

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE

The meeting was called to order by Chairman Rex Hoy at
Chairperson

3:30 ~~a.m.~~/p.m. on February 17, 1983 in room 521-S of the Capitol.

All members were present except:

Rep. Baker, Rep. Cribbs, Rep. Harder, and Rep. Long, all of whom were excused

Committee staff present:

Wayne Morris, Research Department
Gordon Self, Revisor's Office
Mary Sorensen, Committee Secretary

Conferees appearing before the committee:

Donald Wilson, President, Kansas Hospital Association
Jerry Slaughter, for Kansas Medical Society
Robert R. Williams, for Kansas Dental Association
Larry Magill, for Independent Insurance Agents of Kansas

Others present:

See List (Attachment 1)

Donald Wilson, President of the Kansas Hospital Association, spoke first on HB 2246. He said their association does not feel that a legislative initiative such as this bill is necessary, and gave several reasons why he thought it should at least be held in abeyance. Mr. Wilson thinks the changes proposed by Blue Cross and Blue Shield should be tried, given a chance to demonstrate their value, and then decide whether it is necessary to legislate any changes to the program. There was discussion as to the cost efficiency of small hospitals and larger hospitals; and the effects of voluntary cost containment programs implemented several years ago. He passed out "Current and Proposed Reimbursement Reforms" for the committee members (Attachment 2).

Jerry Slaughter, representing the Kansas Medical Society, was next to appear on HB 2246. He said the Kansas Medical Society was not directly affected by the bill, they did not support it or oppose it, but they did not think it would work if it is passed. He suggested that perhaps an alternative would be for the committee to take a look at SB 285, which would set up a State Health Care Commission to study the problem and recommend some ways of dealing with it. There were questions and discussion on his testimony.

HB 2111 was next for consideration. Gordon Self, of the Revisors Office, passed out Attachment 3 to all committee members. He said the proposed changes on the first page are basically what Sgt. Bill Jacobs of the Kansas Highway Patrol presented to the committee at the hearing on February 2, 1983, with the exception that there is no provision for a certificate of motor vehicle liability insurance. There was discussion between Sgt. Jacobs and the committee members as to what the proposed changes would do, if enacted. Chairman Hoy appointed a subcommittee of Rep. Spaniol as Chairman, Rep. D. Webb, and Rep. Blumenthal to meet with Sgt. Jacobs, Steve Montgomery, Attorney for the Department of Revenue Division of Vehicles, Gordon Self, and possibly Major Lee Stanley of the Topeka Police Department, to try to work out a solution that would be acceptable to all. The subcommittee would report back to the full committee next week.

Robert R. Williams, Assistant Executive Director of the Kansas Dental Association, then spoke with a bill request, which is set out in Attachment 4, which was passed out for each member of the committee. Rep. Blumenthal moved this be drafted and introduced as a committee bill. Rep. Fuller seconded. The motion carried.

Larry Magill, of the Independent Insurance Agents of Kansas, then spoke with a bill request concerning cancellation of insurance by an agent for non-payment. He presented Attachment 5, showing the wording the association would like to see in bill form. Rep. Littlejohn moved this be drafted and presented as a committee bill. Rep. L. Johnson seconded. The motion carried.

Chairman Hoy announced there would be committee meetings Monday through Thursday of next week. The meeting adjourned at 4:30 PM.

KANSAS HOSPITAL ASSOCIATION

House Bill 2246

February 10, 1983

CURRENT AND PROPOSED REIMBURSEMENT REFORMS

Over the past six months and over the next year, Kansas hospitals will be experiencing significant reform in the major third party reimbursement systems and the regulatory and contractual requirements these parties levy upon the operations of hospitals in order for a hospital to participate in these programs.

Within the past year, Blue Cross, Medicare and Medicaid have all implemented separate and unique utilization review programs in Kansas hospitals. Whereas these programs have had some form of utilization review in Kansas hospitals in the past, these are now more restrictable and complex programs. Each of these programs, though different in their requirements, are designed to scrutinize the practice of medicine and, where appropriate, modify that pattern.

On August 19, 1982, Congress passed the Tax Equity and Fiscal Responsibility Act of 1982, or TEFRA. The health related provisions of TEFRA are producing the most extensive changes in Medicare since its inception in 1965. The financial and operational implications of TEFRA are profound. Because these regulations establish hospital payments on a total cost-per-case basis, rather than the traditional per diem plus ancillary approach, TEFRA substantially modifies the manner in which hospitals are reimbursed and the incentives that are established. TEFRA is causing Kansas hospitals to considerably modify

their internal operations and reporting systems. New types of management reports and budgetary and accounting processes are having to be developed; computer programs changed; medical staff and employees informed and educated about the new systems. Within the next few weeks a prospective payment proposal for Medicare will be introduced in Congress with a proposed implementation date of October 1, 1983. This effort will totally change the way hospitals are reimbursed for Medicare and require again modification of internal operations and reporting systems.

