

SENATE BILL No. 564

By Committee on Financial Institutions and Insurance

2-6

9 AN ACT concerning health insurance; pertaining to employer provided
10 cafeteria plans; pertaining to health savings accounts; pertaining to
11 high deductible health insurance plans; pertaining to tax treatment of
12 health insurance premiums; amending K.S.A. 40-2119, 40-2209d, 40-
13 2209h, 40-2209m and 75-6512 and K.S.A. 2007 Supp. 40-2240, 75-
14 6501 and 79-32,117 and repealing the existing sections.
15

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

17 New Section 1. The provisions of K.S.A. 40-2209b, 40-2209c, 40-
18 2209d, 40-2209e, 40-2209f, 40-2209g, 40-2209h, 40-2209i, 40-2209j, 40-
19 2209m, 40-2209n and 40-2209o, and amendments thereto, shall be known
20 and may be cited as the small employer health care act.

21 New Sec. 2. (a) A health benefit plan subject to the provisions of the
22 small employer health care plan act shall be renewable with respect to
23 all eligible employees and dependents, at the option of the small em-
24 ployer, except in any of the following cases:

25 (1) The plan sponsor fails to pay a premium or contribution in ac-
26 cordance with the terms of a health benefit plan or the health carrier has
27 not received a timely premium payment;

28 (2) the plan sponsor performs an act or practice that constitutes fraud,
29 or makes an intentional misrepresentation of material fact under the
30 terms of the coverage;

31 (3) the plan sponsor fails to comply with the carrier's minimum par-
32 ticipation requirements;

33 (4) the plan sponsor fails to comply with the carrier's employer con-
34 tribution requirements;

35 (5) the small employer carrier elects to discontinue offering a partic-
36 ular type of health benefit plan in the state's small group market. A type
37 of health benefit plan may be discontinued by a small employer carrier
38 in such market only if such carrier:

39 (A) Issues a notice of the proposed discontinuation of coverage to
40 each plan sponsor and to each covered participant and dependent in the
41 small group market. Such notice shall be provided at least 90 days prior
42 to the date of discontinuation of the coverage;

43 (B) offers to each plan sponsor provided coverage of the type pro-

1 posed to be discontinued the option to purchase all other health benefit
2 plans currently being offered by the small employer carrier in the state's
3 small group market; and
4 (C) acts uniformly without regard to the claims experience of those
5 plan sponsors or any health status-related factor relating to any partici-
6 pants or beneficiaries covered or new participants or beneficiaries who
7 may become eligible for such coverage;
8 (6) a small employer carrier elects to discontinue offering all health
9 insurance coverage in the small group market in this state. A small em-
10 ployer carrier shall not discontinue offering all health insurance coverage
11 in the small employer market unless:
12 (A) The carrier provides notice of discontinuation to the commis-
13 sioner and to each plan sponsor, participant and beneficiary covered un-
14 der such coverage. The notice of discontinuation shall be provided at least
15 180 days prior to the date of the discontinuation of coverage; and
16 (B) all health insurance issued or delivered for issuance in Kansas in
17 the small employer market is discontinued and coverage under such
18 health insurance is not renewed;
19 (7) the commissioner finds that the continuation of the coverage
20 would:
21 (A) Not be in the best interest of the policyholders or certificate hold-
22 ers; or
23 (B) impair the carrier's ability to meet its contractual obligations.
24 In such instance the director shall assist affected small employers in
25 finding replacement coverage.
26 (b) A small employer carrier that elects not to renew a health benefit
27 plan under paragraph (6) of subsection (a) shall be prohibited from writ-
28 ing new business in the small employer market in this state for a period
29 of five years from the date of notice to the commissioner.
30 (c) In the case of a small employer carrier doing business in one
31 established geographic service area of the state, the provisions of this
32 section shall apply only to the carrier's operations in such service area.
33 (d) At the time of coverage renewal, a health insurance issuer may
34 modify the health insurance coverage for a product offered to a group
35 health plan in the small group market if such modification is consistent
36 with state law and effective on a uniform basis among group health plans
37 with that product. For purposes of this subsection, renewal shall be
38 deemed to occur not more often than annually on the anniversary of the
39 effective date of the group health plan's health insurance coverage unless
40 a longer term is specified in the policy or contract.
41 (e) This section shall be part of an supplemental to the small em-
42 ployers health care act.
43 New Sec. 3. (a) (1) Beginning with the open enrollment period for

1 the 2009 plan year, the administering carrier shall offer to all eligible
2 individuals the option of receiving health care coverage through a high
3 deductible health plan and the establishment of a health savings account.
4 Such option may be offered through a cafeteria plan authorized by 26
5 U.S.C. Section 125.

6 (2) The administering carrier shall issue a request for proposals from
7 companies interested in offering a high deductible health plan in con-
8 nection with a health savings account.

9 (b) For the purposes of this section, the term:

10 (1) "Administering carrier" shall have the meaning ascribed to it in
11 K.S.A. 40-2122 and amendments thereto.

12 (2) "Health savings account" shall have the meaning ascribed to it as
13 in subsection (d) of 26 U.S.C. Section 223.

14 (3) "High deductible health plan" shall mean a policy or contract of
15 health insurance or health care plan that meets the criteria established in
16 subsection (c) of 26 U.S.C. Section 223 and any regulations promulgated
17 thereunder.

18 (c) This section shall be part of and supplemental to the Kansas un-
19 insurable health insurance plan act.

20 Sec. 4. K.S.A. 40-2119 is hereby amended to read as follows: 40-
21 2119. (a) There is hereby created a nonprofit legal entity to be known as
22 the Kansas health insurance association. All insurers and insurance ar-
23 rangements providing health care benefits in this state shall be members
24 of the association. The association shall operate under a plan of operation
25 established and approved under subsection (b) of this section and shall
26 exercise its powers through a board of directors established under this
27 section.

28 (b) (1) The board of directors of the association shall be selected by
29 members of the association subject to the approval of the commissioner.
30 To select the initial board of directors, and to initially organize the asso-
31 ciation, the commissioner shall give notice to all members in this state of
32 the time and place of the organizational meeting. In determining voting
33 rights at the organizational meeting, each member shall be entitled to
34 one vote in person or by proxy. If the board of directors is not selected
35 within 60 days after the organizational meeting, the commissioner shall
36 appoint the initial board. In approving or selecting members of the board,
37 the commissioner shall consider, among other things, whether all mem-
38 bers are fairly represented. Members of the board may be reimbursed
39 from the moneys of the plan for expenses incurred by them as members
40 of the board of directors but shall not otherwise be compensated by the
41 plan for their services.

