

April 18, 1983  
DateMINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANSThe meeting was called to order by BILL BUNTEN at  
Chairperson8:05 a.m./~~p.m.~~ on Thursday, March 31, 1983 in room 514-S of the Capitol.

All members were present except:

Committee staff present: Marlin Rein -- Legislative Research  
Lyn Entrikin Goering -- Legislative Research  
Bill Gilmore -- Legislative Research  
Jim Wilson -- Office of the Revisor  
LewJene Schneider -- Administrative Assistant  
Charlene Wilson -- Committee Secretary

Conferees appearing before the committee:

Representative Cloud to introduce a bill  
Representative Shriver on HB 2550  
John Wurth, Kansas Securities Commissioner  
Mark Heitz, Security Benefit Life  
Peter Barnes, Kidder-Peabody  
Walter Cole  
Representative Vancrum on HCR 5040  
Stan Koplak, Board of Regents Office  
Jim Wilson, Office of the Revisor  
Fletcher Bell, Insurance Commissioner  
Secretary Hurley, Department of Administration  
JoAnn Klesath, KAPE  
Robert Wright, Marketing Manager, PRIMEHEALTH  
Representative Ott on SB 12  
Representative Ivan Sand to introduce a bill.

Others present: (Attachment I).

The meeting was called to order at 8:05 a.m. by Chairman Buntten.

The Chairman turned to a request from Representative Cloud for the introduction of a bill. The bill has been requested by the Committee on Governmental Organization. Representative Rolfs moved that the bill be introduced. Representative Arbuthnot seconded. The motion carried. (Attachment II).

House Concurrent Resolution No. 5040 -- "A Concurrent Resolution directing the State Board of Regents to conduct a study on the duplication of degree programs at the postsecondary educational institutions in Kansas and submit a plan to lessen the duplication of these degree programs".

Representative Vancrum was called upon by the Chairman to review this bill for the committee. He read from written testimony. (Attachment III). Representative Chronister asked Representative Vancrum what his feelings would be for proposing that this same type of study be done at the community college level and be done by the Board of Education. He indicated that this probably needs to be done also.

Representative Rolfs moved that House Concurrent Resolution 5040 be adopted and reported favorable for passage. Seconded by Representative Dyck.

Representative Lowther made a substitute motion to amend the resolution by indicating that a Regents study be completed and submitted to the Legislative Educational Planning Committee by July 1, 1984. Seconded by Representative Meacham. This motion was made to give some time limit as to when this study needs to be completed.

Lengthy committee discussion followed. Several members of the committee spoke in opposition to this resolution. It appeared that there were several aspects of the resolution that needed further clarification before the committee would feel comfortable voting on it. To allow further study of this resolution, Chairman Buntten appointed a subcommittee and instructed them to be prepared to report back to the full committee at the noon meeting today. The committee members on the subcommittee were appointed as follows:

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.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS,

room 514-S Statehouse, at 8:10 a.m. ~~p.m.~~ on Thursday, March 31, 1983.

Representative Chronister, Chairman  
 Representative Louis  
 Representative Mainey

Representative Lowther withdrew his motion and Representative Meacham withdrew his second at the request of the Chairman.

House Bill No. 2550 -- "An Act concerning the office of the securities commissioner of Kansas; relating to financing such office from the state general fund; prescribing fees and the disposition of fees; abolishing the securities act fee fund and creating the securities act fee refund fund; amending K.S.A. 17-1254, 17-1280 and 58-3320 and K.S.A. 1982 Supp. 17-1270, 17-1271 and 75-3170a and repealing the existing sections."

Representative Shriver explained the provisions of the bill for the committee. He explained that the bill enables the state general fund to acquire approximately \$2 million and this is why the bill was drawn up. He added that he feels that this is a state function in the fact that it is basically a consumer protection agency that deals with securities and it is his feeling that it should be a state function to do the program as offered by the Securities Commissioner's Office.

Mr. John Wurth, Securities Commissioner, was called upon by the Chairman to appear in opposition to this bill. He stated that they are in opposition to the bill for basically two reasons. First of all, the office was originally designated as a fee funded agency due to the nature of the operations of the office. They primarily regulate the securities industry through the enforcement and registration provision of the statutes. Revenues to fund this office are primarily derived from Broker Dealer registration fees, agent registration fees, securities registration application fees. The theory is that the industry should help pay for its own regulation. He added that in order for this agency to carry out its role, it must be guaranteed that it will have sufficient funding and personnel. Secondly, he stated that the number of security applications has shown a dramatic increase in the past several years. It is for this reason that the Securities Act Fund is at its current level. As a result of this growth, a reduction of fees was enacted in 1981 and he indicated that he would propose further reduction in the fees next year. This would insure that the fee fund would be at a more reasonable level. They would, however, be required to transfer 20% of their revenues into the general fund.

He further indicated that eliminating the fund would, in his opinion, jeopardize the vital function that this agency provides. He proposed that the agency remain fee funded and if the desire of the legislature is to reduce the fee fund, allow at least one year's operating budget to be left within the fund. This would guarantee operations that are currently being carried out.

Peter Barnes was called upon next by the Chairman to appear in opposition to HB 2550. He indicated that he had no problem with the philosophy of the bill by putting the accumulated fee fund balance, or at least part of it, into the general fund. However, he added that the job of regulating the securities business is an ongoing process. Even though at this time the office of the Commissioner is a profit center he added that this is not an indefinite process and that indeed that may come a year when there is a shortfall.

Mr. Barnes proposed that on page 11 of the bill, line 385, that the wording be changed to read "all monies in the Securities Act Fee Fund in excess of \$500,000.00". This would give approximately a \$1.5 million increase to the general fund this year and if business and fees do remain at their current level, it could on an annual basis provide a continuing boost for the general fund and yet leave this a fee funded agency with the ability to rely on its fees in a shortfall.

The Chairman announced that the committee would recess and meet again upon first adjournment of the House.

The committee resumed hearings at 12:50 p.m.

## CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS,room 514-S, Statehouse, at 8:10 a.m. ~~XXX~~ on Thursday, March 31, 1983.

The Chairman resumed the hearing on HB 2550. He further added that final action would not be taken on this bill today.

Mark Heitz was recognized by the Chairman to appear in opposition to HB 2550. He indicated that if there is a desire to get some of the surplus that has been built up in the Securities Act Fee Fund into the General Fund that they could support taking \$1.5 million from the \$2 million for the general fund but not support changing the Security Commissioners Office into a general funded agency.

Walter Cole appeared in opposition to HB 2550 also. He indicated that he would like to see the office remain as independent as it can because it is an area that sometimes can be subject to considerable pressure.

The Chairman turned to consideration of the subcommittee report on HCR 5040.

Representative Chronister indicated that the subcommittee had visited with Representative Vancrum. He had agreed to the report to the LEPC by June 1, 1984 and that the LEPC report to the 1985 Legislature. He also was in agreement that the provision that deals with undergraduate degree programs should not apply to liberal arts programs. She added that the subcommittee had gone one step further after looking at the language with regard to undergraduate degree programs and it was decided that lines 50,51 and the word "and" on line 52 should be stricken and that there should not be a limit on the number of undergraduate programs at the Regents Institutions. She referred to an amended version of the bill as is being proposed by the subcommittee. (Attachment IV). Representative Chronister moved that the proposed changes be drafted into a substitute resolution for HCR 5040. Seconded by Representative Louis. The motion carried.

The Chair recognized Stan Koplik to appear on HCR 5040. He commented that the provision of the substitute resolution with regard to graduate programs being offered at only three of the six regents institutions was not satisfactory to him. He added that he appreciated the concern of the subcommittee with regard to removing the undergraduate curriculum from the ramifications of precise numbers. He further stated that he feels that this resolution is trying to address too many areas.

He pointed out to the committee that the Board of Regents has already begun a program review at the regents institutions, the first results of which are due this summer. Several areas have been distinguished for the first series of reviews. There is a five year cycle to their program review process. At the completion of five years, they will have uncovered every degree program in the regents institutions. He added that there will most likely continue to be programs where there may only be a very few students being rewarded degrees but they are trying to get rid of the duplication that they feel is unnecessary in some of the more esoteric areas. There will continue to be duplication in the areas of math, biology and such fields.

He indicated that the preference would be to give the Regents a chance to demonstrate that they are very aware of duplication and a process is in place to look into this problem. He would like to see this program given a chance before any decisions are made on the part of the legislature.

Representative Meacham moved to further amend the resolution, using the balloon by the subcommittee, on line 49 after the word "such" by inserting the word "unnecessarily" and on line 52 after the word "Than" by adding "an excessive number of" and on line 53 by striking the word "three". Seconded by Representative Louis.

Representative Rolfs spoke in opposition to the motion stating that this change would make the resolution so vague that it would destroy its intent. He expressed that he doesn't have confidence in the Board of Regents that this study is going to happen the way it has been described and until this legislature insists that a study is something that they want done, there isn't going to be any action taken. We need to tell them specifically what the legislature wants done. The motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS,  
 room 514-S, Statehouse, at 8:10 a.m./~~p.m.~~ on Thursday, March 31, 1983.

Regarding the balloon draft, line 43, Representative Wisdom further moved that "Board of Regents" be stricken from line 43 and insert in lieu thereof "Legislative Post Audit" and to make such a change in all areas of the resolution where Board of Regents appears. Representative Rolfs seconded the motion. The motion failed.

Representative Chronister moved that the substitute for HCR 5040 be recommended favorable for passage. Seconded by Representative Dyck. The motion carried.

