

**SENATE BILL No. 457**

By Committee on Financial Institutions and Insurance

2-5

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AN ACT concerning the nonprofit medical and hospital service corporation act; relating to nonassignability provisions in subscription agreements; amending K.S.A. 40-19c06 and repealing the existing section.

*Be it enacted by the Legislature of the State of Kansas:*

Section 1. K.S.A. 40-19c06 is hereby amended to read as follows: 40-19c06. (a) No subscription agreement, except as provided in subsection (d), between a corporation organized under the nonprofit medical and hospital service corporation act and a subscriber, shall entitle more than one person to benefits, except that a “family subscription agreement” may be issued, at an established subscription charge, to a husband and wife, or husband, wife, and their dependent child or children and any other person dependent upon the subscriber. Only the subscriber must be named in the subscription agreement.

(b) Every subscription agreement entered into by any such corporation with any subscriber shall be in writing and a certificate stating the terms and conditions shall be furnished to the subscriber to be kept by the subscriber. No such certificate form shall be made, issued or delivered in this state unless it contains the following provisions: (1) A statement of the nature of the benefits to be furnished and the period during which they will be furnished, and if there are any benefits to be excepted, a detailed statement of such exceptions printed as hereinafter specified; (2) a statement of the terms and conditions, if any, upon which the subscription agreement may be canceled or otherwise terminated at the option of either party; (3) a statement that the subscription agreement includes the endorsements and attached papers, if any, and contains the entire contract; (4) a statement that no statement by the subscriber in the application for a subscription agreement shall avoid the subscription agreement or be used in any legal proceeding, unless such application or an exact copy is included in or attached to such subscription agreement, and that no agent or representative of such corporation, other than an officer or officers designated therein, is authorized to change the subscription agreement or waive any of its provisions; (5) a statement that if the subscriber defaults in making any payments under the subscription agreement, the subsequent acceptance of a payment by the corporation or by

1 one of its duly authorized agents shall reinstate the subscription agree-  
2 ment but with respect to sickness and injury, only to cover such sickness  
3 as may be first manifested more than 10 days after the date of such  
4 acceptance; (6) a statement of the period of grace which will be allowed  
5 the subscriber for making any payment due under the subscription agree-  
6 ment. Such period shall not be less than 10 days; and (7) if applicable, a  
7 statement of the kind of hospital in which the subscriber may receive  
8 benefits and the types of benefits to which the subscriber may be entitled  
9 to in such kinds of hospitals. The subscriber shall be entitled to benefits  
10 in any nonparticipating hospital in Kansas which is licensed by the sec-  
11 retary of health and environment and in which the average length of stay  
12 of patient is similar to the average length of stay in participating hospitals.  
13 The agreements issued by any corporation currently or previously organ-  
14 ized under this act may *not* include provisions ~~allowing for direct payment~~  
15 ~~of benefits only to contracting health care providers that restrain, restrict,~~  
16 *limit or prevent any subscriber from assigning health insurance proceeds*  
17 *to any noncontracting hospital at which such subscriber received services.*

18 (c) In every such subscription agreement made, issued or delivered  
19 in this state: (1) All printed portions shall be plainly printed; (2) the ex-  
20 ceptions of the subscription agreement shall appear with the same prom-  
21 inence as the benefits to which they apply; (3) if the subscription agree-  
22 ment contains any provisions purporting to make any portion of the  
23 articles of incorporation or bylaws of the corporation a part of the sub-  
24 scription agreement, such portion shall be set forth in full; and (4) there  
25 shall be a brief description of the subscription agreement on the first page  
26 and on its filing back.

27 (d) Any such corporations may issue a group or blanket subscription  
28 agreement, provided the group of persons insured conforms to the  
29 requirements of law applicable to other companies writing group or blan-  
30 ket sickness and accident insurance policies and provided such subscrip-  
31 tion agreement and the individual certificates issued to members of the  
32 group shall comply in substance with this section. Any such subscription  
33 agreement may provide for the adjustment of the premiums based upon  
34 the experience at the end of the first year or of any subsequent year of  
35 insurance, and such readjustment may be made retroactive in the form  
36 of a rate credit or a cash refund.