42 (2) The board shall submit to the commissioner a plan of operation
43 for the association and any amendments thereto necessary or suitable to

1 assure the fair, reasonable and equitable administration of the plan. The
2 plan of operation shall become effective upon approval in writing by the
3 commissioner consistent with the date on which the coverage under this
4 act must be made available. The commissioner shall, after notice and
5 hearing, approve the plan of operation if it is determined to be suitable
6 to assure the fair, reasonable and equitable administration of the plan and
7 provides for the sharing of association losses on an equitable proportion-
8 ate basis among the members of the association. If the board fails to
9 submit a suitable plan of operation within 180 days after its appointment,
10 or at any time thereafter fails to submit suitable amendments to the plan
11 of operation, the commissioner shall, after notice and hearing, adopt and
12 promulgate such reasonable rules and regulations as are necessary or
13 advisable to effectuate the provisions of this section. Such rules and reg-
14 ulations shall continue in force until modified by the commissioner or
15 superseded by a plan of operation submitted by the board and approved
16 by the commissioner. The plan of operation shall, in addition to require-
17 ments enumerated elsewhere in this act:

18 (A) Establish procedures for the handling and accounting of assets
19 and moneys of the plan;

20 (B) select an administering carrier in accordance with K.S.A. 40-
21 2120, and amendments thereto;

22 (C) establish procedures for the collection of assessments from all
23 members to provide for claims paid under the plan and for administrative
24 expenses incurred or estimated to be incurred during the period for which
25 the assessment is made. The level of payments shall be established by the
26 board pursuant to K.S.A. 40-2121, and amendments thereto. Assessments
27 shall be due and payable within 30 days of receipt of the assessment
28 notice;

29 (D) establish appropriate cost control measures, including but not
30 limited to, preadmission review, case management, utilization review and
31 exclusions and limitations with respect to treatment and services under
32 the plan; and

33 (E) develop and implement a program to publicize the existence of
34 the plan, the eligibility requirements and procedures for enrollment and
35 to maintain public awareness of the plan.

36 (F) Establish benefit levels, lifetime maximum benefits, and other
37 coverage and eligibility parameters, and establish such other require-
38 ments and procedures as are necessary to assure the availability of a ben-
39 efit program or programs conforming with the requirements of a qualified
40 high risk pool as set forth in section 111 of Public Law 104-191 and
41 amendments thereto.

42 (G) *Establish separate accounts to separate federally defined eligible*
43 *individuals and federally defined eligible individuals for FTAA who qual-*

1 *ify for plan coverage from the other eligible individuals entitled to pool*
2 *coverage and apportion the costs of administration among such separate*
3 *accounts.*

4 (c) The association shall have the general powers and authority enu-
5 merated by this subsection in accordance with the plan of operation ap-
6 proved by the commissioner under subsection (b). The association shall
7 have the general powers and authority granted under the laws of this state
8 to insurers licensed to transact the kind of health service or insurance
9 included under K.S.A. 40-2123, and amendments thereto, and in addition
10 thereto, the specific authority and duty to:

11 (1) Enter into contracts as are necessary or proper to carry out the
12 provisions and purposes of this act, including the authority, with the ap-
13 proval of the commissioner, to enter into contracts with similar plans of
14 other states for the joint performance of common administrative func-
15 tions, or with persons or other organizations for the performance of ad-
16 ministrative functions;

17 (2) sue or be sued, including taking any legal actions necessary or
18 proper for recovery of any assessments for, on behalf of, or against par-
19 ticipating members;

20 (3) take such legal action as necessary to avoid the payment of im-
21 proper claims against the association or the coverage provided by or
22 through the plan;

23 (4) establish appropriate rates, rate schedules, rate adjustments, ex-
24 pense allowances, agents' referral fees, claim reserve formulas and any
25 other actuarial function appropriate to the operation of the plan. During
26 the first two years of operation of the plan, rates shall be established in
27 an amount that is estimated by the board to cover all claims that may be
28 made against the plan and the expenses of operating the plan. In following
29 years, rates for coverage shall be reasonable in terms of the benefits pro-
30 vided, the risk experience and expenses of providing the coverage, except
31 that such rates shall not exceed 150% of the average premium rate
32 charged for similar coverage in the private market. Rates and rate sched-
33 ules may be adjusted for appropriate risk factors such as age, sex and
34 geographic location in claims costs and shall take into consideration ap-
35 propriate risk factors in accordance with established actuarial and under-
36 writing practices, however particular health conditions or illnesses shall
37 not constitute appropriate risk factors;

38 (5) assess members of the association in accordance with the provi-
39 sions of K.S.A. 40-2121, and amendments thereto;

40 (6) design the policies of insurance to be offered by the plan which
41 shall cover at least the expenses enumerated in subsection (b) of K.S.A.
42 40-2123, and amendments thereto, but with such limitations and optional
43 benefit levels as the plan prescribes;

1 (7) issue policies of insurance in accordance with the requirements
2 of this act; and

3 (8) appoint from among members appropriate legal, actuarial and
4 other committees as necessary to provide technical assistance in the op-
5 eration of the plan, policy and other contract design, and any other func-
6 tion within the authority of the association.

7 (d) The association shall administer a reinsurance program for med-
8 icare supplement policies issued to Kansas residents who are eligible for
9 medicare by reason of disability. All medicare supplement insurers issuing
10 or renewing medicare supplement policies in this state shall be partici-
11 pants in such reinsurance program. (1) On or before May 1, 2000, and
12 each year thereafter, each issuer of a medicare supplement policy in the
13 state shall provide to the association a calendar year accounting of the
14 medicare supplement policies delivered or issued for delivery in the state
15 and covering persons eligible for medicare by reason of disability who are
16 under age 65. (2) The accounting for medicare supplement policies cov-
17 ering persons eligible by reason of disability and under age 65 shall in-
18 clude the total number of such persons covered, the total premium
19 earned on such persons, and the total claims expense incurred with re-
20 spect to such persons during such year as paid through March 31, without
21 estimates for incurred but not reported claims. (3) The association shall
22 use such reports to develop the assessment required under subsection (d)
23 of K.S.A. 40-2121, and amendments thereto.

24 Sec. 5. K.S.A. 40-2209d is hereby amended to read as follows: 40-
25 2209d. As used in this act:

26 (a) "Actuarial certification" means a written statement by a member
27 of the American academy of actuaries or other individual acceptable to
28 the commissioner that a small employer carrier is in compliance with the
29 provisions of K.S.A. 40-2209h and amendments thereto, based upon the
30 person's examination, including a review of the appropriate records and
31 of the actuarial assumptions and methods used by the small employer
32 carrier in establishing premium rates for applicable health benefit plans.

