Approved March 15, 1983
Date

MINUTES OF THE House COMMITTEE ON Insurance.

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

3:30 xxx.m./p.m. on February 28, 1983 in room 521-S of the Capitol.

All members were present except:

Committee staff present:
Wayne Morris, Legislative Research
Gordon Self, Revisor's Office
Mary Sorensen, Committee Secretary

Conferees appearing before the committee:
Dick Brock, Kansas Insurance Department
Wm. L. Mitchell, Hutchinson, KS
Jack Kirwin, Johnson County, KS
Vera Sutton, Topeka, KS
Al Mytty, Newton, KS

Others Present:
See List (Attachment 1), Pages 1 and 2

HB 2446 was briefly explained by Dick Brock of the Insurance Department. He said this bill, and HB 2447, which he explained next, were introduced at the request of the insurance department to address the most immediate problems with title insurance in the State of Kansas. Mr. Brock said that, very briefly, HB 2446 prohibits rebates; and HB 2447 would require that a search be made before a title policy is issued.

Wm. L. Mitchell, representing the Kansas Land Title Association, passed out a suggested amendment to HB 2189 (Attachment 2), which he felt would cover the problems discussed at the hearing on this bill last Thursday. Mr. Mitchell then spoke in support of HB 2446 and HB 2447, which he said were the result of a two-year study by the insurance department and representatives from all interested groups--banks, realtors, savings and loans, abstractors, etc. Jack Kirwin, from Johnson County, KS, spoke in support of HB 2446 and HB 2447, as did Vera Sutton, President of the Kansas Land Title Association.

Rep. Littlejohn moved that HB 2446 and HB 2447 be passed out favorably. Rep. Sutter seconded the motion. There were questions and discussion as to any benefits to consumers and some concern that no consumer had appeared before the committee. Dick Brock said that the insurance department represented the consumer, and he felt consumers would benefit by passage of the bills. Rep. Littlejohn and Rep. Sutter withdrew the motion and the second, and Chairman Hoy announced that final action would again be considered for HB 2446 and HB 2447 on Wednesday, March 2, 1983.

Chairman Hoy and Dick Brock of the Insurance Department gave a brief review of HB 2247, which was up for further testimony, and possible final action. Al Mytty, Executive Director of Family Health Plan, Inc. of Newton, KS, passed out written testimony (Attachment 3). He then read the testimony, which presented some concerns his group had with the bill, as it might work a hardship on a small Health Plan. There was discussion as to waiver of some of the requirements under certain conditions, and possible consideration of reinsurance and hold-harmless clauses. Rep. Spaniol moved to table HB 2247 until next session, and ask for an interim study on this topic. Rep. L. Johnson seconded. The motion carried.

HB 2248 was next up for consideration, and there was a brief explanation of the bill. Rep. L. Johnson moved to pass 2248 out favorably. Rep. Littlejohn seconded. Rep. Blumenthal offered a substitute motion to retain the threshold at $500. Rep. Cribbs seconded. There was discussion on the substitute motion. A vote was taken, and the substitute motion was defeated. Chairman Hoy announced that we were back on the original motion to pass out favorably. Rep. Turnquist offered a substitute motion to strike $2,500 on the threshold and raise it to $1,250, and increase the benefits by 50% all the way through. Rep. Mary Jane Johnson seconded. There were questions and discussion on the effect this might have on rates. A vote was taken, seven voted in favor, seven voted against, Chairman Hoy voted against, so the substitute motion failed. Again back on the original motion, seven voted in favor of passing out favorably, seven voted against, Chairman Hoy voted in favor, so HB 2248 was passed out favorably.

Substitute HB 2111, which replaces Rep. Dean's bill, was next for possible final action. Steve Montgomery, Attorney for the Department of Revenue, said the bill, as drafted,

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

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pertains to all vehicles, including motor carriers (interstate and intrastate) and custom cutters, all of which operate under special rules and regulations of the State Corporation Commission, and he thought they might have a problem with this bill. Chairman Hoy said any action would be delayed for a day or so to see if a solution could be worked out.

HB 2436 was next up for consideration. Rep. Sutter moved HB 2436 be passed out favorably. Rep. Spaniol seconded. There was discussion as to why the insurance department was administering these funds, and how the cost of administration was presently being paid. Rep. Webb offered a substitute motion to "de-sex" the bill by changing wording to "firefighters" rather than "firemen". Rep. Turnquist seconded. The substitute motion carried. Rep. DeBaun moved to report HB 2436 adversely. Rep. Blumenthal seconded. Eight voted in favor, six voted against. The motion carried, and the bill will be reported adversely.