A statement from Dr. Green of Washburn University was provided for the committee however, he was not present at the meeting. (Attachment V).

Representative Meacham made a conceptual motion that an identical resolution to HCR 5040 be drafted for consideration by this committee, only using the State Board of Education rather than the Board of Regents and using Community Colleges rather than Regents Institutions. The motion was seconded by Representative Solbach. The motion carried.

Arden Ensley was called upon by the Chairman to explain a bill that has been requested to be introduced by the committee. (Attachment VI). The proposed bill would increase the motor fuels, special fuels, LP fuels, etc. tax by 3¢ with 1¢ going to cities and 2¢ going to the state. Representative Arbuthnot moved that the bill, RS 1310, be introduced and be referred to the Transportation Committee for consideration. Seconded by Representative Heinemann.

In light of some personal concerns, Representative Holderman made a conceptual motion to amend this bill by stating that Sedgwick County provide for a local 1¢ gasoline tax that can be implemented by a Charter Ordinance of the Board of County Commissioners. For lack of a second, the motion died.

Representative Mainey spoke in opposition to have the bill introduced. He expressed the fact that at present we are higher than either Missouri or Oklahoma and he feels that this would adversely effect the counties that boarder those two states. Representative Hamm concurred with the statements made by Representative Mainey.

Representative Solbach made a substitute motion to have the bill introduced and referred to Ways and Means for consideration rather than to Transportation. He felt that there was a great deal of interest in this bill on the part of several of the committee members and it would be most appropriate to have the bill referred back to this committee. For lack of a second, the motion died.

On the origianl motion to have the bill introduced and referred to the Transportation Committee, the motion carried.

A roll call vote was called for by Representative Mainey. The Chairman agreed to the roll call.

Representative Bunten -- aye  
 Representative Arbuthnot -- aye  
 Representative Luzzati -- nay  
 Representative Hamm -- nay  
 Representative Miller -- aye  
 Representative Rolfs -- aye  
 Representative Wisdom -- nay  
 Representative Meacham -- aye  
 Representative Duncan -- aye  
 Representative Shriver -- nay  
 Representative Heinemann -- aye  
 Representative Chronister -- aye  
 Representative Holderman -- nay  
 Representative Myers -- nay  
 Representative Farrar -- aye  
 Representative Mainey -- nay  
 Representative Dyck -- aye  
 Representative Louis -- aye  
 Representative Bussman -- nay

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS,  
room 514-S, Statehouse, at 8:10 a.m./~~p.m.~~ on Thursday, March 31, 1983

Representative Solbach -- nay  
Representative Lowther -- aye  
Representative Hoy -- aye  
Representative Teagarden -- nay

The Chairman turned to the hearing on SB 12.

Senate Bill No. 12 -- "An Act establishing the state health care benefits program; providing for the administration thereof by the secretary of administration and the administrator of the state health care benefits program; amending K.S.A. 20-358 and 40-223 and K.S.A. 1982 Supp 75-4101, 75-4105 and 75-4106 and repealing the existing sections; and also repealing K.S.A. 1982 Supp. 75-4108, 75-4110, 75-4108a, 75-4113 and 75-4113a." VII

Chairman Bunten briefed the committee on this bill and its origin. He indicated that this is an important bill particularly for state employees. The bill came about as a result of an interim study last summer by the Senate Ways and Means interim committee and also as a result of the Joint Ways and Means Committee. Jim Wilson was called upon to review the House Substitute for Senate Bill 12 for the committee.

Feltcher Bell was recognized by the Chairman to appear on House Substitute for SB 12. His remarks were directed in support of the bill. Although copies of his testimony was not provided for the committee, a copy of such is filed herewith. (Attachment X). Mr. Bell also made reference to testimony that was given last September before the interim committee. A copy of that testimony is also included herewith. (Attachment XI).

He indicated that he welcomes the review. The current program is so tied up with statutory requirements that effective changes have to be made statutorily. He added that the draft for the House Substitute for SB 12 appears to be consistent with previous discussions and guidelines and suggestions that have been made. He added that it will serve as an appropriate statutory vehicle for more efficient economics in the state health insurance program.

Secretary Hurley appeared next to address the committee on House Substitute for SB 12. Remarks relevant to his testimony were provided for the committee. (Attachment VIII). He indicated that the substitute is not that unlike the original bill and he feels that it begins to give flexibility to state government to deal with this particular problem. But he would take issue with the question of whether we are better off with a committee than we would be by simply placing this into a location where it can be dealt with as a budgetary matter. He indicated that the part in this bill that he is in opposition to is the wisdom of continuing to have a committee that will not be meeting often enough, no matter how often it meets, to actually manage a \$30 to \$40million fringe benefit package for state government. He added that if better control is desired, this activity should be placed fully, as originally SB 12 did, in the Department of Administration where the responsibility for administering and building into the budgets every other fringe benefit of state employees is currently, with the exception of retirement.

Chairman Bunten commented for the benefit of the committee that what is proposed by Secretary Hurley is the way it used to be done and because of abuses in the placement of insurance they went to the Assurity Bond Committee. It is felt that we are not quite ready to go back to the former way.

JoAnn Kelsath appeared in support of House Substitute for Senate Bill 12. She stated that one of their primary goals this year has been to maintain the level of current benefits. They support the idea of having a committee of five people to look at these benefits. They also support the advisory committee being established and they support the idea of having the program go to a three year contract.

Representative Ott also addressed the committee in support of House Substitute for SB 12. He urged the committee to give it very serious consideration.

Robert Wright appeared in support of House Substitute for SB 12.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS,  
room 514-S Statehouse, at 8:10 a.m./~~p.m.~~ on Thursday, March 31, 1983.

Representative Duncan referred to a statement by Keith Landis that had been provided for the committee. (Attachment IX). With regard to the proposed amendment suggested in Mr. Landis's letter Representative Duncan moved to amend the draft of the substitute bill in line 18 of page 1, by inserting after the words "health services" the wording "and non-medical remedial care and treatment rendered in accordance with a religious method of healing". The motion was seconded by Representative Meacham. The motion carried.

(Note: "Recognition of Christian Science Care and Treatment by Insurance Companies and Governmental Agencies" is on file in the Ways and Means Committee brochure and pamphlet file in the Ways and Means Office).

Representative Luzzati was opposed to the adoption of this substitute without further time to give it proper consideration.

Representative Shriver asked whether procedurally this substitute bill kills the original bill. Jim Wilson responded by saying that the substitute is amending the bill and is not the introduction of a new bill. Thus it would replace the original form of SB12. In light of this fact, Representative Shriver moved that the substitute for SB 12 be introduced as a separate bill and that it be recommended favorable for passage. Seconded by Representative Duncan.

Chairman Bunten commented that the effort to try to resolve this problem has been a long and on-going one. He added that he would prefer not to treat this as a separate bill, but would concede to the wishes of the committee.

Representative Mainey expressed concern that fair consideration has not been given to the original form of SB 12 by this committee and alot of work had also gone into preparing the original form of SB 12. He further stated that not having been given time to accurately review the substitute for SB 12 he would strongly oppose consideration of this substitute until the committee has had time to look at both bills more fully.

Chairman Bunten stressed that no partisan thoughts are involved in this issue. It is an effort to deal with a very important question of how we are going to manage the state health insurance program. He indicated to the committee that no action would be taken on this bill today in order to allow all of the members of the committee more time to look at the bills. Action on the bill will be considered next week.

The Chairman requested that the motions on the floor before the committee be withdrawn. Representative Shriver agreed with the request and withdrew his motion. Representative Duncan also withdrew his second.

The meeting was adjourned at 2:20 p.m.

NAME	ADDRESS	REPRESENTING
1. PETER C BARNES	10141 HALSET LEXEXA	SELF / KIDDER PEABODY CO
2. William M Schmitt	Topeka	Office of the Securities Comm'r
3. John R. Worth	Topeka	"
4. Lynn Van Buren	TOPEKA	Columbian Security
5. Marjorie Van Buren	Topeka	Self
6. KENNETH R LAODIS	TOPEKA	CHRISTIAN SCIENCE COMMITTEE ON PUBLICATIONS FOR KANSAS
7. Larry D. Arnel	Topeka	Security Benefit Group
8. Halcy T Dunce	Topeka	Division of Budget
9. Rog Myers		Cap-journal
10. Curtis Shurley	Topeka	Sec of Administration
11. Chuck Engel	Topeka	Washburn Univ
12. Ken Wright	EMPORIA	Self
13. Bob Waight	KC MO	Prime Health (H.M.O.)
14. Walter Cole	Topeka	Benefit Co & Co
15. JOHN R. WORTH	Topeka	Securities Commission
16. Z of Mola	"	KCC
17. Lorin Busby	Lawrence	Luzgati Intern
18. Shaw Rogge	Lawrence	KU Student
19. Mark Callahan	Topeka	A.S.K.
20. Charles Hicolm	Topeka	KOMA
21. George Welch	DoA	
22. Ardun Dandriff		KMCA
23. Jack Roberts	TOPEKA	BC-BS
24. Art. Crispy	D of Adm.	
25. Gary Howard	DOA	

HOUSE BILL NO. 2564

By Committee on Ways and Means

AN ACT concerning unlawful actions and transactions in restraint of trade; increasing criminal penalties for violations; amending K.S.A. 50-105, 50-106 and 50-114, and repealing the existing sections.