33 (b) "Approved service area" means a geographical area, as approved
34 by the commissioner to transact insurance in this state, within which the
35 carrier is authorized to provide coverage.

36 (c) "Base premium rate" means, for each class of business as to a
37 rating period, the lowest premium rate charged or that could have been
38 charged under the rating system for that class of business, by the small
39 employer carrier to small employers with similar case characteristics for
40 health benefit plans with the same or similar coverage.

41 (d) "Carrier" or "small employer carrier" means any insurance com-
42 pany, nonprofit medical and hospital service corporation, nonprofit op-
43 tometric, dental, and pharmacy service corporations, municipal group-

1 funded pool, fraternal benefit society or health maintenance organization,
2 as these terms are defined by the Kansas Statutes Annotated, that offers
3 health benefit plans covering eligible employees of one or more small
4 employers in this state.

5 (e) “Case characteristics” means, with respect to a small employer,
6 the geographic area in which the employees reside; the age and sex of
7 the individual employees and their dependents; the appropriate industry
8 classification as determined by the carrier, and the number of employees
9 and dependents and such other objective criteria as may be approved
10 family composition by the commissioner. “Case characteristics” shall not
11 include claim experience, health status and duration of coverage since
12 issue.

13 (f) “Class of business” means all or a separate grouping of small em-
14 ployers established pursuant to K.S.A. 40-2209g and amendments
15 thereto.

16 (g) “Commissioner” means the commissioner of insurance.

17 (h) “Department” means the insurance department.

18 (i) “Dependent” means the spouse or child of an eligible employee,
19 subject to applicable terms of the health benefits plan covering such em-
20 ployee and the dependent eligibility standards established by the board.

21 (j) “Eligible employee” means an employee who works on a full-time
22 basis, with a normal work week of 30 or more hours, and includes a sole
23 proprietor, a partner of a partnership or an independent contractor, pro-
24 vided such sole proprietor, partner or independent contractor is included
25 as an employee under a health benefit plan of a small employer but does
26 not include an employee who works on a part-time, temporary or substi-
27 tute basis.

28 (k) “Financially impaired” means a member which, after the effective
29 date of this act, is not insolvent but is:

30 (1) Deemed by the commissioner to be in a hazardous financial con-
31 dition pursuant to K.S.A. 40-222d and amendments thereto; or

32 (2) placed under an order of rehabilitation or conservation by a court
33 of competent jurisdiction.

34 (l) “Health benefit plan” means any hospital or medical expense pol-
35 icy, health, hospital or medical service corporation contract, and a plan
36 provided by a municipal group-funded pool, or a health maintenance
37 organization contract offered by an employer or any certificate issued
38 under any such policies, contracts or plans. *Health benefit plan also in-*
39 *cludes a cafeteria plan authorized by 26 U.S.C. Section 125 which offers*
40 *the option of receiving health insurance coverage through a high deduct-*
41 *ible health plan and the establishment of a health savings account. In*
42 *order for an eligible individual to obtain a high deductible health plan*
43 *through the cafeteria plan, such individual shall present evidence to the*

1 *employer that such individual has established a health savings account in*
2 *compliance with 26 U.S.C. Section 223, and any amendments and regu-*
3 *lations. “Health benefit plan” does not include policies or certificates*
4 *covering only accident, credit, dental, disability income, long-term care,*
5 *hospital indemnity, medicare supplement, specified disease, vision care,*
6 *coverage issued as a supplement to liability insurance, insurance arising*
7 *out of a workers compensation or similar law, automobile medical-pay-*
8 *ment insurance, or insurance under which benefits are payable with or*
9 *without regard to fault and which is statutorily required to be contained*
10 *in any liability insurance policy or equivalent self-insurance.*

11 *(m) “Health savings account” shall have the same meaning ascribed*
12 *to it as in subsection (d) of 26 U.S.C. Section 223.*

13 *(n) “High deductible health plan” shall mean a policy or contract of*
14 *health insurance or health care plan that meets the criteria established in*
15 *subsection (c) of 26 U.S.C. Section 223 and any regulations promulgated*
16 *thereunder.*

17 ~~(m)~~ *(o) “Index rate” means, for each class of business as to a rating*
18 *period for small employers with similar case characteristics, the arithmetic*
19 *average of the applicable base premium rate and the corresponding high-*
20 *est premium rate.*

21 ~~(n)~~ *(p) “Initial enrollment period” means the period of time specified*
22 *in the health benefit plan during which an individual is first eligible to*
23 *enroll in a small employer health benefit plan. Such period shall be no*
24 *less favorable than a period beginning on the employee’s or member’s*
25 *date of initial eligibility and ending 31 days thereafter.*

26 ~~(o)~~ *(q) “Late enrollee” means an eligible employee or dependent who*
27 *requests enrollment in a small employer’s health benefit plan following*
28 *the initial enrollment period provided under the terms of the first plan*
29 *for which such employee or dependent was eligible through such small*
30 *employer, however an eligible employee or dependent shall not be con-*
31 *sidered a late enrollee if:*

32 *(1) The individual:*

33 *(A) Was covered under another employer-provided health benefit*
34 *plan or was covered under section 607(1) of the employee retirement*
35 *income security act of 1974 (ERISA) at the time the individual was eli-*
36 *gible to enroll;*

37 *(B) states in writing, at the time of the initial eligibility, that coverage*
38 *under another employer health benefit plan was the reason for declining*
39 *enrollment but only if the group policyholder or the accident and sickness*
40 *issuer required such a written statement and provided the individual with*
41 *notice of the requirement for a written statement and the consequences*
42 *of such written statement;*

43 *(C) has lost coverage under another employer health benefit plan or*

1 under section 607(1) of the employee retirement income security act of
2 1974 (ERISA) as a result of the termination of employment, reduction in
3 the number of hours of employment, termination of employer contribu-
4 tions toward such coverage, the termination of the other plan's coverage,
5 death of a spouse, or divorce or legal separation; and
6 (D) requests enrollment within 63 days after the termination of cov-
7 erage under another employer health benefit plan; or
8 (2) the individual is employed by an employer who offers multiple
9 health benefit plans and the individual elects a different health benefit
10 plan during an open enrollment period; or
11 (3) a court has ordered coverage to be provided for a spouse or minor
12 child under a covered employee's plan.

13 ~~(p)~~ (r) "New business premium rate" means, for each class of busi-
14 ness as to a rating period, the lowest premium rate charged or offered,
15 or which could have been charged or offered, by the small employer
16 carrier to small employers with similar case characteristics for newly is-
17 sued health benefit plans with the same or similar coverage.

