



SENATE WAYS AND MEANS COMMITTEE
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Testimony Opposing Senate Bill 309
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Chairman Masterson and Members of the Committee, my name is Coni Fries and I am here today on behalf of Blue Cross and Blue Shield of Kansas City to testify against Senate Bill 309.

Blue Cross and Blue Shield of Kansas City is a not-for-profit health plan serving residents in the greater Kansas City area, including Johnson and Wyandotte counties in Kansas and 30 counties in Northwest Missouri. Our mission is to use our role as the area's leading health insurer to provide affordable access to healthcare and improve the health and wellness of our members. The ability to provide affordable coverage is difficult given the new rules and taxes that are imposed under the Affordable Care Act (ACA). The new taxes imposed in Senate Bill 309 will further challenge our ability to provide affordable coverage as consumers absorb this fee in their premiums when they receive their renewal rates later this year.

Prior to the ACA, health insurance premiums were only subject to a state premium tax of up to two percent. In addition to the Kansas premium tax, the ACA imposed several additional taxes of approximately 9 percent. These costs are included in the premiums consumers pay for their coverage today.

The enactment of Senate Bill 309 could result in some of your constituents paying an additional 15 percent in premium taxes that they did not pay prior to 2014¹. Taxing responsible consumers who want the protection of health insurance should not be a solution to fix the budget shortfall in Kansas.

It is our understanding there may be support for Senate Bill 309 because it is seen as an opportunity to have the federal government pay the state of Kansas a tax (via the premium subsidies) that can provide a revenue stream for the state. This simply is not true because the majority of premiums paid by your constituents are not subsidized by the federal government.

Approximately only two percent of our Exchange members in Kansas have a 100 percent premium subsidy. For those members, the Federal government would be paying for this new cost. However, 17 percent of our Exchange members do not have any premium subsidies and 81 percent have a partial subsidy. **Thus, 98 percent of our Exchange membership will either pick up the total cost of this tax or part of the tax.**

¹ Includes the additional privilege tax increase of 4.5% for HMOs under SB 180 / HB 2281 (the HMO Privilege fee bill)



While Senate Bill 309 is intended to be a tax on Exchange policies only, federal law requires that carriers spread that cost to every consumer who purchases coverage regardless of whether they purchase the coverage on the Exchange or directly from us. Senate Bill 309 will inadvertently punish your constituents who chose to purchase coverage off of the Exchange. Approximately 50 percent of our policyholders purchased coverage directly from us but they also will see their premiums increase if Senate Bill 309 passes. **Their costs will not be subsidized by the Federal government.** So to the extent some believe the federal government will be paying the state the tax, it is just not the case. **The taxes included in this bill will be borne in most cases by Kansas residents, not the federal government.**

In addition, if the Supreme Court rules in *King vs. Burwell* subsidies are not available in Federally Facilitated Exchanges, all Kansas residents who purchase health insurance will be subject to the tax as there will be no subsidies available to pass this tax back to the federal government.

I would be happy to answer any questions you may have.