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

Sec. 1. K.S.A. 50-105 is hereby amended to read as follows:  
 50-105. Every person, company or corporation within or without this state, their officers, agents, representatives or consignees, violating any of the provisions of this act within this state, are hereby denied the right and are hereby prohibited from doing any business within this state, and all persons, companies and corporations, their officers, agents, representatives and consignees within this state, are hereby denied the right to handle the goods of or in any manner deal with, directly or indirectly, any such person, company or corporation, their officers, agents, representatives or consignees, ~~and~~. It shall be the duty of the attorney general and the county or district attorney of any county in the state where any violation of this act ~~be~~ is committed, ~~or either of them~~, to enforce the provisions of this section by injunction or other proceeding, ~~and~~. All persons, companies and corporations, their officers, agents, representatives or consignees, violating any of the provisions of this section, either directly or indirectly, or ~~of~~ abetting or aiding either directly or indirectly in any violation of any provisions of this section, shall be deemed guilty of a ~~misdemeanor~~ felony and, upon conviction, shall be ~~fined not less than one hundred dollars nor more than one thousand dollars, and confined in jail not less than thirty days nor more than six months, and shall forfeit not less than one hundred dollars for each and every day such violation may~~

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~~continues which may be recovered in the name of the state of~~  
~~Kansas in any court of competent jurisdiction~~ punished by fine  
not exceeding \$1,000,000 if a corporation or, if any person or  
company other than a corporation, by fine not exceeding \$100,000  
or by imprisonment not exceeding three years or by both such  
punishments in the discretion of the court.

Sec. 2. K.S.A. 50-106 is hereby amended to read as follows:

50-106. ~~Each and Every~~ Every person, company or corporation, their  
officers, agents, representatives or consignees, ~~who either~~  
~~directly or indirectly violate~~ violating any of the provisions of  
this act either directly or indirectly shall be deemed guilty of  
a misdemeanor felony, and on conviction thereof shall be subject  
~~to a~~ punished by fine of not ~~less than one hundred dollars nor~~  
~~more than one thousand dollars, and shall be imprisoned not less~~  
~~than thirty days nor more than six months, and in addition~~  
~~thereto, for each and every day thereafter that such violation~~  
~~shall be committed or continued, forfeit and pay the sum of one~~  
~~hundred dollars, which may be recovered in the name of the state~~  
~~of Kansas in any county where the offense is committed or where~~  
~~either of the offenders reside; and~~ exceeding \$1,000,000 if a  
corporation or, if any person or company other than a  
corporation, by fine not exceeding \$100,000 or by imprisonment  
not exceeding three years or by both such punishments in the  
discretion of the court. It shall be the duty of the attorney  
general of the state, or the county or district attorney of any  
county in the state, in which said a violation shall occur, or  
~~either of them~~ to prosecute and enforce the provisions of this  
act.

Sec. 3. K.S.A. 50-114 is hereby amended to read as follows:

50-114. All persons or corporations entering into any such  
arrangement, contract, agreement, trust or combination, ~~or who~~  
~~shall after the passage of this act attempt to carry out or act~~  
~~under any such arrangement, contract, agreement, trust or~~  
combination described in K.S.A. 50-112 and 50-113 or attempting  
to carry out or act under any such arrangement, contract,

agreement, trust or combination, either ~~on such person's own~~ account directly or as agent or attorney for another, or as an officer, agent or stockholder of any corporation, or as a trustee, committee, or in any capacity whatever, shall be guilty of a ~~misdemeanor~~ felony, and on conviction thereof shall be ~~subject to a~~ punished by fine of ~~not less than one hundred dollars and not more than one thousand dollars, and to imprisonment not less than thirty days and not more than six months, or to~~ exceeding \$1,000,000 if a corporation or, if any other person, by fine not exceeding \$100,000 or by imprisonment not exceeding three years or by both such ~~fine and imprisonment,~~ punishments in the discretion of the court.

Sec. 4. K.S.A. 50-105, 50-106 and 50-114 are hereby repealed.

Sec. 5. This act shall take effect and be in force from and after its publication in the statute book.



TOPEKA

HOUSE OF  
REPRESENTATIVES

BOB VANCURUM  
 REPRESENTATIVE, TWENTY-NINTH DISTRICT  
 OVERLAND PARK  
 9004 W. 104TH STREET  
 OVERLAND PARK, KANSAS 66212

COMMITTEE ASSIGNMENTS  
 VICE CHAIRMAN FEDERAL AND STATE AFFAIRS  
 MEMBER ASSESSMENT AND TAXATION  
 EDUCATION

Testimony to House Ways and Means Committee  
 HCR 5040--Study to Eliminate Duplication of Degree Programs in  
 Board of Regents Institutions

Ladies and Gentlemen: I want to thank each and every one of you for agreeing to hold a hearing for HCR 5040 in this very busy week. As was clear from the strong expression of support on the House Floor (51-57 on an appropriations bill), most of us are aware that major structural change is needed in our state's educational system if our state is to remain solvent during the 1980's and 1990's. To assume that we can continue refusing to make this difficult choice and maintain both fiscal responsibility and high quality in our institutions is clearly absurd. Yet we continue to duck this question year after year. I'm tired of explaining to constituents why we haven't addressed this main issue for one more year.

Following the changes in the fiscal consensus estimates last week, it is obvious that this Legislature will go down in history as passing in some form the largest tax increases in the history of this state. This committee is to be congratulated for its courage in cutting millions of dollars from many of the budgets you have faced, and I am sure most of you have suffered from some of the hard decisions. Nevertheless, I am wondering if we can honestly tell ourselves we have done all we can to restrain spending. In face of the sacrifices we are requiring of other state programs, it is ridiculous to continue allowing each of our six state regents universities to offer any graduate degree they can justify to themselves. The tremendous

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savings that could be achieved by eliminating in particular graduate degree programs with 2, 3, or 10 students participating at each of six institutions is so apparent that I will not bore you with a great deal of statistics. I would direct your attention to the attached portion of a memo I requested from our research department and several pages I have copied from another Research Report. I will say that the last straw as far as I was concerned was when I discovered that two new regents institutions started offering a Masters in Clinical Psychology Program in the last two years with one institution picking up four students and the other three. The total number of students enrolled in this degree program in all six institutions is only slightly over a hundred. How can we justify further and further expansion in the number of programs offered in a time when the quality in our financial institution is seriously jeopardized by the amount of funding available for existing programs?

I am aware that both the 1202 Commission and the Council of Academic Officers through the Board of Regents have been actively looking at these problems for several years. While we are studying the problem, however, the octopus that we all want to try to contain is steadily growing. The Board of Regents will not oppose to the approach set forth in this resolution. However, I feel certain they will tell you they are already studying the problem and have a number of recommendations in mind. They will quarrel with the numbers chosen and with the inclusion of undergraduate degrees at this time. I urge you to reject their approach and set some very specific targets for the Board of Regents to obtain in the plan they are to develop. You will note that under the resolution, the plan which is developed

has to come back to the Legislature for approval. I have little doubt that if the Board of Regents reports that the goal is unobtainable that the Legislature will not hesitate to lower their sights at that time.

The time to get on with developing this plan is today, not tomorrow. The main obstacle to maintaining a quality higher education program in this state at a reasonable cost is us. We have been responsible for demanding a university offering every conceivable degree in every region of the state. Our goal was laudable, but we can no longer afford it.

I urge you to enact this resolution. I'll be happy to answer any questions.

Robert J. Vancrum

Finally, this information applies only to programs in psychology (per your request) and excludes any programs in educational or school psychology which may be in existence.

You also requested information regarding graduate programs with low enrollments. A comprehensive review would take some time, however, it is generally true that in the three regional institutions (ESU, PSU, and FHSU) graduate enrollments tend to be lowest in foreign languages and theater arts. While I was unable to attain information from Wichita State (the institutional research officer was out of town), I did acquire enrollment data for several of the smaller programs at KU and KSU. These programs and their enrollments (fall, 1982) are shown below.

KU	- Radiation Biophysics	13 (7 Masters, 6 PhD)
	- Soviet & East European Studies	8 Masters
	- Classics	5 Masters
KSU	- Parasitology	1 Masters
	- Microbiology	7 Masters
	- Recreation	4 Masters

Please note that these programs are used as illustrations of graduate programs with the lowest enrollments. A more systematic and comprehensive review is possible, but would take longer than 24-hours.

Finally, I have taken the liberty of attaching the Inventory of Higher Education Programs and Degrees for academic year 1981-82. If you examine this document you can see how many degrees were granted in each area at each institution. This reflects program completions and not total enrollments. Also, the program categories may include more than one specific degree program. However, this document probably provides a better perspective on graduate programs than simple enrollment data because it reflects the extent to which the program is producing graduates. The production of which is, after all, the primary rationale for the program's existence.

I hope this information will be of use to you. If you wish further information or have additional questions, please let me know.