37 (e) (1) Any group subscription agreement issued pursuant to subsec-  
38 tion (d) shall provide that an employee or member or such employee's or  
39 member's covered dependents whose insurance under the group subscrip-  
40 tion agreement has been terminated for any reason, including dis-  
41 continuance of the group in its entirety or with respect to an insured class,  
42 and who has been continuously insured under the group subscription  
43 agreement or under any group policy or subscription agreement providing

1 similar benefits which it replaces for at least three months immediately  
2 prior to termination, shall be entitled to have such coverage nonetheless  
3 continued under the group policy for a period of six months and at the  
4 end of such six-month period of continuation, such employee or member  
5 or such employee's or member's covered dependents shall be entitled to  
6 obtain, at the employee's, member's or dependent's option either:

7 (A) A converted subscription agreement providing coverage equal to  
8 80% of that afforded under the group subscription agreement for basic  
9 hospital, surgical and medical benefits. Persons selecting this option shall  
10 also be entitled to obtain major medical expense coverage which will  
11 provide hospital, medical and surgical expense benefits to an aggregate  
12 maximum of not less than \$50,000. The major medical expense coverage  
13 may be subject to a copayment by the covered person of not more than  
14 20% of covered charges and a deductible stated on a per person, per  
15 family, per illness, per benefit period, or per year basis or a combination  
16 of such bases of not more than \$500 per person subject to a maximum  
17 annual deductible of \$750 per family; or

18 (B) a subscription agreement which imposes a deductible of not less  
19 than \$1,000 per subscriber and not less than \$2,000 per family and sub-  
20 jects the covered person to a copayment of not more than 20% of covered  
21 charges with a \$1,000 maximum copayment per subscriber and \$2,000  
22 maximum copayment per family per contract year and providing a lifetime  
23 maximum benefit of not less than \$1,000,000.

24 (2) The requirements imposed by this subsection (e) shall not apply  
25 to a group subscription agreement which provides benefits for specific  
26 diseases or for accidental injuries only or any group subscription agree-  
27 ment issued to an employer subject to the continuation and conversion  
28 obligations set forth at title I, subtitle B, part 6 of the employee retirement  
29 income security act of 1974 or at title XXII of the public health service  
30 act, as each act was in effect on January 1, 1987, to the extent federal law  
31 provides the employee or member or such employee's or member's cov-  
32 ered dependents with equal or greater continuation or conversion rights,  
33 or any employee or member or such employee's or member's covered  
34 dependents whose termination of insurance under the group subscription  
35 agreement occurred because:

36 (A) Such person failed to pay any required contribution after receiv-  
37 ing reasonable notice of such required contribution from the insurer in  
38 accordance with rules and regulations adopted by the commissioner of  
39 insurance;

40 (B) any discontinued group coverage was replaced by similar group  
41 coverage within 31 days; or the employee or member is or could be cov-  
42 ered by medicare (title XVIII of the United States social security act as  
43 added by the social security amendments of 1965 or as later amended or

1 superseded); or  
2 (C) the employee or member is or could be covered to the same  
3 extent by any other insured or lawful self-insured arrangement which  
4 provides expense incurred hospital, surgical or medical coverage and ben-  
5 efits for individuals in a group under which the person was not covered  
6 prior to such termination. In the event the group policy is terminated and  
7 not replaced the insurer may issue an individual policy or certificate in  
8 lieu of a conversion policy or the continuation of group coverage required  
9 herein if the individual policy or certificate provides substantially similar  
10 coverage for the same or less premium as the group subscription agree-  
11 ment. In any event, the employee or member shall have the option to be  
12 issued a conversion policy which meets the requirements set forth in this  
13 subsection (e) in lieu of the right to continue group coverage.

14 (3) Written application for the converted subscription agreement  
15 shall be made and the first premium paid to the insurer not later than 31  
16 days after termination of the group coverage and shall become effective  
17 the day following the termination of insurance under the group subscrip-  
18 tion agreement. In addition, the converted subscription agreement shall  
19 be subject to the provisions contained in paragraphs (2), (3), (4), (5), (6),  
20 (7), (8), (9), (10), (13), (14), (15), (16), (17), (18), (19), and (20) of sub-  
21 section (j) of K.S.A. 40-2209, and amendments thereto.

22 Sec. 2. K.S.A. 40-19c06 is hereby repealed.

23 Sec. 3. This act shall take effect and be in force from and after its  
24 publication in the statute book.

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