18 ~~(q)~~ (s) "Preexisting conditions exclusion" means a policy provision
19 which excludes or limits coverage for charges or expenses incurred during
20 a specified period not to exceed 90 days following the insured's effective
21 date of enrollment as to a condition, whether physical or mental, regard-
22 less of the cause of the condition for which medical advice, diagnosis, care
23 or treatment was recommended or received in the six months immedi-
24 ately preceding the effective date of enrollment.

25 ~~(r)~~ (t) "Premium" means moneys paid by a small employer or eligible
26 employees or both as a condition of receiving coverage from a small em-
27 ployer carrier, including any fees or other contributions associated with
28 the health benefit plan.

29 ~~(s)~~ (u) "Rating period" means the calendar period for which premium
30 rates established by a small employer carrier are assumed to be in effect
31 but any period of less than one year shall be considered as a full year.

32 ~~(t)~~ (v) "Waiting period" means a period of time after full-time em-
33 ployment begins before an employee is first eligible to enroll in any ap-
34 plicable health benefit plan offered by the small employer.

35 ~~(u)~~ (w) "Small employer" means any person, firm, corporation, part-
36 nership or association eligible for group sickness and accident insurance
37 pursuant to subsection (a) of K.S.A. 40-2209 and amendments thereto
38 actively engaged in business whose total employed work force consisted
39 of, on at least 50% of its working days during the preceding year, of at
40 least two and no more than 50 eligible employees, the majority of whom
41 were employed within the state. In determining the number of eligible
42 employees, companies which are affiliated companies or which are eli-
43 gible to file a combined tax return for purposes of state taxation, shall be

1 considered one employer. Except as otherwise specifically provided, pro-
2 visions of this act which apply to a small employer which has a health
3 benefit plan shall continue to apply until the plan anniversary following
4 the date the employer no longer meets the requirements of this
5 definition.

6 ~~(v)~~ (x) “Affiliate” or “affiliated” means an entity or person who di-
7 rectly or indirectly through one or more intermediaries, controls or is
8 controlled by, or is under common control with, a specified entity or
9 person.

10 Sec. 6. K.S.A. 40-2209h is hereby amended to read as follows: 40-
11 2209h. From and after January 1, ~~1993~~ 2009: (a) Premium rates applicable
12 to Kansas residents for health benefit plans subject to this act shall be
13 subject to the following provisions:

14 (1) The index rate for a rating period for any class of business shall
15 not exceed the index rate for any other class of business by more than
16 ~~20%~~ 35%.

17 (2) For a class of business, the premium rates charged during a rating
18 period to small employers with similar case characteristics for the same
19 or similar coverage, or the rates that could be charged to such employers
20 under the rating system for that class of business, shall not vary from the
21 index rate by more than 25% of the index rate.

22 (3) The percentage increase in the premium rate charged to a small
23 employer for a new rating period may not exceed the sum of the following:

24 (A) The percentage change in the new business premium rate meas-
25 ured from the first day of the prior rating period to the first day of the
26 new rating period. In the case of a health benefit plan into which the
27 small employer carrier is no longer enrolling new small employers, the
28 small employer carrier shall use the percentage change in the base pre-
29 mium rate, if such change does not exceed, on a percentage basis, the
30 change in the new business premium rate for the most similar health
31 benefit plan into which the small employer carrier is actively enrolling
32 new small employers;

33 (B) any adjustment, not to exceed 15% annually and adjusted pro rata
34 for rating periods of less than one year, due to the claim experience,
35 health status or duration of coverage of the employees or dependents of
36 the small employer as determined from the small employer carrier’s rate
37 manual for the class of business; and

38 (C) any adjustment due to change in coverage or change in the case
39 characteristics of the small employer, as determined from the small em-
40 ployer carrier’s rate manual for the class of business.

41 (4) Adjustments in rates for claim experience, health status and du-
42 ration of coverage shall not be charged to individual employees or de-
43 pendents. Any such adjustment shall be applied uniformly to the rates

1 charged for all employees and dependents of the small employer.

2 (5) A small employer carrier may utilize industry as a case character-
3 istic in establishing premium rates, if the highest rate factor associated
4 with any industry classification does not exceed the lowest rate factor
5 associated with any industry classification by more than 30% for each year
6 until the earlier of the first acquisition of coverage from a small employer
7 carrier which did not previously provide coverage to that small employer
8 or the first renewal date on or after December 31, 1996, and 15% each
9 year thereafter.

10 (6) A premium rate for a rating period may exceed the ranges set
11 forth in paragraphs (1) and (2) until the earlier of the first acquisition of
12 coverage from a small employer carrier which did not previously provide
13 coverage to that small employer or the first renewal date on or after
14 December 31, 1996. If premium rates for a small employer covered by a
15 small employer carrier prior to January 1, 1993, are below the lowest
16 range as set forth in paragraphs (1) and (2), such small employer carrier
17 must at least increase that small employer's rates commencing with re-
18 newals on or after December 31, 1995, to equally distribute the needed
19 increase to get that small employer's rates within the range over the re-
20 newal opportunities remaining so that the small employer's renewal rates
21 on or after December 31, 1999, would be within the ranges. In such case,
22 the percentage increase in the premium rate charged to a small employer
23 for a new rating period shall not exceed the sum of the following:

24 (A) The percentage change in the new business premium rate meas-
25 ured from the first day of the prior rating period to the first day of the
26 new rating period. In the case of a health benefit plan into which the
27 small employer carrier is no longer enrolling new small employers, the
28 small employer carrier shall use the percentage change in the base pre-
29 mium rate, if such change does not exceed, on a percentage basis, the
30 change in the new business premium rate for the most similar health
31 benefit plan into which the small employer carrier is actively enrolling
32 new small employers.

33 (B) Any adjustment due to change in coverage or change in the case
34 characteristics of the small employer, as determined from the carrier's
35 rate manual for the class of business.

36 (7) (A) Small employer carriers shall apply rating factors, including
37 case characteristics, consistently with respect to all small employers in a
38 class of business. Rating factors shall produce premiums for identical
39 groups which differ only by amounts attributable to plan design and do
40 not reflect differences due to the nature of the groups assumed to select
41 particular health benefit plans.

42 (B) A small employer carrier shall treat all health benefit plans issued
43 or renewed in a class of business in the same calendar month as having

1 the same rating period.

2 (8) For the purposes of this subsection, a health benefit plan that
3 utilizes a restricted provider network shall not be considered similar cov-
4 erage to a health benefit plan that does not utilize such a network, if
5 utilization of the restricted provider network results in substantial differ-
6 ences in claims costs.

7 (9) A small employer carrier shall not use case characteristics, other
8 than age, gender, industry, geographic area, family composition, and
9 group size without prior approval of the commissioner.