David G. Monical  
Principal Analyst

DGM/jsf

		NUMBER OF AWARDS GRANTED					PAGE		
		01	02	03	04	05	06	07	08
	ST. JOHN'S COLLEGE				10				
	CENTRAL BAPTIST THEOLOGICAL SEMINARY							16	
	FRIENDS BIBLE COLLEGE				2				
	MANHATTAN CHRISTIAN				1				
39.9999	THEOLOGY, OTHER								
	ST. JOHN'S COLLEGE			6	1				
	CENTRAL BAPTIST THEOLOGICAL SEMINARY		1			6			
	NUMBER OF 39.00 AWARDS GRANTED.....	0	1	7	74	6	0	16	0
40.00 PHYSICAL SCIENCES									
40.0101	PHYSICAL SCIENCES, GENERAL								
	FORT HAYS STATE UNIVERSITY					1			
	EMPORIA STATE UNIVERSITY					4			
	KANSAS STATE UNIVERSITY				2				
	PITTSBURG STATE UNIVERSITY				10				
	BARTON COUNTY COMMUNITY COLLEGE				1				
	HIGHLAND COMMUNITY COLLEGE			1					
				8					
40.0201	ASTRONOMY								
	UNIVERSITY OF KANSAS				1				
40.0501	CHEMISTRY, GENERAL								
	FORT HAYS STATE UNIVERSITY				2	1			
	EMPORIA STATE UNIVERSITY				2	3			
	KANSAS STATE UNIVERSITY				12	5		9	
	PITTSBURG STATE UNIVERSITY				4	2			
	UNIVERSITY OF KANSAS				12			7	
	WICHITA STATE UNIVERSITY				13	2		1	
	WASHBURN UNIVERSITY				7				
	BAKER UNIVERSITY				2				
	BENEDICTINE COLLEGE				3				
	BETHANY COLLEGE				3				
	BETHEL COLLEGE				2				
	FRIENDS UNIVERSITY				5				
	KANSAS LEAMAN COLLEGE				3				
	KANSAS WESLEYAN				4				
	MARYMOUNT COLLEGE				1				
	MID-AMERICA NAZARENE COLLEGE				8				
	SOUTHWESTERN COLLEGE				4				
	ST. MARY COLLEGE				5				
	ST. MARY OF THE PLAINS COLLEGE				1				
	STERLING COLLEGE				4				
	TABOR COLLEGE				7				
	CLOUD COUNTY COMMUNITY COLLEGE			6					
	HUTCHINSON COMMUNITY COLLEGE			1					





		01	02	NUMBER OF AWARDS GRANTED				07	08
				03	04	05	06		
	PITTSBURGH STATE UNIVERSITY				23	26			
	UNIVERSITY OF KANSAS				98	16			22
	WICHITA STATE UNIVERSITY				34	7			
	WASHBURN UNIVERSITY				18	1			
	BAKER UNIVERSITY				6				
	BENEDICTINE COLLEGE				10				
	BETHANY COLLEGE				2				
	BETHEL COLLEGE				4				
	FRIENDS UNIVERSITY			1	3				
	KANSAS NEWMAN COLLEGE				5				
	KANSAS WESLEYAN				3				
	MARYMOUNT COLLEGE				15				
	MCPHERSON COLLEGE				1				
	MID-AMERICA NAZARENE COLLEGE				23				
	OTTAWA UNIVERSITY				20				
	SOUTHWESTERN COLLEGE				5				
	ST. MARY COLLEGE				1				
	ST. MARY OF THE PLAINS COLLEGE				4				
	TABOR COLLEGE				4				
	BUTLER COUNTY COMMUNITY COLLEGE			21					
	CLOUD COUNTY COMMUNITY COLLEGE			4					
	COWLEY COUNTY COMMUNITY COLLEGE			1					
	HUTCHINSON COMMUNITY COLLEGE			5					
	KANSAS CITY COMMUNITY COLLEGE			7					
	LABETTE COMMUNITY COLLEGE			1					
	PRATT COMMUNITY COLLEGE			1					
	SEWARD COUNTY COMMUNITY COLLEGE			1					
42.0601	COUNSELING PSYCHOLOGY UNIVERSITY OF KANSAS								4
42.0701	DEVELOPMENTAL PSYCHOLOGY UNIVERSITY OF KANSAS					48	23		20
42.9999	PSYCHOLOGY, OTHER STERLING COLLEGE					1			
NUMBER OF 42.00 AWARDS GRANTED.....		0	0	42	452	109	0	0	51

43.00 PROTECTIVE SERVICES

43.0102	CORRECTIONS								
	WASHBURN UNIVERSITY					18			
	COWLEY COUNTY COMMUNITY COLLEGE			1					
	LABETTE COMMUNITY COLLEGE			1					
43.0103	CRIMINAL JUSTICE ADMINISTRATION								
	KANSAS WESLEYAN			4		1			

INVENTORY OF PROGRAMS

	01	02	NUMBER OF AWARDS GRANTED				07	PAGE	30
			03	04	05	06			
43.0104 CRIMINAL JUSTICE STUDIES NICHITA STATE UNIVERSITY OTTAWA UNIVERSITY			19	67	43				
43.0105 CRIMINAL JUSTICE TECHNOLOGY WASHBURN UNIVERSITY HARTON COUNTY COMMUNITY COLLEGE			9	30					
43.0107 LAW ENFORCEMENT COWLEY COUNTY COMMUNITY COLLEGE GARDEN CITY COMMUNITY COLLEGE HIGHLAND COMMUNITY COLLEGE HUTCHINSON COMMUNITY COLLEGE JOHNSON COUNTY COMMUNITY COLLEGE KANSAS CITY COMMUNITY COLLEGE LABETTE COMMUNITY COLLEGE		7	2	6	2	6	4	5	
43.0108 LAW ENFORCEMENT ADMINISTRATION BUTLER COUNTY COMMUNITY COLLEGE			7						
43.0199 CRIMINAL JUSTICE, OTHER WASHBURN UNIVERSITY SEWARD COUNTY COMMUNITY COLLEGE			4	9					
43.0201 FIRE CONTROL AND SAFETY TECHNOLOGY HUTCHINSON COMMUNITY COLLEGE JOHNSON COUNTY COMMUNITY COLLEGE KANSAS CITY COMMUNITY COLLEGE			2	1	5				
43.0203 FIREFIGHTING BUTLER COUNTY COMMUNITY COLLEGE			4						
43.9999 PROTECTIVE SERVICES, OTHER DODGE CITY COMMUNITY COLLEGE			1						
NUMBER OF 43.00 AWARDS GRANTED.....			0	8	94	118	43	0	0
<b>44.00 PUBLIC AFFAIRS</b>									
44.0101 PUBLIC AFFAIRS, GENERAL EMPORIA STATE UNIVERSITY ST. MARY COLLEGE				6	3				
44.0401 PUBLIC ADMINISTRATION UNIVERSITY OF KANSAS KANSAS CITY COMMUNITY COLLEGE			1			47			

Proposed Amendments

3/31/83

DRAFT

Session of 1983

House Concurrent Resolution No. 5040

By Committee on Ways and Means

3-23

0017 A CONCURRENT RESOLUTION directing the State Board of  
0018 Regents to conduct a study on the duplication of degree  
0019 programs at the postsecondary educational institutions in  
0020 Kansas and submit a plan to lessen the duplication of these  
0021 degree programs.

under the control and supervision of the State Board of Regents

State

0022 WHEREAS, The Legislative Educational Planning Commit-  
0023 tee has the duty of planning public and private postsecondary  
0024 education in the State of Kansas; and

State

0025 WHEREAS, In the establishment of educational goals by the  
0026 Legislative Educational Planning Committee, one of their con-  
0027 cerns has been the duplication of degree programs among Kansas  
0028 postsecondary educational institutions; and

under the control and supervision of the State Board of Regents

0029 WHEREAS, The Legislative Educational Planning Commit-  
0030 tee and the State Board of Regents have always emphasized the  
0031 type of postsecondary educational planning which would ensure  
0032 that educational resources were coordinated in the most efficient  
0033 manner; and

State

0034 WHEREAS, Unnecessary duplication of degree programs is  
0035 cost inefficient and a burden upon the State of Kansas and its  
0036 resources; and

Legislative Educational Planning Committee on or before June 1, 1984

0037 WHEREAS, In view of the difficult economic times that we in  
0038 Kansas and the Nation as a whole are facing, unnecessary dupli-  
0039 cation of degree programs among postsecondary educational  
0040 institutions in Kansas should be eliminated: Now, therefore,

which shall

0041 Be it resolved by the House of Representatives of the State of  
0042 Kansas, the Senate concurring therein: That we direct the  
0043 State Board of Regents to commence a study to be completed  
0044 during fiscal year 1984 and submitted to the 1984 Kansas Legis-

State

Under the control and supervision of the State Board of Regents

0045 lature of the extent of duplication of degree programs among  
0046 postsecondary educational institutions in Kansas; and

0047 Be it further resolved: That the State Board of Regents sub-  
0048 mit a plan in conjunction with its study of duplication of degree

to the legislative Educational Planning Committee on or before June 1, 1984

Atch. IV

0049 programs, to eliminate such duplicative degree programs so that  
0050 by the 1989-90 academic year, ~~no undergraduate degree program~~  
0051 ~~shall be offered by more than four of the six regents' institutions~~  
0052 ~~and~~ no graduate degree program shall be offered by more than  
0053 three of the six regents' institutions; ~~and~~

0054 *Be it further resolved:* That the Secretary of State be directed  
0055 to send enrolled copies of this resolution to each member of the  
0056 State Board of Regents, all in care of ~~Stanley Koplick,~~ Executive ~~the~~  
0057 Officer of the State Board of Regents.

Be it further resolved: That the Legislative Educational Planning Committee shall review such study and plan and shall make a report and recommendations thereon in the annual report of the Committee to the legislature after receipt of such study and plan; and

STATEMENT OF DR. JOHN L. GREEN, JR. IN  
RESPONSE TO HOUSE CONCURRENT RESOLUTION 5040  
March 31, 1983 - House Ways & Means Committee

A concurrent resolution has been introduced by the Committee on Ways and Means directing the State Board of Regents to conduct a study on duplication of degree programs at the post secondary educational institutions in Kansas. Presumably, this means the seven State Board of Regents' institutions, the 19 community colleges, Washburn University, and all of the private institutions in Kansas.

