



9401 Indian Creek Parkway
Suite 1300
Overland Park, Kansas 66210

May 20, 2015

The Honorable Ty Masterson
Senate Committee on Ways and Means

Re: Opposition to Senate Bill 309

Chairman Masterson and members of the Committee on Ways and Means, thank you for allowing Aetna the opportunity to provide testimony on Senate Bill 309.

Position

Aetna opposes the 3.5% annual fee to be imposed on the premium for each policy sold, delivered or issued for delivery on the federal health insurance exchange. At a time when Kansas consumers are already struggling to cover the cost of their health insurance premiums and cost of health care services, adding an additional fee on health insurance policies only makes this problem worse.

Concerns

Aetna has heard comments suggesting this legislation is necessary to ensure that insurers who supported adoption of the Affordable Care Act ("ACA") also pay for the costs created by the ACA. The fact is insurers, such as Aetna, already pay a number of taxes and fees to cover costs associated with the ACA, including the Health Insurance Fee (HIF), the Patient-Centered Outcomes Research Institute ("PCORI") fee, reinsurance and risk adjustment fees, and a fee to the Federal Marketplace to cover the administrative costs of the exchange. These taxes and fees total approximately 7% and like all state and federal premium taxes and fees are passed on to consumers in the form of higher premium costs.

Aetna is extremely concerned that the cost of this fee and others suggested by the Legislature will create serious affordability issues for Kansas consumers. Current state and federal taxes and fees already approach 9% – 10% and add approximately \$26 - \$28 per month to every Kansas consumer's health insurance policy. The impact of the annual fee outlined in SB 309, along with the increase in the HMO Privilege Fee that is also under consideration by the Kansas Legislature, *will create a total tax and fee hardship between 16% and 17%*, or estimated at \$46 - \$48 per month, on Kansans' individual HMO health insurance policies. It's important to note that 90% of the individuals who currently purchase coverage through the exchange receive no subsidy or only a partial subsidy, and therefore will bear either all of this added cost or a significant portion it.

Additionally, while the intent of SB 309 is to impose this fee only on policies purchased through the Federal health insurance exchange, we believe it is clear that the fee will actually have to be imposed on all individual policies purchased in the state Under federal law, insurers are required

to spread costs like this fee over all individual policies sold in Kansas, including those purchased through the Federal health insurance exchange and those purchased outside the exchange. Federal law 45 CFR 156.255(b) requires that insurers “*charge the same premium rate without regard to whether the plan is offered through an Exchange, or whether the plan is offered directly from the issuer or through an agent.*” Given this, imposing the fee outlined in SB 309 will reach far beyond policies purchased through the federal health insurance exchange and in fact will impact everyone buying an individual health insurance policy in Kansas

In closing, Aetna asks the Committee to oppose SB 309 and to give strong consideration to the following facts as they debate this bill: 1.) Insurers and consumers in Kansas are already paying significant taxes and fees to support the ACA; 2.) The imposition of this fee along with the proposed HMO privilege fee increase will create a total tax and fee burden of at least \$46 per month for Kansans who purchase individual health insurance; and 3.) Federal law will require that this fee be applied to all individual health insurance policies purchased in Kansas – not just those purchased on the exchange. Again, thank you for providing Aetna the opportunity to address this issue and offer our serious concerns for this Bill.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Robino', with a large, sweeping loop at the end.

Steven Robino
Director, State Government Affairs