HB 2255 was next to be considered. Rep. Littlejohn moved that line 28 be amended to add "within or without". Rep. Sutter seconded. The motion carried. Rep. Littlejohn moved to pass out HB 2255 favorably as amended. Rep. Blumenthal seconded. Rep. L. Johnson said there had been some discussion about renewals possibly not being covered as the bill was presently written, and suggested that be amended in. Rep. Littlejohn agreed to change his motion to include renewals. Rep. Blumenthal agreed to change his second. The motion carried, so HB 2255 will be reported favorably, as amended.

Rep. Littlejohn moved to approve the minutes of the meetings of February 21, 22, 23, and 24, 1983. Rep. Fuller seconded. The motion carried.

The meeting adjourned at 5:05 PM.

GUEST LIST Attachment 1

COMMITTEE: House Insurance DATE: Feb. 28, 1983

NAME	ADDRESS	COMPANY/ORGANIZATION
Dick Block	Topeka	Ins Dept
Karen Griffiths	Newton KS	FHP
Stan Vaughan	Newton Ks	Family Health Plan
Al Mytty	Newton Ks	Family Health Plan
KEITH R. LANDIS	TOPEKA	CHRISTIAN SCIENCE COMMITTEE ON PUBLICATION FOR KANSAS
Vera Sutton	Topeka	KLTA
[illegible]	KANSAS CITY, KS	KLTA
[illegible]	Hutchinson	KLTA
[illegible]	Topeka	KBA
Tom Whitaker	Topeka	Ks Motor Carriers Assn.
Tim [illegible]	Topeka	KAR
Jim Oliver	Topeka	PIA of Ks
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GUEST LIST

COMMITTEE: House Insurance DATE: Feb. 28, 1983

NAME	ADDRESS	COMPANY/ORGANIZATION
Bill Roach	Topeka	Kansas Ins Dept
Pam Sjoholm	Topeka	Kansas Ins Dept
John M Bell	Wichita	Kansas Land Title Assoc
Ed [illegible]	Topeka	Kan Assoc of Pt [illegible] Co.
Martin [illegible]	Topeka	Am Ins Assoc.
Kathleen Edselius	Topeka	KTLA
John W [illegible]	Topeka	Kansas Land Title Co
[illegible]	"	Dept Rev
DAVID ROSS	FARMERS INS GROUP.	MISSION, KS.
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Attachment 2

HB 2189

AN ACT relating to title insurance companies; requiring certain information to be specified in title insurance policies.

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

Section 1. (a) Any title insurance company insuring titles to real estate located within Kansas shall specify in any policy issued when the governing body of the municipal or quasi-municipal corporation in which the property is located has filed with the register of deeds of the county or counties in which it is located, a certified copy of any ordinance or resolution creating or establishing any public improvement or special benefit district or any other district having the power to impose special assessments upon taxable tangible real property in the district as required by K.S.A. 12-153, and amendments thereto, provided the municipal or quasi-municipal corporation creating such public improvement or special benefit district has particularly described all platted areas, every lot, block or parcel in any addition, or subdivision and in all unplatted areas, every lot, tract or parcel defined by metes and bounds, which is or will be affected by such public improvement or special benefit district.

(b) No title insurance company shall exempt itself from the provisions of subsection (a) by means of a general exclusion in any policy of title insurance.

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

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TO: HOUSE COMMITTEE ON INSURANCE

FROM: AL MYTTY, EXECUTIVE DIRECTOR
FAMILY HEALTH PLAN, INC.

Attachment 3

DATE: FEBRUARY 28, 1983

SUBJECT: HOUSE BILL 2247

Family Health Plan is a not-for-profit, state licensed and federally qualified health maintenance organization, or HMO. Our service area includes Harvey, Marion and McPherson counties, and parts of Butler and Sedgwick Counties. We began operations in October 1981, after we were authorized by the Kansas Insurance Department, and qualified by the Department of Health and Human Services. It took three years of careful planning and development to get Family Health Plan operational. Currently, we have about 1700 members, most of whom have enrolled as an option offered through their employers' health benefits program.

We contract on a prepaid basis with the Bethel Clinic, a multi-specialty group practice with offices in Newton and Valley Center. That contract obligates the clinic to provide or arrange for the health care services that our members need. In addition, we contract for hospital services with the Bethel Deaconess Hospital and Axtell Christian Hospital, both in Newton.

Our contracts with these providers all contain "hold harmless" clauses that prohibit them from ever billing our members for services, even in the event of our own insolvency.

It took three years to plan and develop Family Health Plan. Furthermore, our program was intensely and carefully reviewed by the Kansas Insurance Department and the federal government before we were authorized to do business. Those reviews looked in great detail at all aspects of our proposed program, but focused considerable attention on our five-year membership and financial projections.