In Kansas, over the past year, KHA has been working with the Kansas Department of Social & Rehabilitation Services to develop a prospective payment system for Medicaid. That system will be operational July 1, 1984. The Medicaid prospective payment system will be significantly different from the current cost-based reimbursement system and unique in its approach. However, it, too, will require yet another response from Kansas hospitals.

Meantime, Blue Cross of Kansas has already begun on its own initiatives to try to develop and implement a prospective payment system based upon diagnosis related groups (DRGs) in Kansas. Blue Cross's effort will be the first initiative to apply a DRG-based system to a primarily rural and small hospital state. The only other state where such a system has been implemented is in New Jersey, where the average bed size is 300 beds. This is quite different from Kansas--over 75% of the hospitals are less than 100 beds. Obviously, the managerial and operational resources feasibly available to Kansas hospitals, as compared to New Jersey hospitals, are significantly less.

For instance, Kansas hospitals, in general, cannot afford to have in-house computers. Bottom line--since a DRG-based payment system has not been tested in a rural setting, Blue Cross needs maximum flexibility to experiment and work with providers in order to successfully implement and administer such a system.

HOUSE BILL No. 2111

By Representative Dean

1-25

0017 AN ACT concerning motor vehicle liability insurance; proof of
0018 financial security; amending K.S.A. 1982 Supp. 40-3104 and
0019 repealing the existing section.

0020 *Be it enacted by the Legislature of the State of Kansas:*

0021 Section 1. K.S.A. 1982 Supp. 40-3104 is hereby amended to
0022 read as follows: 40-3104. (a) Every owner shall provide motor
0023 vehicle liability insurance coverage in accordance with the pro-
0024 visions of this act for every motor vehicle owned by such person,
0025 unless such motor vehicle is included under an approved self-
0026 insurance plan as provided in subsection ~~(d)~~ or is expressly
0027 exempted from the provisions of this act.

0028 (b) An owner of an uninsured motor vehicle shall not permit
0029 the operation thereof upon a highway or upon property open to
0030 use by the public, unless such motor vehicle is expressly ex-
0031 empted from the provisions of this act.

0032 (c) No person shall knowingly drive an uninsured motor
0033 vehicle upon a highway or upon property open to use by the
0034 public, unless such motor vehicle is expressly exempted from
0035 the provisions of this act.

0036 ~~(d)~~ Any person in whose name more than 25 motor vehicles
0037 are registered may qualify as a self-insurer by obtaining a certif-
0038 icate of self-insurance from the commissioner of insurance. Upon
0039 application of any such person, the commissioner of insurance
0040 may issue a certificate of self-insurance, if the commissioner is
0041 satisfied that such person is possessed and will continue to be
0042 possessed of ability to pay any judgment obtained against such
0043 person arising out of the ownership, operation, maintenance or
0044 use of any motor vehicle registered in such person's name.

0045 Upon not less than five days' notice and a hearing pursuant to

Attachment 3

(h) knowingly

(d) No person shall operate a motor vehicle upon a highway or upon prop-
erty open to use by the public without evidence of financial security, either
by a policy of motor vehicle liability insurance or by a certificate of self-
insurance as specified in subsection (h).

(e) No person shall display or cause or permit to be displayed, or to
have in possession any policy of motor vehicle liability insurance or certif-
icate of self-insurance when such person knows that such policy of motor ve-
hicle liability insurance or certificate of self-insurance is fictitious, or
has been canceled or altered, or has been issued upon the known concealment of
a material fact, or a fraud is otherwise committed in any application for such
insurance or self-insurance.

(f) No person shall operate a motor vehicle upon a highway or upon prop-
erty open to use by the public and refuse to display, after being requested,
evidence of financial security, either by a policy of motor vehicle insurance
or by a certificate of self-insurance as specified in subsection (h), to a
law enforcement officer or to any party in an accident involving such vehicle.