10 (10) The commissioner may establish regulations to implement the
11 provisions of this section and to assure that rating practices used by small
12 employer carriers are consistent with the purposes of this act, including:

13 (A) Assuring that differences in rates charged for health benefit plans
14 by small employer carriers are reasonable and reflect objective differ-
15 ences in plan design, not including differences due to the nature of the
16 groups assumed to select particular health benefit plans; and

17 (B) prescribing the manner in which case characteristics may be used
18 by small employer carriers.

19 (b) A small employer carrier shall not transfer a small employer in-
20 voluntarily into or out of a class of business. A small employer carrier shall
21 not offer to transfer a small employer into or out of a class of business
22 unless such offer is made to transfer all small employers in the class of
23 business without regard to case characteristics, claim experience, health
24 status or duration of coverage.

25 (c) The commissioner may suspend for a specified period the appli-
26 cation of subsection (a)(1) as to the premium rates applicable to one or
27 more small employers included within a class of business of a small em-
28 ployer carrier for one or more rating periods upon a filing by the small
29 employer carrier and a finding by the commissioner either that the sus-
30 pension is reasonable in light of the financial condition of the small em-
31 ployer carrier or that the suspension would enhance the efficiency and
32 fairness of the marketplace for small employer health insurance.

33 (d) Upon written application of the group policyholders, the com-
34 missioner may suspend the application of K.S.A. 40-2209g and 40-2209h
35 and amendments thereto to any group whose fundamental structure or
36 composition would otherwise be adversely affected.

37 Sec. 7. K.S.A. 40-2209m is hereby amended to read as follows: 40-
38 2209m. (a) Each small employer carrier shall actively market *all* health
39 benefit ~~plan plans coverage~~ *coverage sold by the carrier in the small group market*
40 to eligible small employers in the state.

41 (b) (1) Except as provided in paragraph (2), no small employer car-
42 rier, agent or broker shall, directly or indirectly, engage in the following
43 activities:

- 1 (A) Encouraging or directing small employers to refrain from filing
2 an application for coverage with the small employer carrier because of
3 the health status, claims experience, industry, occupation or geographic
4 location of the small employer;
- 5 (B) encouraging or directing small employers to seek coverage from
6 another carrier because of the health status, claims experience, industry,
7 occupation or geographic location of the small employer.
- 8 (2) The provisions of paragraph (1) shall not apply with respect to
9 information provided by a small employer carrier or producer to a small
10 employer regarding the established geographic service area or a restricted
11 network provision of a small employer carrier.
- 12 (c) (1) Except as provided in paragraph (2), no small employer car-
13 rier shall, directly or indirectly, enter into any contract, agreement or
14 arrangement with an agent or broker that provides for or results in the
15 compensation paid to such person for the sale of a health benefit plan to
16 be varied because of the health status, claims experience, industry, oc-
17 cupation or geographic location of the small employer.
- 18 (2) Paragraph (1) shall not apply with respect to a compensation ar-
19 rangement that provides compensation to an agent or broker on the basis
20 of percentage of premium, provided that the percentage shall not vary
21 because of the health status, claims experience, industry, occupation or
22 geographic area of the small employer.
- 23 (d) No small employer carrier shall terminate, fail to renew or limit
24 its contract or agreement of representation with an agent or broker for
25 any reason related to the health status, claims experience, occupation, or
26 geographic location of the small employers placed by the agent or broker
27 with the small employer carrier.
- 28 (e) No small employer carrier, agent or broker shall induce or oth-
29 erwise encourage a small employer to separate or otherwise exclude an
30 employee from health coverage or benefits provided in connection with
31 the employee's employment.
- 32 (f) Denial by a small employer carrier of an application for coverage
33 from a small employer shall be in writing and shall state the reason or
34 reasons for the denial.
- 35 (g) The commissioner may adopt rules and regulations setting forth
36 additional standards to provide for the fair marketing and broad availa-
37 bility of health benefit plans to small employers in this state.
- 38 (h) If a small employer carrier enters into a contract, agreement or
39 other arrangement with a third-party administrator to provide adminis-
40 trative, marketing or other services related to the offering of health ben-
41 efit plans to small employers in this state, the third-party administrator
42 shall be subject to this section as if it were a small employer carrier.
- 43 (i) Except as provided in ~~paragraph (1)~~ subsection (j), for the purposes

1 of this act, carriers that are affiliated companies or that are eligible to file
2 a consolidated tax return shall be treated as one carrier and any restric-
3 tions or limitations imposed by this act shall apply as if all health benefit
4 plans issued to small employers in this state by such affiliated carriers
5 were issued by one carrier.

6 (j) An affiliated carrier that is a health maintenance organization hav-
7 ing a certificate of authority under K.S.A. 40-3201 et seq. and amend-
8 ments thereto, may be considered to be a separate carrier for the purpose
9 of this act.

10 Sec. 8. K.S.A. 2007 Supp. 40-2240 is hereby amended to read as
11 follows: 40-2240. (a) Any small employer as defined in subsection (4) of
12 K.S.A. 40-2209d, and amendments thereto, may establish a small em-
13 ployer health benefit plan for the purpose of providing a health benefit
14 plan as described in subsection (u) of K.S.A. 40-2209d, and amendments
15 thereto, covering such employers' eligible employees and such employ-
16 ees' family members. If an association or trust is used for such purposes,
17 the association or trust may not condition eligibility or membership on
18 the health status of members or employees.

19 (b) The commissioner shall provide assistance to employers desiring
20 to organize and maintain any such benefit plan and may aid in the ac-
21 quisition of the health care insurance by the small employer health benefit
22 plan.

23 (c) *Any health benefit plan may:*

24 (1) *Be offered through a cafeteria plan authorized by 26 U.S.C. Sec-*
25 *tion 125.*

26 (2) *Offer to all eligible individuals the option of receiving health care*
27 *coverage through a high deductible plan and the establishment of a health*
28 *savings account.*

29 (d) *For the purposes of this section, the term:*

30 (1) *"Health savings account" shall have the meaning ascribed to it in*
31 *subsection (d) of 26 U.S.C. Section 223.*

32 (2) *"High deductible health plan" shall mean a policy or contract of*
33 *health insurance or health care plan that meets the criteria established in*
34 *subsection (c) of 26 U.S.C. Section 223 and any regulations promulgated*
35 *thereunder.*

36 Sec. 9. K.S.A. 2007 Supp. 75-6501 is hereby amended to read as
37 follows: 75-6501. (a) Within the limits of appropriations made or available
38 therefor and subject to the provisions of appropriation acts relating
39 thereto, the Kansas state employees health care commission shall develop
40 and provide for the implementation and administration of a state health
41 care benefits program.