Correctly, both the Kansas Insurance Department and the federal government wanted assurances that our program could succeed financially before we could go out and seek membership. Thus far, I am pleased to report that Family Health Plan is exceeding our projections in all areas, and doing very well.

Our program has been reviewed in detail and we are financially stable. The key to our success will be our adherence to our financial plan which was developed with the assistance of one of the nation's leading actuarial firms.

Family Health Plan is unique in Kansas in that we are the only state licensed, federally qualified HMO that serves an area that is primarily rural. Programs like ours are succeeding in other areas of the country, most notably in Minnesota, Wisconsin, North Dakota and the Northeast United States. We are a small organization, but our program can serve as a model for other locations in Kansas.

We are not questioning the general intent of House Bill 2247, only the adverse financial impact it would have on Family Health Plan. Protecting the members of an HMO against insolvency and in the event of insolvency is indeed necessary. Some HMOs in the country have ceased operations because membership goals were not attained or expenses were not controlled. In only two situations were members of an HMO left with bills to pay after an HMO went insolvent. It should also be known that the success rate of HMOs far exceeds the rate experienced by other small businesses.

Atch. 3

Obviously, however, the public needs assurances that the HMO they join is financially stable, and that if the worst happens and the HMO fails, the members will not be liable for outstanding hospital or medical bills. Family Health Plan provides those assurances through several mechanisms.

First, we were carefully reviewed before we were allowed to begin business.

Second, we are required to report regularly to the Kansas Insurance Department and the Department of Health and Human Services, and our performance since beginning operations is continually being reviewed.

Third, our contracts with hospitals and medical providers prohibits them from billing our members even in the event of the insolvency of Family Health Plan. Those contracts cover 97% of the costs of care received by our members.

Fourth, we purchase stop-loss protection, or re-insurance, in the event of a catastrophic claim or an expensive out-of-area emergency. That coverage provides relief for us for 70 to 90 percent of the expenses over $20,000 per member per year and for 80 percent of the emergency services over $5,000 that our members may require while outside our service area.

Fifth, our re-insurance coverage also contains an insolvency provision that provides for the following:

a. Benefits will continue for members confined in an acute care hospital or skilled nursing facility on the date operations cease, until discharge.

b. Benefits will continue to the end of the contract period for which premium payment has been made to the plan by health plan members.

c. The re-insurance carrier will promptly make available to all members for a period of 30 days, without evidence of insurability, a replacement coverage of the same benefit schedule and rates as then being offered to other prospective insureds with the state.

Sixth, the initial operating deficit of Family Health Plan is covered by a federal loan from the Department of Health and Human Services. The amount of that loan was directly tied to the five-year financial plan mentioned earlier, and the interest we pay on the loan varies according to the current rate the federal government pays on its obligations, plus an administrative charge. While these funds are available to Family Health Plan, it is clearly in our interest to borrow only when necessary for operating deficits, so that our interest expenses can be minimized.

Through these mechanisms the members of Family Health Plan are sufficiently protected so that I respectfully request that Family Health Plan be "grandfathered in" if House Bill 2247 becomes law. Again, I am not disputing the intent of this legislation. The goal is to protect the public from HMO insolvency and protect the members if an HMO becomes insolvent.

As it reads now, House Bill 2247 will have a severe financial impact upon Family Health Plan and will do very little to protect our members any more than they are currently.

House Bill 2247 would require existing HMOs to deposit the larger of one percent (1%) of the preceding 12 months uncovered expenditures, or $100,000. For the first 16 months, uncovered expenditures for Family Health Plan amounted to $11,067. One percent of this is only $111.00. We would, therefore, have to deposit $100,000, which, according to our projections, is 100% of our uncovered expenditures for the first four years of operations.

$100,000 to an organization like ours is a huge amount of money. Due to our contractual arrangements with health care providers and our re-insurance coverage, our uncovered expenditures are only 3% of total health care costs.

Our members are adequately protected through our current arrangements, and that protection increases as we continue to control our expenses. To meet the obligations of this legislation, we will have no choice but to increase the premiums to our members.

Again, I request that this bill be amended to exempt Family Health Plan from its provisions.

At a bare minimum, however, I recommend that our program be allowed additional time to meet the $100,000 requirement, and suggest that 5 annual increments of $20,000 each be acceptable. $20,000 greatly exceeds 1% of, or even 15% of, our uncovered expenditures through our fifth year of business.

Thank you on behalf of the members of Family Health Plan. I hope you will consider our request to be exempted from this legislation through a grandfather clause.