(g) No person charged with violating subsections (b), (c), (d), (e) or
(f) shall be convicted if such person produces in court or the office of the
arresting officer within 20 days of the date of arrest, evidence of motor ve-
hicle liability insurance or self-insurance coverage as required by this sec-
tion for the motor vehicle operated, which was valid at the time of arrest.
For the purpose of this subsection, evidence of financial security will be pro-
vided by the completion of a form prescribed by the commissioner of insurance
which certifies that at the time of arrest, the motor vehicle was covered by
motor vehicle liability insurance and such form is signed by the insurer or
an agent of the insurer, or by the commissioner of insurance if a certificate
of self-insurance was in force.

(h)

Attch. 3

0046 such notice, the commissioner of insurance may cancel a certifi-
 0047 cate of self-insurance upon reasonable grounds. Failure to pay
 0048 any judgment against a self-insurer, arising out of the ownership,
 0049 operation, maintenance or use of a motor vehicle registered in
 0050 such self-insurer's name, within 30 days after such judgment
 0051 shall have become final, shall constitute reasonable grounds for
 0052 the cancellation of a certificate of self-insurance.

0053 ~~(e)~~ Any person violating any provision of this section shall be
 0054 guilty of a class B misdemeanor, except that any person con-
 0055 victed of violating any provision of this section within three
 0056 years of any such prior conviction shall be guilty of a class A
 0057 misdemeanor.

0058 ~~(f)~~ In addition to any other penalties provided by this act for
 0059 failure to have or maintain financial security in effect, the direc-
 0060 tor, upon receipt of the accident report required by K.S.A. 8-1607
 0061 and amendments thereto, shall, upon notice and hearing as
 0062 provided by K.S.A. 40-3118, and amendments thereto, suspend:

0063 (1) The license of each driver in any manner involved in the
 0064 accident;

0065 (2) the license of the owner of each motor vehicle involved in
 0066 such accident, unless the vehicle was stolen at the time of the
 0067 accident;

0068 (3) the registrations of all vehicles owned by the owner of
 0069 each motor vehicle involved in such accident;

0070 (4) if the driver is a nonresident, the privilege of operating a
 0071 motor vehicle within this state;

0072 (5) if such owner is a nonresident, the privilege of such
 0073 owner to operate or permit the operation within this state of any
 0074 motor vehicle owned by such owner.

0075 ~~(g)~~ The suspension requirements in subsection (f) shall not
 0076 apply:

0077 (1) To the driver or owner if the owner had in effect at the
 0078 time of the accident an automobile liability policy as required by
 0079 K.S.A. 40-3107, and any amendments thereto, with respect to the
 0080 vehicle involved in the accident;

0081 (2) to the driver, if not the owner of the vehicle involved in
 0082 the accident, if there was in effect at the time of the accident an

(i)

(j)

(k)

83 automobile liability policy with respect to such driver's driving
4 of vehicles not owned by such driver;

0085 (3) to any person qualified as a self-insurer under subsection
0086 ~~(d)~~ of this section;

(h)

0087 (4) to any person who has been released from liability, has
0088 entered into an agreement for the payment of damages, or has
0089 been finally adjudicated not to be liable in respect to such
0090 accident. Evidence of any such fact may be filed with the
0091 director;

0092 (5) to the driver or owner of any vehicle involved in the
0093 accident which was exempt from the provisions of this act pur-
0094 suant to K.S.A. 40-3105 and amendments thereto.

(l)

0095 ~~(h)~~ For the purposes of provisions (1) and (2) of subsection ~~(g)~~
0096 of this section, the director may require verification by an
0097 owner's or driver's insurance company or agent thereof, that
0098 there was in effect at the time of the accident an automobile
0099 liability policy as required in this act.

(k)

0100 ~~(4) Whenever any owner of a motor vehicle, as defined in~~
0101 ~~K.S.A. 8-126, registered under the laws of this state, is requested~~
0102 ~~to produce evidence of financial security, either by a policy of~~
0103 ~~motor vehicle liability insurance as provided by this section or~~
0104 ~~by a certificate of self-insurance issued by the commissioner of~~
0105 ~~insurance, by any member of a law enforcement agency, the~~
0106 ~~owner shall have 10 days to produce such evidence in a court of~~
0107 ~~competent jurisdiction or at the office of the officer requesting~~
0108 ~~such evidence. If the owner produces such evidence in court,~~
0109 ~~such evidence shall be mailed to the office of the officer re-~~
0110 ~~questing such evidence. Failure to produce evidence of financial~~
0111 ~~security shall be prima facie evidence that no financial security~~
0112 ~~exists with regard to the motor vehicle in question. For the~~
0113 ~~purposes of subsection (a), evidence of financial security will be~~
0114 ~~provided by the completion of a form prescribed by the division~~
0115 ~~of vehicles and certified by an agent of the insurance company,~~
0116 ~~if a policy of insurance is in effect, or by the commissioner of~~
0117 ~~insurance if a certificate of self-insurance is in effect. The form~~
0118 ~~shall contain the following information: (1) The name of the~~
0119 ~~insured or owner; (2) the name of the insurance company; (3) the~~