42 (b) The state health care benefits program may provide benefits for
43 persons qualified to participate in the program for hospitalization, medical

1 services, surgical services, nonmedical remedial care and treatment ren-
2 dered in accordance with a religious method of healing and other health
3 services. The program may include such provisions as are established by
4 the Kansas state employees health care commission, including but not
5 limited to qualifications for benefits, services covered, schedules and
6 graduation of benefits, conversion privileges, deductible amounts, limi-
7 tations on eligibility for benefits by reason of termination of employment
8 or other change of status, leaves of absence, military service or other
9 interruptions in service and other reasonable provisions as may be estab-
10 lished by the commission.

11 (c) The Kansas state employees health care commission shall desig-
12 nate by rules and regulations those persons who are qualified to partici-
13 pate in the state health care benefits program, including active and retired
14 public officers and employees and their dependents as defined by rules
15 and regulations of the commission. Such rules and regulations shall not
16 apply to students attending a state educational institution as defined in
17 K.S.A. 76-711, and amendments thereto, who are covered by insurance
18 contracts entered into by the board of regents pursuant to K.S.A. 75-
19 4101, and amendments thereto. In designating persons qualified to par-
20 ticipate in the state health care benefits program, the commission may
21 establish such conditions, restrictions, limitations and exclusions as the
22 commission deems reasonable. Such conditions, restrictions, limitations
23 and exclusions shall include the conditions contained in subsection (d) of
24 K.S.A. 75-6506, and amendments thereto. Each person who was formerly
25 elected or appointed and qualified to an elective state office and who was
26 covered immediately preceding the date such person ceased to hold such
27 office by the provisions of group health insurance or a health maintenance
28 organization plan under the law in effect prior to August 1, 1984, or the
29 state health care benefits program in effect after that date, shall continue
30 to be qualified to participate in the state health care benefits program
31 and shall pay the cost of participation in the program as established and
32 in accordance with the procedures prescribed by the commission if such
33 person chooses to participate therein.

34 (d) The commission shall have no authority to assess charges for em-
35 ployer contributions under the student health care benefits component
36 of the state health care benefits program for persons who are covered by
37 insurance contracts entered into by the board of regents pursuant to
38 K.S.A. 75-4101, and amendments thereto.

39 (e) Nothing in this act shall be construed to permit the Kansas state
40 employees health care commission to discontinue the student health care
41 benefits component of the state health care benefits program until the
42 state board of regents has contracts in effect that provide student coverage
43 pursuant to the authority granted therefor in K.S.A. 75-4101, and amend-

1 ments thereto.

2 (f) (1) *Beginning with the open enrollment period for the 2009 plan*
3 *year, the state health care benefits program shall offer to all qualified state*
4 *employees and retirees, in addition to the plans currently offered the op-*
5 *tion of receiving health care coverage through a high deductible health*
6 *plan and the establishment of a health savings account.*

7 (2) *The state health care benefits program shall issue a request for*
8 *proposals from companies interested in offering a high deductible health*
9 *plan in connection with a health savings account.*

10 (g) *For the purposes of this section, the term:*

11 (1) *“Health savings account” shall have the same meaning ascribed*
12 *to it as in subsection (d) of 26 U.S.C. Section 223.*

13 (2) *“High deductible health plan” shall mean a policy or contract of*
14 *health insurance or health care plan that meets the criteria established in*
15 *subsection (c) of 26 U.S.C. Section 223 and any regulations promulgated*
16 *thereunder.*

17 Sec. 10. K.S.A. 75-6512 is hereby amended to read as follows: 75-
18 6512. (a) (1) Subject to the provisions of appropriations acts, the secretary
19 of administration is hereby authorized to establish and administer a caf-
20 eteria plan pursuant to the provisions of section 125 of the federal internal
21 revenue code of 1986 which shall be available to persons who are officers
22 or employees of the state and who are qualified to participate in the state
23 health care benefits program and which shall include, but not be limited
24 to, provisions under which such officers and employees may agree to
25 receive reduced compensation and ~~(+)~~ (A) have the state’s contribution
26 under K.S.A. 75-6508 and amendments thereto cover costs of dependent
27 benefit coverage or other benefits under the state health care benefits
28 program which would otherwise be payable by such officers and employ-
29 ees, and ~~(2)~~ (B) receive benefits under the state employee dependent
30 care assistance program under K.S.A. 75-6520 and amendments thereto.

31 (2) *The cafeteria plan shall offer the option of receiving health insur-*
32 *ance coverage through a high deductible health plan and the establish-*
33 *ment of a health savings account. In order for an eligible individual to*
34 *obtain a high deductible health plan through the cafeteria plan, such in-*
35 *dividual shall present evidence, in a manner prescribed by rules and reg-*
36 *ulations, to the secretary of administration, or the secretary’s designee,*
37 *that such individual has established a health savings account in compli-*
38 *ance with 26 U.S.C. Section 223, and any amendments and regulations*
39 *promulgated thereunder.*

40 (b) Any reduction in compensation for any person pursuant to any
41 such cafeteria plan shall not reduce the compensation of such person for
42 purposes of the employment security law, workers compensation act or
43 the purposes of determining contributions and benefits under the Kansas

1 public employees retirement system or any retirement system adminis-
2 tered by the board of trustees of the Kansas public employees retirement
3 system.

4 (c) Implementation of any such cafeteria plan and any additions or
5 deletions thereto shall be subject to approval of the secretary of admin-
6 istration to assure adequate data processing resources therefor within the
7 division of information systems and communications of the department
8 of administration.

9 (d) *For the purposes of this section, the term:*

10 (1) *“Health savings account” shall have the same meaning ascribed*
11 *to it as in subsection (d) of 26 U.S.C. Section 223.*

12 (2) *“High deductible health plan” shall mean a policy or contract of*
13 *health insurance or health care plan that meets the criteria established in*
14 *subsection (c) of 26 U.S.C. Section 223 and any regulations promulgated*
15 *thereunder.*

16 Sec. 11. K.S.A. 2007 Supp. 79-32,117 is hereby amended to read as
17 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
18 means such individual’s federal adjusted gross income for the taxable year,
19 with the modifications specified in this section.

20 (b) There shall be added to federal adjusted gross income:

21 (i) Interest income less any related expenses directly incurred in the
22 purchase of state or political subdivision obligations, to the extent that
23 the same is not included in federal adjusted gross income, on obligations
24 of any state or political subdivision thereof, but to the extent that interest
25 income on obligations of this state or a political subdivision thereof issued
26 prior to January 1, 1988, is specifically exempt from income tax under the
27 laws of this state authorizing the issuance of such obligations, it shall be
28 excluded from computation of Kansas adjusted gross income whether or
29 not included in federal adjusted gross income. Interest income on obli-
30 gations of this state or a political subdivision thereof issued after Decem-
31 ber 31, 1987, shall be excluded from computation of Kansas adjusted
32 gross income whether or not included in federal adjusted gross income.