The concurrent resolution goes on to direct that the State Board of Regents submit a plan to lessen the duplication of these degree programs. This introductory statement is strengthened even more in the latter part of the resolution where it states that the State Board of Regents submit a plan "to eliminate such duplicative degree programs . . . . "

The concurrent resolution mentions the importance of educational planning which will ensure that educational resources are coordinated in the most efficient manner. The concurrent resolution goes on to state that unnecessary duplication of degree programs is cost inefficient.

It appears entirely appropriate for the State Board of Regents to review the inefficiencies resulting from the duplication of degree programs that may exist within the State Board of Regents system.

Atch. V

One measure of inefficiency and unnecessary duplication of programs is the cost to deliver those programs. In other words, programs which are unnecessarily duplicated will have low enrollments which result in the program being more costly than a program with high enrollments. The educational expenditures per FTE student are high in the Regents system when compared with the community colleges and Washburn University. In the most recent Kansas Legislative Research Department report on "Kansas Post Secondary Educational Profile", the educational expenditures per FTE student during 1980-81 were as follows:

Regents institutions, \$4,779; community colleges, \$3,145; and Washburn University, \$2,955. The expenditures for the Regents' institutions exclude the medical school. For the private colleges in Kansas, the educational expenses per FTE student averaged \$4,978 for 1980-81.

It would furthermore appear appropriate for the State Board of Regents to make a report back to the Legislature, as directed in the concurrent resolution, about the duplication of degree programs and proposed cost inefficiencies that can be realized within the State Board of Regents institutions.

One of the major responsibilities of a governing body of higher education is to review new and existing programs to be certain that there is sufficient demand for the degree programs. The Washburn University Board of Regents has for the past two years conducted such a study in their annual update of the five-year plan.

For the State Board of Regents to impose themselves over the other governing boards of higher education in a review of educational programs, and to recommend cost efficiencies in institutions not under the governance of the State Board of Regents is not appropriate. The way the concurrent resolution is now drafted, it appears to be self-serving on the part of the State Board of Regents. In other words, the State Board of Regents would be empowered to review academic programs and cost efficiencies based upon arbitrary criteria which they would develop and which may not be objective.

Therefore it is the recommendation of Washburn University that the State Board of Regents confine their review of duplication in degree programs and cost efficiency studies to their seven state institutions.

HOUSE BILL NO. \_\_\_\_\_

By Committee on Ways and Means

AN ACT relating to the financing of highways; concerning the taxation of motor-vehicle fuels, special fuels and LP-gas fuels and the fixing of fees for certain trip permits for such purpose; amending K.S.A. 79-3403c, 79-3475, 79-3475a, 79-3492, 79-34,118 and 79-34,126 and K.S.A. 1982 Supp. 79-3408, 79-3425, 79-3425c, 79-3487 and 79-34,104 and repealing the existing sections.

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

Section 1. K.S.A. 1982 Supp. 79-3408 is hereby amended to read as follows: 79-3408. (a) From and after 12:01 a.m. July 1, 1983, a tax ~~of \$1.06~~ per gallon, or fraction thereof, at the rate computed as prescribed in section 11 is hereby imposed on the use, sale, or delivery of all motor-vehicle fuels containing less than 10% agricultural ethyl alcohol by weight which is used, sold, or delivered in this state for any purpose whatsoever.

(b) A tax is hereby imposed on the use, sale or delivery of all motor-vehicle fuels containing 10% or more of agricultural ethyl alcohol by weight, which is used, sold, or delivered in this state for any purpose whatsoever at a rate as follows: From and after 12:01 a.m. July 1, 1982, and before July 1, 1983, ~~\$1.06~~ per gallon, ~~or fraction thereof;~~ ~~from and after July 1, 1983,~~ and before July 1, 1984, ~~\$1.07~~ an amount which is \$.01 less than the rate per gallon, or fraction thereof prescribed for motor-vehicle fuels under subsection (a); and from and after 12:01 a.m. July 1, 1984, ~~\$1.06~~ a rate per gallon, or fraction thereof equal to that prescribed for motor-vehicle fuels under subsection (a). Whenever the gross tax revenue generated under the motor-fuels tax law from the sale in Kansas of motor-fuels containing ethyl alcohol equals \$5,000,000 less than the amount of revenue which would

Atch. VI



have been derived from the taxation of such motor fuel at ~~\$.00~~ the rate per gallon, or fraction thereof, prescribed for motor-vehicle fuels under subsection (a), commencing on the first day of the month next following 30 days thereafter, there shall be imposed a tax at the rate of ~~\$.00~~ per gallon sold, or fraction thereof, prescribed for motor-vehicle fuels under subsection (a).

(c) Such taxes shall be paid but once. Such tax shall be computed on all motor-vehicle fuels received by each distributor, manufacturer or importer in this state and paid in the manner provided for herein, except that an allowance of 2.5% of the first 1,000,000 gallons received during each calendar year and 2% of the total gallonage in excess of 1,000,000 gallons received during each calendar year shall be made and deducted by the distributor to cover all ordinary losses in handling such motor-vehicle fuels. No such allowance shall be made on any motor-vehicle fuel exported from the state or sold to the United States of America or any of its agencies or instrumentalities as are now or hereinafter exempt by law from liability to state taxation. A distributor shall not be entitled to such allowance unless the principal business in which he or she is engaged is the business of marketing motor-vehicle fuels or petroleum products. No such allowance shall be made for any motor-vehicle fuel sold or disposed of to a consumer in tank car, transport, or pipeline lots.

(d) No tax is hereby imposed upon or with respect to the following transactions:

(1) The sale or delivery of motor-vehicle fuel by a duly licensed distributor, manufacturer or importer to another duly licensed distributor, manufacturer or importer.

(2) The sale or delivery of motor-vehicle fuel for export from the state of Kansas to any other state or territory or to any foreign country.

(3) The sale or delivery of motor-vehicle fuel to the United States of America and such of its agencies as are now or

hereafter exempt by law from liability to state taxation.

(4) The sale or delivery of motor-vehicle fuel to a contractor for use in performing work for the United States or those agencies of the United States above mentioned, provided such contractor has in effect with the United States or any such agency a cost-plus-a-fixed-fee contract covering the work.

(5) The sale or delivery of motor-vehicle fuel which is aviation fuel.

(e) Each distributor, manufacturer or importer shall make full reports and furnish such further information as the director may require with reference to all transactions upon which no tax is to be paid.

Sec. 2. K.S.A. 79-3408c is hereby amended to read as follows: 79-3408c. (a) A tax of one cent (1¢) per gallon or fraction thereof, is hereby imposed on the use, sale or delivery of all motor-vehicle fuel owned at twelve o one (12:01) a.m. July 1, 1976 12:01 a.m. July 1, 1983, and at 12:01 a.m. on July 1 of each year thereafter, by any licensed distributor or unlicensed retail dealer as to which the motor fuel taxes not exceeding seven cents (7¢) per gallon or fraction thereof, has been imposed as provided in at a rate per gallon, or fraction thereof, equal to the amount, if any, by which the tax per gallon, or fraction thereof, in effect on such date as prescribed by K.S.A. 79-3408, and amendments thereto, exceeds the rate of tax upon such motor-vehicle fuel which was in effect on the preceding day. Such tax shall be paid by the licensed distributor or unlicensed retail dealer owning said such motor-vehicle fuel at said such time and date. On or before July 25, 1976 the 25th day of the month in which a tax is imposed under this section, every such distributor and retail dealer shall make a report to the director on a form prescribed and furnished by the director showing the total number of gallons, or fraction thereof, of such motor-vehicle fuel so owned by him or her at twelve o one (12:01) a.m. on July 1, 1976, owned at the time the tax is imposed under this section and said such report shall be accompanied by a

remittance of the tax due.

Any licensed distributor or unlicensed retail dealer who shall fail to make such report or pay such tax, within the time hereinbefore prescribed, shall be subject to the same penalties and interest charges prescribed by the motor-vehicle fuel tax law for failure of a licensed distributor to make monthly reports and payments of motor-vehicle fuel tax. The provisions of the motor-fuel tax law relating to remedies for the collection of delinquent motor-fuel taxes from distributors shall apply to the collection of taxes imposed by this section which have become delinquent from licensed distributors and unlicensed retail dealers. All taxes, penalties and interest collected by the director under the tax imposed by this section shall be paid by ~~him or her~~ the director into the state treasury and the state treasurer shall credit the same to the ~~state-highway-fund~~ funds and in the amounts specified in section 14.

