

HOUSE BILL No. 2128

By Committee on Insurance

1-28

9 AN ACT relating to insurance; concerning the assignment of insurance
10 payments for covered services; amending K.S.A. 2008 Supp. 40-2,103,
11 40-19c06 and 40-19c09 and repealing the existing sections.
12

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

14 New Section 1. (a) All certificates and policies of insurance providing
15 benefits for medical care issued on or after July 1, 2009, must contain a
16 provision permitting the insured to assign benefits for such care to the
17 provider of the care. An assignment of benefits under this section does
18 not affect or limit the payment of benefits otherwise payable under the
19 policy or certificate.

20 (b) When any insurance entity has notice of such assignment prior to
21 such payment, any payment to the insured shall not release such entity
22 from liability to the provider to which the benefits have been assigned,
23 nor shall such payment be a defense to any action by the provider against
24 that entity to collect the assigned benefits.

25 Sec. 2. K.S.A. 2008 Supp. 40-2,103 is hereby amended to read as
26 follows: 40-2,103. The requirements of K.S.A. 40-2,100, 40-2,101, 40-
27 2,102, 40-2,104, 40-2,105, 40-2,114, 40-2,160, 40-2,165 through 40-2,170,
28 inclusive, 40-2250, K.S.A. 2008 Supp. 40-2,105a ~~and~~, 40-2,105b *and sec-*
29 *tion 1*, and amendments thereto, shall apply to all insurance policies,
30 subscriber contracts or certificates of insurance delivered, renewed or
31 issued for delivery within or outside of this state or used within this state
32 by or for an individual who resides or is employed in this state.

33 Sec. 3. K.S.A. 2008 Supp. 40-19c06 is hereby amended to read as
34 follows: 40-19c06. (a) No subscription agreement, except as provided in
35 subsection (d), between a corporation organized under the nonprofit
36 medical and hospital service corporation act and a subscriber, shall entitle
37 more than one person to benefits, except that a "family subscription
38 agreement" may be issued, at an established subscription charge, to a
39 husband and wife, or husband, wife, and their dependent child or children
40 and any other person dependent upon the subscriber. Only the subscriber
41 must be named in the subscription agreement.

42 (b) Every subscription agreement entered into by any such corpora-
43 tion with any subscriber shall be in writing and a certificate stating the

1 terms and conditions shall be furnished to the subscriber to be kept by
2 the subscriber. No such certificate form shall be made, issued or delivered
3 in this state unless it contains the following provisions: (1) A statement of
4 the nature of the benefits to be furnished and the period during which
5 they will be furnished, and if there are any benefits to be excepted, a
6 detailed statement of such exceptions printed as hereinafter specified; (2)
7 a statement of the terms and conditions, if any, upon which the subscrip-
8 tion agreement may be canceled or otherwise terminated at the option
9 of either party; (3) a statement that the subscription agreement includes
10 the endorsements and attached papers, if any, and contains the entire
11 contract; (4) a statement that no statement by the subscriber in the ap-
12 plication for a subscription agreement shall avoid the subscription agree-
13 ment or be used in any legal proceeding, unless such application or an
14 exact copy is included in or attached to such subscription agreement, and
15 that no agent or representative of such corporation, other than an officer
16 or officers designated therein, is authorized to change the subscription
17 agreement or waive any of its provisions; (5) a statement that if the sub-
18 scriber defaults in making any payments under the subscription agree-
19 ment, the subsequent acceptance of a payment by the corporation or by
20 one of its duly authorized agents shall reinstate the subscription agree-
21 ment but with respect to sickness and injury, only to cover such sickness
22 as may be first manifested more than 10 days after the date of such
23 acceptance; (6) a statement of the period of grace which will be allowed
24 the subscriber for making any payment due under the subscription agree-
25 ment. Such period shall not be less than 10 days; and (7) if applicable, a
26 statement of the kind of hospital in which the subscriber may receive
27 benefits and the types of benefits to which the subscriber may be entitled
28 to in such kinds of hospitals. The subscriber shall be entitled to benefits
29 in any nonparticipating hospital in Kansas which is licensed by the sec-
30 retary of health and environment and in which the average length of stay
31 of patient is similar to the average length of stay in participating hospitals.
32 ~~The agreements issued by any corporation currently or previously organ-
33 ized under this act may include provisions allowing for direct payment of
34 benefits only to contracting health care providers.~~

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

1 (d) Any such corporations may issue a group or blanket subscription
2 agreement, provided the group of persons insured conforms to the
3 requirements of law applicable to other companies writing group or blan-
4 ket sickness and accident insurance policies and provided such subscrip-
5 tion agreement and the individual certificates issued to members of the
6 group shall comply in substance with this section. Any such subscription
7 agreement may provide for the adjustment of the premiums based upon
8 the experience at the end of the first year or of any subsequent year of
9 insurance, and such readjustment may be made retroactive in the form
10 of a rate credit or a cash refund.