33 (ii) Taxes on or measured by income or fees or payments in lieu of
34 income taxes imposed by this state or any other taxing jurisdiction to the
35 extent deductible in determining federal adjusted gross income and not
36 credited against federal income tax. This paragraph shall not apply to taxes
37 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and amend-
38 ments thereto, for privilege tax year 1995, and all such years thereafter.

39 (iii) The federal net operating loss deduction.

40 (iv) Federal income tax refunds received by the taxpayer if the de-
41 duction of the taxes being refunded resulted in a tax benefit for Kansas
42 income tax purposes during a prior taxable year. Such refunds shall be
43 included in income in the year actually received regardless of the method

1 of accounting used by the taxpayer. For purposes hereof, a tax benefit
2 shall be deemed to have resulted if the amount of the tax had been de-
3 ducted in determining income subject to a Kansas income tax for a prior
4 year regardless of the rate of taxation applied in such prior year to the
5 Kansas taxable income, but only that portion of the refund shall be in-
6 cluded as bears the same proportion to the total refund received as the
7 federal taxes deducted in the year to which such refund is attributable
8 bears to the total federal income taxes paid for such year. For purposes
9 of the foregoing sentence, federal taxes shall be considered to have been
10 deducted only to the extent such deduction does not reduce Kansas tax-
11 able income below zero.

12 (v) The amount of any depreciation deduction or business expense
13 deduction claimed on the taxpayer's federal income tax return for any
14 capital expenditure in making any building or facility accessible to the
15 handicapped, for which expenditure the taxpayer claimed the credit al-
16 lowed by K.S.A. 79-32,177, and amendments thereto.

17 (vi) Any amount of designated employee contributions picked up by
18 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,
19 and amendments to such sections.

20 (vii) The amount of any charitable contribution made to the extent
21 the same is claimed as the basis for the credit allowed pursuant to K.S.A.
22 79-32,196, and amendments thereto.

23 (viii) The amount of any costs incurred for improvements to a swine
24 facility, claimed for deduction in determining federal adjusted gross in-
25 come, to the extent the same is claimed as the basis for any credit allowed
26 pursuant to K.S.A. 2007 Supp. 79-32,204 and amendments thereto.

27 (ix) The amount of any ad valorem taxes and assessments paid and
28 the amount of any costs incurred for habitat management or construction
29 and maintenance of improvements on real property, claimed for deduc-
30 tion in determining federal adjusted gross income, to the extent the same
31 is claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203
32 and amendments thereto.

33 (x) Amounts received as nonqualified withdrawals, as defined by
34 K.S.A. 2007 Supp. 75-643, and amendments thereto, if, at the time of
35 contribution to a family postsecondary education savings account, such
36 amounts were subtracted from the federal adjusted gross income pur-
37 suant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amend-
38 ments thereto, or if such amounts are not already included in the federal
39 adjusted gross income.

40 (xi) The amount of any contribution made to the same extent the
41 same is claimed as the basis for the credit allowed pursuant to K.S.A.
42 2007 Supp. 74-50,154, and amendments thereto.

43 (xii) For taxable years commencing after December 31, 2004,

1 amounts received as withdrawals not in accordance with the provisions
2 of K.S.A. 2007 Supp. 74-50,204, and amendments thereto, if, at the time
3 of contribution to an individual development account, such amounts were
4 subtracted from the federal adjusted gross income pursuant to paragraph
5 (xiii) of subsection (c), or if such amounts are not already included in the
6 federal adjusted gross income.

7 (xiii) The amount of any expenditures claimed for deduction in deter-
8 termining federal adjusted gross income, to the extent the same is claimed
9 as the basis for any credit allowed pursuant to K.S.A. 2007 Supp. 79-
10 32,217 through 79-32,220 or 79-32,222, and amendments thereto.

11 (xiv) The amount of any amortization deduction claimed in deter-
12 mining federal adjusted gross income to the extent the same is claimed
13 for deduction pursuant to K.S.A. 2007 Supp. 79-32,221, and amendments
14 thereto.

15 (xv) The amount of any expenditures claimed for deduction in deter-
16 mining federal adjusted gross income, to the extent the same is claimed
17 as the basis for any credit allowed pursuant to K.S.A. 2007 Supp. 79-
18 32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
19 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
20 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

21 (xvi) The amount of any amortization deduction claimed in deter-
22 mining federal adjusted gross income to the extent the same is claimed
23 for deduction pursuant to K.S.A. 2007 Supp. 79-32,227, 79-32,232, 79-
24 32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments thereto.

25 (xvii) The amount of any amortization deduction claimed in deter-
26 mining federal adjusted gross income to the extent the same is claimed
27 for deduction pursuant to K.S.A. 2007 Supp. 79-32,256, and amendments
28 thereto.

29 (c) There shall be subtracted from federal adjusted gross income:

30 (i) Interest or dividend income on obligations or securities of any
31 authority, commission or instrumentality of the United States and its pos-
32 sessions less any related expenses directly incurred in the purchase of
33 such obligations or securities, to the extent included in federal adjusted
34 gross income but exempt from state income taxes under the laws of the
35 United States.

36 (ii) Any amounts received which are included in federal adjusted
37 gross income but which are specifically exempt from Kansas income tax-
38 ation under the laws of the state of Kansas.

39 (iii) The portion of any gain or loss from the sale or other disposition
40 of property having a higher adjusted basis for Kansas income tax purposes
41 than for federal income tax purposes on the date such property was sold
42 or disposed of in a transaction in which gain or loss was recognized for
43 purposes of federal income tax that does not exceed such difference in