(b) Whenever the rate of tax upon motor-vehicle fuels fixed pursuant to K.S.A. 79-3408, and amendments thereto, which become effective on July 1, 1984, or on July 1 in any year thereafter is less than the rate of tax upon such fuel in effect on the preceding day, the licensed distributor or unlicensed retail dealer owning such fuel at 12:01 a.m. on the date such reduction in taxes becomes effective shall be entitled to a refund of taxes paid upon such fuel in an amount equal to the amount by which taxes were reduced from the amount of motor-vehicle fuels taxes per gallon, or fraction thereof, actually paid upon each gallon, or fraction thereof, of motor-vehicle fuels multiplied by the number of gallons of motor-vehicle fuels owned by the distributor or dealer on such date. On or before the 25th day of the month in which such tax is reduced, every such distributor and retail dealer shall make a report to the director on a form prescribed and furnished by the director showing the total number of gallons of such motor-vehicle fuel owned by such distributor or dealer at 12:01 a.m. on the date upon which such tax was reduced. It shall be the duty of the director of taxation to examine all such

claims and determine the amount to which each claimant is entitled. In the event any distributor or dealer entitled to such refund shall owe the state any motor-vehicle fuel tax, penalties, or interest, the refund authorized by this section shall upon being determined by the director be credited upon the amount of such taxes, penalties and interest. Whenever the director shall determine that any distributor or dealer shall be entitled to a refund under any of the provisions of this section, and such refund cannot be effected by giving credit therefor, as hereinbefore provided, or against the future motor-vehicle fuel tax liability of such taxpayer the director shall certify the amount of the refund to the state director of accounts and reports, who shall draw a warrant for the amount so certified on the state treasurer in favor of the distributor or dealer entitled to such refund, and mail, or otherwise deliver, the same to the distributor entitled thereto. Such warrant shall be paid by the state treasurer to such distributor or dealer from the motor-vehicle fuel tax refund fund.

Sec. 3. K.S.A. 1982 Supp. 79-3425 is hereby amended to read as follows: 79-3425. (a) All of the tax amounts collected under the provisions of this act motor-fuel tax law and amendments thereto, except amounts collected pursuant to K.S.A. 79-3403c, and amendments thereto, shall be paid into remitted by the director to the state treasurer daily, and the state treasurer shall deposit all such amounts in the state treasury by the director, and. The state treasurer shall credit one--and seventy-five-hundredths-percent-(1.75%) of all taxes so collected in the state freeway fund and shall credit such amount thereof as the director shall order in the motor-vehicle fuel tax refund fund to be used for the purpose of paying motor-vehicle fuel tax refunds as provided by law. On July 1, October 1, January 1 and April 1 of each year, beginning in the year 1970, or as soon thereafter as the money is available, the state treasurer shall credit six hundred twenty-five thousand dollars-(\$625,000) of the remaining tax moneys collected under the provisions of this act

~~to the county equalization and adjustment fund, which fund is hereby created, to be apportioned and distributed in the manner provided in K.S.A. 1979 Supp. 79-3425c, and amendments thereto. Eighty-seven and fifty hundredths percent (87.50%) of the remainder of said tax moneys so collected shall be credited. The state treasurer shall credit the remainder of such amounts as follows: On and after July 1, 1974, sixty-five percent (65%) thereof 1983, to the state freeway fund which fund is hereby created, amounts specified in section 14, to be expended in the manner provided in K.S.A. 68-2301, and amendments thereto, and thirty-five percent (35%) thereof to a special city and county highway fund which is hereby created, amounts specified in section 14, to be apportioned and distributed in the manner provided in K.S.A. 1979 1982 Supp. 79-3425c, and amendments thereto. The remaining twelve and fifty hundredths percent (12.50%) of the tax moneys so collected shall be credited to the state highway funds.~~

(b) On July 2, 1974 1983, and on each day thereafter, after the state treasurer has received certification from the secretary of transportation that provisions have been made for the payment of the pro rata share of the amount required to be paid on the next ensuing payment date of either the principal of or the interest on the outstanding highway bonds issued pursuant to K.S.A. 1982 Supp. 68-2304, the state treasurer shall transfer from the state freeway fund to the state highway fund an amount equal to sixty-nine and twenty-three hundredths percent (69.23%) of the moneys credited to the state freeway fund on the preceding day specified in section 15.

Sec. 4. K.S.A. 1982 Supp. 79-3425c is hereby amended to read as follows: 79-3425c. (a) On January 15, April 15, July 15 and October 15 of each year, the director of accounts and reports shall transfer \$625,000 to the county equalization and adjustment fund from the special city and county highway fund and on such dates the state treasurer shall apportion and pay to the several counties of the state 57% of the moneys in the special city and

county highway fund, created by K.S.A. 1982 Supp. 79-3425, and shall apportion and pay to the several cities of the state the remaining 43% of such moneys.

(b) The allocation and payment to each county under the provisions of this section shall be made in the following manner:

First, Each county of the state shall receive a payment of \$5,000;

Second, Of the balance remaining, 50% thereof shall be apportioned and paid to each county on January 15 and April 15 of each year in the proportion that the total amount of money collected in such county from motor vehicle registration fees for the second preceding calendar year bears to the total amount of money collected in all counties from motor vehicle registration fees for the second preceding calendar year, and on July 15 and October 15 of each year in the proportion that the total amount of money collected in such county from motor vehicle registration fees for the preceding calendar year bears to the total amount of money collected in all counties from motor vehicle registration fees for the preceding calendar year;

Third, The remaining 50% of such balance shall be apportioned and paid to each county on January 15 and April 15 of each year in the proportion that the average daily vehicle miles traveled in such county for the second preceding calendar year bears to the average daily vehicle miles traveled in all counties of the state for the second preceding calendar year, and on July 15 and October 15 of each year in the proportion that the average daily vehicle miles traveled in such county for the preceding calendar year bears to the average daily vehicle miles traveled in all counties of the state for the preceding calendar year.

If the total amount of money received by any county pursuant to the foregoing distribution formula and by all cities located within such county pursuant to subsection (c) of this section during the period from July 15 of any year to April 15 of the next succeeding year is less than the total amount received by such county and all cities located within such county from the

county road and city street fund, the special city and county highway fund, the county and township road fund and the special motor carrier fee county road fund during the period from July 1, 1969, to June 30, 1970, plus the total amount such county and all cities located within such county would have received on July 15, 1970, from the special city and county highway fund based on the formula for distributing such fund in effect on June 30, 1970, then on April 15 of each year, the state treasurer shall apportion and pay to each such county from the county equalization and adjustment fund an amount which together with the amount received pursuant to the foregoing distribution formula will equal the total amount received from the four aforementioned funds during such period of time plus the total amount such county and all cities located within such county would have received on July 15, 1970, from the special city and county highway fund based on the formula for distributing such fund in effect on June 30, 1970. In the event that there is insufficient funds in the county equalization and adjustment fund to pay each county the amount to which it is entitled, each county shall receive a payment in the proportion that the amount to which such county is entitled bears to the amount to which all such counties are entitled. If there is money remaining in such fund after such distribution, the state treasurer shall distribute the balance to the several counties in the manner provided in the second and third clauses of the foregoing formula for distributing moneys to counties from the special city and county highway fund.

All payments shall be made to the county treasurers of the respective counties, and upon receipt of the same:

(1) The county treasurers of Sedgwick and Shawnee counties shall credit 50% of the moneys received to the road and bridge fund of such counties and apportion and pay the remainder of such moneys to the several cities located in such counties;

(2) The county treasurer of Wyandotte county shall credit 10% of the moneys received to the road and bridge fund of such

county and apportion and pay the remainder of such moneys to the several cities located in such county;

(3) The county treasurers of Lyon, Cowley, Crawford, Montgomery, Butler, Saline, Leavenworth, Riley, Reno and Douglas counties shall credit 90% of the moneys so received to the road and bridge fund of such counties and apportion and pay the remainder of such moneys to the several cities located in such counties except that no persons residing within the Fort Riley military reservation shall be included or considered in determining the population of any city located within Geary or Riley county; and

(4) The county treasurers of Johnson county and all other counties not listed in paragraphs (1), (2) or (3) shall credit all of the moneys received to the road and bridge fund of such counties.

Not less than 25% of the amount received by each county and credited to the county road and bridge fund under the provisions of this section shall be expended by the county on mail and school bus routes on county roads as defined in K.S.A. 68-101. Payments to the cities under the provisions of this subsection shall be in the proportion that the population of each city bears to the total population of all cities located in the same county as such city.

In counties which have not adopted the county-unit road system, the amount of money retained by such counties after distribution to the cities within such county pursuant to this subsection shall be distributed to each township within such county in not less than the proportion that the amount of money received by each township from the county and township road fund during the period from July 1, 1969, to June 30, 1970, bears to the total amount of money received by such county from the county and township road fund, the county road and city street funds, the special motor carrier fee county road fund and the special city and county highway fund during the period from July 1, 1969, to June 30, 1970, plus the amount such county would have received



on July 15, 1970, from the special city and county highway fund based on the formula for distributing such fund in effect on June 30, 1970. All payments to townships hereunder shall be made to the treasurers thereof, and all moneys so received shall be deposited in the general road fund of such township.

(c) The allocation and payment of moneys to the several cities of the state from the special city and county highway fund shall be in the proportion that the population of each city bears to the total population of all cities in the state except that the population of any military reservation which has been annexed to a city after the date of December 31, 1931, shall not be included in the population of such city for the purpose of this allocation. All such payments shall be to the city treasurers of the respective cities, and upon receipt of same the city treasurer of each city shall credit the same to a separate fund to be used for the construction, reconstruction, alteration, repair and maintenance of the streets and highways of such city and for the payment of bonds, and interest thereon, issued pursuant to K.S.A. 1982 Supp. 79-3425g. In order to reduce vehicular traffic and congestion on its streets and highways any city located within Johnson county may use not to exceed 10% of the moneys credited to such fund for the purpose of constructing, repairing and maintaining footpaths and bicycle trails within such city.

(d) For the purposes of this section, the average daily vehicle miles traveled in each county shall be determined by the secretary of transportation, but it shall not include miles traveled on interstate highways, and the population of each city shall be reported in the annual enumeration by the state board of agriculture for the preceding calendar year.