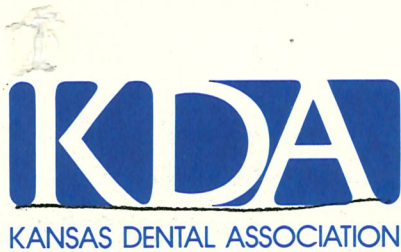
0120 ~~policy number; (4) a statement that continuous coverage has~~
0121 ~~been in force for such vehicle; and (5) a statement by the~~
0122 ~~commissioner of insurance certifying a certificate of self-insur-~~
0123 ~~ance.~~

0124 ~~(j)~~ Any suspension affected hereunder shall remain in effect
0125 until satisfactory proof of financial security has been filed with
0126 the director and such person has met the requirements under
0127 subsection (g) and has paid the reinstatement fee herein pre-
0128 scribed in this subsection ~~(j)~~. Such reinstatement fee shall be in
0129 the amount of \$25 except that if the registration of a motor
0130 vehicle of any owner is suspended within one year following a
0131 prior suspension of the registration of a motor vehicle of such
0132 owner under the provisions of this act such fee shall be in the
0133 amount of \$75.

0134 Sec. 2. K.S.A. 1982 Supp. 40-3104 is hereby repealed.

0135 Sec. 3. This act shall take effect and be in force from and
0136 after its publication in the statute book.

(m)



February 17, 1983

TESTIMONY

by

Robert R. Williams
Assistant Executive Director
Kansas Dental Association

INSURANCE COMMITTEE

Mr. Chairman and Members of the Committee:

With the advent of various health care programs being introduced in Kansas, we have some concerns regarding consumer choice within the health care industry. Currently it is possible for a third party to contract with only a few providers in any given area to provide services to its beneficiaries. This practice eliminates any competition and prevents the consumer from seeking services from the health care provider of his/her choice.

The Kansas Dental Association recommends that legislation be drafted which would allow for the following:

- (1) The ability of any subscriber to select any licensed Dentist participating in the plan for the rendition of professional services under the plan.
- (2) The opportunity of any licensed Dentist, upon the request of the Dentist, to participate as a provider in the prepaid dental plan. A licensed Dentist may exercise such right for a period beginning at least thirty (30) days prior to the effective date of the plan and continuing thirty (30) days immediately following the effective date of the plan. In addition to the sixty (60) day period, when a plan becomes effective, each plan should provide an annual period of at least thirty (30) days during which a licensed Dentist may exercise such right.

* An act concerning the cancellation of insurance by an agent for non-payment.

Be in enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 40-282 is hereby amended to read as follows:

40-282. Extension of credit to policyholder by insurance agent; conditions. Any insurance agent, as defined in K.S.A. 40-239, may extend credit to policyholders in connection with the issuance or servicing of policies procured or negotiated by such agent but any such credit so extended shall satisfy one of the following conditions, unless otherwise authorized by law:

(a) If credit is extended to policyholders for a period of not more than thirty (30) days from the date the premium is due, and such credit is not evidenced by a written instrument, there shall be no interest charged for such credit; or

(b) if credit is extended to policyholders for a period of more than thirty (30) days from the date the premium is due, and such credit is not evidenced by a written instrument, interest may be charged for credit extended after thirty (30) days at a rate not exceeding one and one-half percent (1½%) per month on the unpaid balance; or

(c) if the extension of credit to a policyholder is evidenced by a written instrument setting forth the terms thereof, and signed by the policyholder, any interest charged for such credit shall be clearly stated in the instrument but it shall not exceed the legal rate of interest authorized in K.S.A. 1980 Supp. 16-207.

History: K.S.A. 40-282; L. 1980, ch. 132, § 1; July 1.

(d) Any insurance agent or broker extending credit to policyholders as provided above may cancel such insurance according to the terms of the policies on a pro rata basis for nonpayment of the policyholders' account, except as specifically provided in K.S.A. 40-277.

Such insurance agent or broker shall have a lien on any return premium for the policies to the extent of the amount owed by the policyholder.