11 (e) (1) Any group subscription agreement issued pursuant to subsec-
12 tion (d) shall provide that an employee or member or such employee's or
13 member's covered dependents whose insurance under the group sub-
14 scription agreement has been terminated for any reason, including dis-
15 continuance of the group in its entirety or with respect to an insured class,
16 and who has been continuously insured under the group subscription
17 agreement or under any group policy or subscription agreement providing
18 similar benefits which it replaces for at least three months immediately
19 prior to termination, shall be entitled to have such coverage nonetheless
20 continued under the group policy for a period of 18 months and at the
21 end of such eighteen-month period of continuation, such employee or
22 member or such employee's or member's covered dependents shall be
23 entitled to obtain, at the employee's, member's or dependent's option
24 either:

25 (A) A converted subscription agreement providing coverage equal to
26 80% of that afforded under the group subscription agreement for basic
27 hospital, surgical and medical benefits. Persons selecting this option shall
28 also be entitled to obtain major medical expense coverage which will
29 provide hospital, medical and surgical expense benefits to an aggregate
30 maximum of not less than \$50,000. The major medical expense coverage
31 may be subject to a copayment by the covered person of not more than
32 20% of covered charges and a deductible stated on a per person, per
33 family, per illness, per benefit period, or per year basis or a combination
34 of such bases of not more than \$500 per person subject to a maximum
35 annual deductible of \$750 per family; or

36 (B) a subscription agreement which imposes a deductible of not less
37 than \$1,000 per subscriber and not less than \$2,000 per family and sub-
38 jects the covered person to a copayment of not more than 20% of covered
39 charges with a \$1,000 maximum copayment per subscriber and \$2,000
40 maximum copayment per family per contract year and providing a lifetime
41 maximum benefit of not less than \$1,000,000.

42 (2) The requirements imposed by this subsection (e) shall not apply
43 to a group subscription agreement which provides benefits for specific

1 diseases or for accidental injuries only or any group subscription agree-
2 ment issued to an employer subject to the continuation and conversion
3 obligations set forth at title I, subtitle B, part 6 of the employee retirement
4 income security act of 1974 or at title XXII of the public health service
5 act, as each act was in effect on January 1, 1987, to the extent federal law
6 provides the employee or member or such employee's or member's cover-
7 ed dependents with equal or greater continuation or conversion rights,
8 or any employee or member or such employee's or member's covered
9 dependents whose termination of insurance under the group subscription
10 agreement occurred because:

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

15 (B) any discontinued group coverage was replaced by similar group
16 coverage within 31 days; or the employee or member is or could be cover-
17 ed by medicare (title XVIII of the United States social security act as
18 added by the social security amendments of 1965 or as later amended or
19 superseded);

20 (C) coverage for the employee or member, or any covered dependent
21 thereof, was terminated for cause as permitted by the group policy or
22 certificate of coverage approved by the commissioner; or

23 (D) the employee or member is or could be covered to the same
24 extent by any other insured or lawful self-insured arrangement which
25 provides expense incurred hospital, surgical or medical coverage and ben-
26 efits for individuals in a group under which the person was not covered
27 prior to such termination. In the event the group policy is terminated and
28 not replaced the insurer may issue an individual policy or certificate in
29 lieu of a conversion policy or the continuation of group coverage required
30 herein if the individual policy or certificate provides substantially similar
31 coverage for the same or less premium as the group subscription agree-
32 ment. In any event, the employee or member shall have the option to be
33 issued a conversion policy which meets the requirements set forth in this
34 subsection (e) in lieu of the right to continue group coverage.

35 (3) Written application for the converted subscription agreement
36 shall be made and the first premium paid to the insurer not later than 31
37 days after termination of the group coverage and shall become effective
38 the day following the termination of insurance under the group subscrip-
39 tion agreement. In addition, the converted subscription agreement shall
40 be subject to the provisions contained in paragraphs (2), (3), (4), (5), (6),
41 (7), (8), (9), (10), (13), (14), (15), (16), (17), (18), (19), and (20) of sub-
42 section (j) of K.S.A. 40-2209, and amendments thereto.

43 Sec. 4. K.S.A. 2008 Supp. 40-19c09 is hereby amended to read as

1 follows: 40-19c09. (a) Corporations organized under the nonprofit med-
2 ical and hospital service corporation act shall be subject to the provisions
3 of the Kansas general corporation code, articles 60 to 74, inclusive, of
4 chapter 17 of the Kansas Statutes Annotated, applicable to nonprofit cor-
5 porations, to the provisions of K.S.A. 40-214, 40-215, 40-216, 40-218, 40-
6 219, 40-222, 40-223, 40-224, 40-225, 40-226, 40-229, 40-230, 40-231, 40-
7 235, 40-236, 40-237, 40-247, 40-248, 40-249, 40-250, 40-251, 40-252,
8 40-254, 40-2,100, 40-2,101, 40-2,102, 40-2,103, 40-2,104, 40-2,105, 40-
9 2,116, 40-2,117, 40-2,153, 40-2,154, 40-2,160, 40-2,161, 40-2,163 through
10 40-2,170, inclusive, 40-2a01 et seq., 40-2111 to 40-2116, inclusive, 40-
11 2215 to 40-2220, inclusive, 40-2221a, 40-2221b, 40-2229, 40-2230, 40-
12 2250, 40-2251, 40-2253, 40-2254, 40-2401 to 40-2421, inclusive, and 40-
13 3301 to 40-3313, inclusive, K.S.A. 2008 Supp. 40-2,105a ~~and~~ 40-2,105b
14 *and section 1*, and amendments thereto, except as the context otherwise
15 requires, and shall not be subject to any other provisions of the insurance
16 code except as expressly provided in this act.

17 (b) No policy, agreement, contract or certificate issued by a corpo-
18 ration to which this section applies shall contain a provision which ex-
19 cludes, limits or otherwise restricts coverage because medicaid benefits
20 as permitted by title XIX of the social security act of 1965 are or may be
21 available for the same accident or illness.

22 (c) Violation of subsection (b) shall be subject to the penalties pre-
23 scribed by K.S.A. 40-2407 and 40-2411, and amendments thereto.

24 Sec. 5. K.S.A. 2008 Supp. 40-2,103, 40-19c06 and 40-19c09 are
25 hereby repealed.

26 Sec. 6. This act shall take effect and be in force from and after its
27 publication in the statute book.