Sec. 5. K.S.A. 1982 Supp. 79-3475 is hereby amended to read as follows: 79-3475. (a) From and after 12:01 a.m. July 1, 1976 1983, a tax ~~of \$1.10~~ per gallon, or fraction thereof, at the rate computed as prescribed in section 11 is hereby levied and imposed upon the use of special fuels in any motor vehicle.

This tax, with respect to all special fuel delivered by a special fuel dealer into supply tanks of a motor vehicle or into bulk storage tanks on the property of a special fuel user having a permit issued under K.S.A. 1982 Supp. 79-3479b, shall attach at the time of such delivery and shall be collected by such dealer from the special fuel user and shall be paid to the director. Such tax, with respect to special fuel acquired by any special fuel user in any manner other than by delivery by a special fuel dealer into a fuel supply tank of a motor vehicle or into bulk storage tanks on the property of a special fuel user having a permit issued under K.S.A. 1982 Supp. 79-3479b shall attach at the time of the use of such fuel and shall be paid to the director by the user.

(b) No city, town, county or other political subdivision of this state shall levy or collect any excise tax on the use of special fuels.

(c) Special fuel used by the government of the United States, its agencies or instrumentalities or by the national guard of Kansas or any other state shall be exempt from the tax herein imposed.

(d) Any special fuel dealer or user licensed under this division may upon application in writing to the director, and at the discretion of the director, be authorized, subject to regulations prescribed by the director, to purchase on a tax-paid basis from any special fuel dealer, who is also a wholesale distributor, all special fuel acquired by the dealer or user for subsequent delivery into the fuel supply tanks of motor vehicles. Except as provided in subsection (e) every dealer so licensed who sells or delivers special fuel on a tax-paid basis to special fuel users or special fuel dealers authorized as aforesaid shall make a return of these tax-paid sales to the director accompanied by payment of the special fuel tax on the tax-paid gallonage so sold or delivered. The return and payment shall be made at the same time as the dealer's special fuel tax return for the month in which the covered sales or deliveries were made.

(e) Any special fuel dealer may deliver special fuels into bulk storage of any special fuel user, who has a permit under K.S.A. 1982 Supp. 79-3479b, and collect the tax imposed by this section on all such special fuels that are to be used to propel motor vehicles on the public highways.

Sec. 6. K.S.A. 79-3475a is hereby amended to read as follows: 79-3475a. (a) A tax of two cents (2¢) per gallon, or fraction thereof, is hereby imposed on all special fuels owned at twelve o-one o'clock (12:01) a.m. July 1, 1976 12:01 a.m. July 1, 1983, and at 12:01 a.m. on July 1 of each year thereafter, by any special fuel user or special fuel dealer as to which the special fuel taxes not exceeding eight cents (8¢) per gallon, or fraction thereof, has been imposed as provided in at a rate per gallon, or fraction thereof, equal to the amount, if any, by which the tax per gallon, or fraction thereof, in effect on such date as prescribed by K.S.A. 1976-Supp. 79-3475, and amendments thereto, exceeds the rate of tax upon such special fuels which was in effect on the preceding day. Such tax shall be paid by the special fuel user or special fuel dealer owning said such special fuels at said such time and date. On or before July 25, 1976 the 25th day of the month in which a tax is imposed under this section, every such special fuel user and special fuel dealer shall make a report to the director on a form prescribed and furnished by the director showing the total number of gallons, or fraction thereof, of such special fuels so owned by him or her at twelve o-one o'clock (12:01) a.m. on July 1, 1976 such user or dealer at the time the tax is imposed under this section, and said such report shall be accompanied by a remittance of the tax due.

Any special fuel user or special fuel dealer who shall fail to make such report or pay such tax, within the time hereinbefore prescribed, shall be subject to the same penalties and interest charges prescribed by the motor-vehicle fuel tax law for failure of a licensed distributor to make monthly reports and payments of motor-vehicle fuel tax. The provisions of the motor-fuel tax law

relating to remedies for the collection of delinquent motor-fuel taxes from distributors shall apply to the collection of taxes imposed by this section which have become delinquent from special fuel users and special fuel dealers. All taxes, penalties and interest collected by the director under the tax imposed by this section shall be paid ~~to him or her~~ by the director into the state treasury and the state treasurer shall credit the same to the ~~state-highway-fund~~ funds and in the amounts specified in section 14.

The words and phrases used in this section shall have the meanings ascribed to them in K.S.A. 79-3474.

(b) Whenever the rate of tax upon special fuels fixed pursuant to K.S.A. 79-3475, and amendments thereto, which becomes effective on July 1, 1984, or on July 1 in any year thereafter, is less than the rate of tax upon such fuel in effect on the preceding day, the user or dealer owning such fuel at 12:01 a.m. on the date such reduction in taxes becomes effective shall be entitled to a refund of taxes paid upon such fuel in an amount equal to the amount by which taxes were reduced from the amount of taxes per gallon, or fraction thereof, actually paid upon each gallon, or fraction thereof, of special fuels multiplied by the number of gallons of fuel owned by the user or dealer on such date. On or before the 25th day of the month in which such tax is reduced, every such user or dealer shall make a report to the director on a form prescribed and furnished by the director showing the total number of gallons of such special fuels owned by such user or dealer at 12:01 a.m. on the date upon which such tax was reduced. It shall be the duty of the director of taxation to examine all such claims and determine the amount to which any claimant is entitled. In the event any user or dealer entitled to such refund shall owe the state any special fuel tax, penalties, or interest, the refund authorized by this section shall upon being determined by the director be credited upon the amount of such taxes, penalties and interest. Whenever the director shall determine that any user or dealer shall be

entitled to a refund under any of the provisions of this section, and such refund cannot be effected by giving credit therefor, as hereinbefore provided, or against the future special fuels tax liability of such taxpayer the director shall certify the amount of the refund to the state director of accounts and reports, who shall draw a warrant for the amount so certified on the state treasurer in favor of the user or dealer entitled to such refund, and mail, or otherwise deliver, the same to the user or dealer entitled thereto. Such warrant shall be paid by the state treasurer to such user or dealer from the special fuels tax refund fund, which fund is hereby established in the state treasury.

(c) A fund designated as the special fuels tax refund fund not to exceed \$1,000,000 shall be set apart and maintained by the director of taxation from the special fuels tax collected under the provisions of article 34 of chapter 79 of Kansas Statutes Annotated, and amendments thereto, and held by the state treasurer for the payment of all refunds authorized by this section.

Sec. 7. K.S.A. 1982 Supp. 79-3487 is hereby amended to read as follows: 79-3487. (a) All ~~of--the--tax~~ amounts collected under the ~~provisions--of--this--act~~ special fuels tax law, except amounts collected pursuant to K.S.A. 79-3475a, and amendments thereto, shall be deposited ~~remitted~~ by the director to the state treasurer daily, and the state treasurer shall deposit the same in the state treasury ~~daily--by--the--director--One--and--sixty~~ hundredths--percent--(1.60%)--of--all--such--tax--moneys--so--collected shall--be--credited--to--the--state--freeway--fund--Eighty-percent--(80%) of--the--remainder--of--such--tax--moneys--so--collected--shall--be credited--as--follows--On--and--after--July--1--1970--fifty-one-percent (51%)--thereof--to--the--state--highway--fund--fourteen-percent--(14%) thereof--to--the--state--freeway--fund--created--by--K.S.A.--1979--Supp. 79-3425--and--amendments--thereto--to--be--expended--in--the--manner provided--by--K.S.A.--1979--Supp.--68-2301--and--amendments--thereto--and--thirty-five--percent--(35%)--thereof--to--the--special--city--and

county-highway-fund, created by K.S.A. 1979 Supp. 79-3425, and amendments thereto, to be apportioned in the manner provided by K.S.A. 1979 Supp. 79-3425e, and amendments thereto. The remaining twenty percent (20%) of such tax moneys so collected shall be credited to the state highway fund. The state treasurer shall credit such amounts as follows: On and after July 1, 1983, to the state freeway fund amounts specified in section 14, to be expended in the manner provided in K.S.A. 68-2301, and amounts specified in section 14 to a special city and county highway fund to be apportioned and distributed in the manner provided in K.S.A. 1982 Supp. 79-3425c, and amendments thereto.

(b) On July 2, 1983, and on each day thereafter, after the state treasurer has received certification from the secretary of transportation that provisions have been made for the payment of the pro rata share of the amount required to be paid on the next ensuing payment date of either principal and interest or interest on the outstanding highway bonds issued pursuant to K.S.A. 1982 Supp. 68-2304, the state treasurer shall transfer from the state freeway fund to the state highway fund an amount specified in section 15.

Sec. 8. K.S.A. 79-3492 is hereby amended to read as follows: 79-3492. Except as otherwise provided in this act, from and after ~~twelve o one (12:01)~~ 12:01 a.m. July 1, ~~1976~~ 1983, a tax ~~of seven cents (7¢)~~ per gallon, or fraction thereof, at the rate computed as prescribed in section 11 is hereby imposed on the LP-gas user or LP-gas dealer who places such LP-gas fuel into the fuel supply tank or tanks of any motor vehicle while such vehicle is within this state. ~~Provided, however,~~ except that in those instances in which LP-gas is withdrawn from the cargo tank of a motor vehicle for the operation thereof upon the public highways of the state, the tax shall be imposed upon and measured only by that volume of LP-gas so withdrawn and used multiplied by the tax rate per gallon provided in this act.

