President and Chief Executive Officer of Delta Dental of Kansas. Delta Dental of Kansas is the largest dental benefits carrier in the state of Kansas. We sell benefit plans to companies with headquarters in Kansas and currently serve approximately 950,000 enrollees represented by more than 3,000 employers. We also provide coverage to more than 26,000 Kansans through individual policies. Please accept this memorandum as Delta Dental of Kansas' opposition to S.B. 309.

First, we contend this bill will have a significant negative impact on Kansas companies and individual Kansans. An additional 3.5% tax of the monthly premium for each policy sold, delivered or issued on the health insurance exchange is essentially an additional tax to each individual or small business who has purchased on the health insurance exchange. Delta Dental of Kansas currently provides dental benefits for over 10,000 Kansans on the exchange and over twenty small businesses who have purchased through the Small Business Health Options Program (SHOP). Adding a tax to each premium will ultimately result in increased premiums for every individual and small business in Kansas, now and into the future. The bill's provision to retroactively implement the tax increase to January 1, 2015, coupled with an insurance companies' inability to increase exchange product premiums until 2017, will require insurance companies to potentially shift these additional costs to consumers and businesses currently purchasing outside the health insurance exchange.

Second, we contend this bill places an undue burden on free enterprise and a corporation's ability to expand. Our goal as a company is to provide best-in-class service and products to all Kansans. Increasing the tax liability for Kansas companies will negatively impact our resources and ability to make current and future investments in technology, customer service, consumer ease-of-use and online and mobile services to help hundreds of thousands of Kansans throughout our state. Additionally, Delta Dental of Kansas' workforce has grown year-over-year, but if this bill is passed we will need to reevaluate our ability to continue that hiring trend.

Third, we contend this bill is directly contrary to the legislature's attempt to attract new businesses to the state and to ensure a more business friendly climate in the state. Unexpected and retroactive tax increases will ultimately hurt the Kansas economy.

Based upon the aforementioned, we respectfully request that the Committee **not** act favorably on S.B. 309. I am available for questions at your convenience.

Respectfully submitted,



Michael J. Herbert

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