- 1 basis, but if a gain is considered a long-term capital gain for federal in-
2 come tax purposes, the modification shall be limited to that portion of
3 such gain which is included in federal adjusted gross income.
- 4 (iv) The amount necessary to prevent the taxation under this act of
5 any annuity or other amount of income or gain which was properly in-
6 cluded in income or gain and was taxed under the laws of this state for a
7 taxable year prior to the effective date of this act, as amended, to the
8 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
9 the right to receive the income or gain, or to a trust or estate from which
10 the taxpayer received the income or gain.
- 11 (v) The amount of any refund or credit for overpayment of taxes on
12 or measured by income or fees or payments in lieu of income taxes im-
13 posed by this state, or any taxing jurisdiction, to the extent included in
14 gross income for federal income tax purposes.
- 15 (vi) Accumulation distributions received by a taxpayer as a beneficiary
16 of a trust to the extent that the same are included in federal adjusted
17 gross income.
- 18 (vii) Amounts received as annuities under the federal civil service
19 retirement system from the civil service retirement and disability fund
20 and other amounts received as retirement benefits in whatever form
21 which were earned for being employed by the federal government or for
22 service in the armed forces of the United States.
- 23 (viii) Amounts received by retired railroad employees as a supple-
24 mental annuity under the provisions of 45 U.S.C. 228b (a) and 228c (a)(1)
25 et seq.
- 26 (ix) Amounts received by retired employees of a city and by retired
27 employees of any board of such city as retirement allowances pursuant to
28 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
29 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
30 amendments thereto.
- 31 (x) For taxable years beginning after December 31, 1976, the amount
32 of the federal tentative jobs tax credit disallowance under the provisions
33 of 26 U.S.C. 280 C. For taxable years ending after December 31, 1978,
34 the amount of the targeted jobs tax credit and work incentive credit dis-
35 allowances under 26 U.S.C. 280 C.
- 36 (xi) For taxable years beginning after December 31, 1986, dividend
37 income on stock issued by Kansas Venture Capital, Inc.
- 38 (xii) For taxable years beginning after December 31, 1989, amounts
39 received by retired employees of a board of public utilities as pension and
40 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249
41 and amendments thereto.
- 42 (xiii) For taxable years beginning after December 31, 2004, amounts
43 contributed to and the amount of income earned on contributions de-

1 posited to an individual development account under K.S.A. 2007 Supp.
2 74-50,201, et seq., and amendments thereto.

3 (xiv) For all taxable years commencing after December 31, 1996, that
4 portion of any income of a bank organized under the laws of this state or
5 any other state, a national banking association organized under the laws
6 of the United States, an association organized under the savings and loan
7 code of this state or any other state, or a federal savings association or-
8 ganized under the laws of the United States, for which an election as an
9 S corporation under subchapter S of the federal internal revenue code is
10 in effect, which accrues to the taxpayer who is a stockholder of such
11 corporation and which is not distributed to the stockholders as dividends
12 of the corporation.

13 (xv) For all taxable years beginning after December 31, 2006,
14 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
15 joint return, for each designated beneficiary which are contributed to a
16 family postsecondary education savings account established under the
17 Kansas postsecondary education savings program or a qualified tuition
18 program established and maintained by another state or agency or instru-
19 mentality thereof pursuant to section 529 of the internal revenue code of
20 1986, as amended, for the purpose of paying the qualified higher edu-
21 cation expenses of a designated beneficiary at an institution of postsec-
22 ondary education. The terms and phrases used in this paragraph shall have
23 the meaning respectively ascribed thereto by the provisions of K.S.A.
24 2007 Supp. 75-643, and amendments thereto, and the provisions of such
25 section are hereby incorporated by reference for all purposes thereof.

26 (xvi) For the tax year beginning after December 31, 2004, an amount
27 not exceeding \$500; for the tax year beginning after December 31, 2005,
28 an amount not exceeding \$600; for the tax year beginning after December
29 31, 2006, an amount not exceeding \$700; for the tax year beginning after
30 December 31, 2007, an amount not exceeding \$800; for the tax year
31 beginning December 31, 2008, an amount not exceeding \$900; and for
32 all taxable years commencing after December 31, 2009, an amount not
33 exceeding \$1,000 of the premium costs for qualified long-term care in-
34 surance contracts, as defined by subsection (b) of section 7702B of public
35 law 104-191.

36 (xvii) For all taxable years beginning after December 31, 2004,
37 amounts received by taxpayers who are or were members of the armed
38 forces of the United States, including service in the Kansas army and air
39 national guard, as a recruitment, sign up or retention bonus received by
40 such taxpayer as an incentive to join, enlist or remain in the armed services
41 of the United States, including service in the Kansas army and air national
42 guard, and amounts received for repayment of educational or student
43 loans incurred by or obligated to such taxpayer and received by such

1 taxpayer as a result of such taxpayer's service in the armed forces of the
2 United States, including service in the Kansas army and air national guard.
3 (xviii) For all taxable years beginning after December 31, 2004,
4 amounts received by taxpayers who are eligible members of the Kansas
5 army and air national guard as a reimbursement pursuant to K.S.A. 48-
6 281, and amendments thereto, and amounts received for death benefits
7 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to sec-
8 tion 1 or section 2 of chapter 207 of the 2005 session laws of Kansas, and
9 amendments thereto, to the extent that such death benefits are included
10 in federal adjusted gross income of the taxpayer.

11 (xix) For the taxable year beginning after December 31, 2006,
12 amounts received as benefits under the federal social security act which
13 are included in federal adjusted gross income of a taxpayer with federal
14 adjusted gross income of \$50,000 or less, whether such taxpayer's filing
15 status is single, head of household, married filing separate or married
16 filing jointly; and for all taxable years beginning after December 31, 2007,
17 amounts received as benefits under the federal social security act which
18 are included in federal adjusted gross income of a taxpayer with federal
19 adjusted gross income of \$75,000 or less, whether such taxpayer's filing
20 status is single, head of household, married filing separate or married
21 filing jointly.

22 (xx) *For taxable years beginning after December 31, 2008, 100% of*
23 *the amount of qualified health insurance premiums to the extent the*
24 *amount paid for such premiums is included in federal taxable income. The*
25 *taxpayer shall provide the department of revenue with proof of the*
26 *amount of qualified health insurance premiums paid. For the purposes of*
27 *this provision, "qualified health insurance premium" means the amount*
28 *paid during the tax year by such taxpayer for any insurance policy pri-*
29 *marily providing health care coverage for the taxpayer, the taxpayer's*
30 *spouse, or the taxpayer's dependents.*

31 (d) There shall be added to or subtracted from federal adjusted gross
32 income the taxpayer's share, as beneficiary of an estate or trust, of the
33 Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and
34 amendments thereto.

35 (e) The amount of modifications required to be made under this sec-
36 tion by a partner which relates to items of income, gain, loss, deduction
37 or credit of a partnership shall be determined under K.S.A. 79-32,131,
38 and amendments thereto, to the extent that such items affect federal
39 adjusted gross income of the partner.

40 Sec. 12. K.S.A. 40-2119, 40-2209d, 40-2209h, 40-2209m and 75-
41 6512 and K.S.A. 2007 Supp. 40-2240, 75-6501 and 79-32,117 are hereby
42 repealed.

1 Sec. 13. This act shall take effect and be in force from and after its
2 publication in the statute book.