New Sec. 9. (a) A tax is hereby imposed on all LP-gas motor fuels owned at 12:01 a.m. July 1, 1983, and at 12:01 a.m.

on July 1 of each year thereafter, by any LP-gas motor fuels user or LP-gas motor fuels dealer at a rate per gallon, or fraction thereof, equal to the amount, if any, by which the tax per gallon, or fraction thereof, in effect on such date as prescribed by K.S.A. 79-3492, and amendments thereto, exceeds the rate of tax per gallon actually paid upon such fuel. Such tax shall be paid by the LP-gas motor fuel user or LP-gas motor fuel dealer owning said LP-gas motor fuels at such time and date. On or before the 25th day of the month in which such tax is imposed under this section, every such LP-gas motor fuel user and LP-gas motor fuel dealer shall make a report to the director on a form prescribed and furnished by the director showing the total number of gallons, or fraction thereof, of such LP-gas motor fuels owned by the user or dealer at the time the tax is imposed under this section, and such report shall be accompanied by a remittance of the tax due.

Any LP-gas motor fuels user or LP-gas motor fuels dealer who shall fail to make such report or pay such tax, within the time hereinbefore prescribed, shall be subject to the same penalties and interest charges prescribed by the liquefied petroleum motor fuel tax law for failure of a licensed distributor to make monthly reports and payments of LP-gas motor fuel tax. The provisions of the liquefied petroleum motor fuel tax law relating to remedies for the collection of delinquent LP-motor fuel taxes from distributors shall apply to the collection of taxes imposed by this section which have become delinquent from LP-gas motor fuels users and LP-gas motor fuels dealers. All taxes, penalties and interest collected by the director under the tax imposed by this section shall be paid by the director into the state treasury and the state treasurer shall credit the same to the state--highway-fund funds and in the amounts specified in section 14.

The words and phrases used in this section shall have the meanings ascribed to them in K.S.A. 79-3490, and amendments thereto.

(b) Whenever the rate of tax upon LP-gas motor fuels fixed pursuant to K.S.A. 79-3492, and amendments thereto, which becomes effective on July 1, 1984, or on July 1 in any year thereafter, is less than the rate of tax upon such fuels in effect on the preceding day, the user or dealer owning such fuels at 12:01 a.m. on the date such reduction in taxes becomes effective shall be entitled to a refund of taxes paid upon such fuels in an amount equal to the amount by which taxes were reduced from the amount of tax per gallon, or fraction thereof, actually paid upon each gallon, or fraction thereof, of LP-gas motor fuels multiplied by the number of gallons of fuel owned by the user or dealer on such date. On or before the 25th day of the month in which such tax is reduced, every such user or dealer shall make a report to the director on a form prescribed and furnished by the director showing the total number of gallons of such LP-gas motor fuels owned by such user or dealer at 12:01 a.m. on the date upon which such tax was reduced. It shall be the duty of the director of taxation to examine all such claims and determine the amount to which any claimant is entitled. In the event any user or dealer entitled to such refund shall owe the state any LP-gas motor fuels tax, penalties or interest, the refund authorized by this section shall upon being determined by the director be credited upon the amount of such taxes, penalties and interest. Whenever the director shall determine that any user or dealer shall be entitled to a refund under any of the provisions of this section, and such refund cannot be effected by giving credit therefor, as hereinbefore provided, or against the future LP-gas motor fuel tax liability of such taxpayer the director shall certify the amount of the refund to the state director of accounts and reports, who shall draw a warrant for the amount so certified on the state treasurer in favor of the user or dealer entitled to such refund, and mail, or otherwise deliver, the same to the user or dealer entitled thereto. Such warrant shall be paid by the state treasurer to such user or dealer from the LP-gas motor fuels refund fund which is hereby established in the state



treasury.

(c) A fund designated as the LP-gas motor fuels tax refund fund not to exceed \$1,000,000 shall be set apart and maintained by the director of taxation from the LP-gas motor fuels tax collected under the provisions of article 34 of chapter 79 of Kansas Statutes Annotated, and amendments thereto, and held by the state treasurer for the payment of all refunds authorized by this section.

Sec. 10. K.S.A. 1982 Supp. 79-34,104 is hereby amended to read as follows: 79-34,104. (a) All ~~of--the--tax~~ amounts collected under the provisions of this act liquefied petroleum motor-fuel tax law, except amounts collected pursuant to section 9 of this act, shall be deposited remitted by the director to the state treasurer daily, and the state treasurer shall deposit the same in the state treasury daily-by-the-secretary-of-revenue--One and-forty-hundredths-percent-(1.40%) of all such tax moneys so collected--shall--be--credited--to--the--state--freeway--fund--Seventy percent-(70%) of the remainder of such tax moneys so collected shall--be--credited--as--follows:--On--and--after--July--17--1970, fifty-one-percent--(51%) thereof--to--the--state--highway--fund, fourteen--percent-(14%) thereof--to--the--state--freeway--fund--created in-K-S-A--1979-Supp.--79-3425,--and--amendments--thereto,--to--be expended--in--the--manner--provided--by--K-S-A--1979-Supp.--68-2301, and--amendments--thereto,--and--thirty-five-percent-(35%) thereof--to the--special--city--and--county--highway--fund--created--in--K-S-A--1979 Supp.--79-3425,--and--amendments--thereto,--to--be--apportioned--in--the manner--provided--by--K-S-A--1979-Supp--79-3425e,--and--amendments thereto.--The--remaining--thirty-percent-(30%) of such tax moneys so--collected--shall--be--credited--to--the--state--highway--fund. The state treasurer shall credit such amounts as follows: On and after July 1, 1983, to the state freeway fund amounts specified in section 14, to be expended in the manner provided in K.S.A. 68-2301, and amounts specified in section 14 to a special city and county highway fund to be apportioned and distributed in the manner provided in K.S.A. 1981 Supp. 79-3425c, and amendments

thereto.

(b) On July 2, 1983, and on each day thereafter, after the state treasurer has received certification from the secretary of transportation that provisions have been made for the payment of the pro rata share of the amount required to be paid on the next ensuing payment date of either principal and interest or interest on the outstanding highway bonds issued pursuant to K.S.A. 1982 Supp. 68-2304, the state treasurer shall transfer from the state freeway fund to the state highway fund an amount specified in section 15.

New Sec. 11. (a) The director of taxation shall compute a tax rate to the nearest cent per gallon on motor-vehicle fuels in the manner hereinafter provided. For the period commencing at 12:01 a.m. on July 1, 1983, through June 30, 1984, the director shall compute such rate by multiplying 12 1/2% times the unweighted average of the average retail price per gallon of premium, regular and unleaded motor-vehicle fuels sold during the month of January 1983 as reported in the monthly petroleum products price report and published by the energy information administration of the United States department of energy. For the period commencing at 12:01 a.m. on July 1, 1984, and July 1 of each year thereafter, through June 30 of the succeeding year the director shall compute such rate by multiplying 12 1/2% times the unweighted average retail price per gallon of premium, regular and unleaded motor-vehicle fuels sold during the month of January in the year such period commencing as reported in the monthly petroleum products price report and published by the energy information administration of the United States department of energy.

(b) The rate of tax per gallon on special fuels shall be an amount equal to the rate of tax per gallon computed upon motor-vehicle fuels under the provision of subsection (a) plus \$.02 per gallon.

(c) The rate of tax per gallon on LP-gas motor fuels shall be an amount equal to the rate of tax per gallon computed upon

motor-vehicle fuels under the provisions of subsection (a) minus \$.01 per gallon.

(d) Notwithstanding the provisions of subsection (a) and (e) of this section, the taxes imposed under the provisions of this act shall be not less than:

(1) Eight cents per gallon, or fraction thereof, upon motor-vehicle fuels;

(2) ten cents per gallon, or fraction thereof, on special fuels; and

(3) seven cents per gallon, or fraction thereof, upon LP-gas fuels.

(e) The increase in the tax rate per gallon on motor-vehicle fuels for the periods commencing on July 1, 1984, and on July 1 of each year thereafter and ending on June 30 of the succeeding year shall not be greater than \$.02 more or \$.02 less than the rate fixed for the next preceding twelve-month period.

Sec. 12. K.S.A. 79-34,118 is hereby amended to read as follows: 79-34,118. Upon application to the director of taxation and payment of the fee therefor prescribed under this section any interstate motor fuel user may obtain a trip permit which will authorize one commercial motor vehicle to be operated within this state without compliance with the other provisions of the interstate motor fuel use act and in lieu of the tax imposed by K.S.A. 79-34,109. The fee for each trip permit issued under this section shall be ~~five-dollars-(\$5)~~ \$5, except that on and after July 1, 1983, the fee for such trip permit shall be increased or decreased by an amount equal to \$.50 for each 1¢ of increase or decrease in the rate of tax upon motor fuel computed under subsection (a) of section 11. The secretary of revenue shall adopt rules and regulations specifying the conditions under which trip permits will be issued and providing for the issuance thereof. The secretary may designate agents or contract with private individuals, firms or corporations to issue such trip permits so that such permits will be obtainable at convenient

~~locations. No contract with a private individual, firm or corporation shall take effect prior to July 1, 1978.~~

Sec. 13. K.S.A. 79-34,126 is hereby amended to read as follows: 79-34,126. (a) All ~~tax~~ amounts collected under the ~~provisions of this~~ interstate motor fuel use act shall be ~~paid by the director into the state treasury and distributed as provided by K.S.A. 79-3425.~~ remitted by the director to the state treasurer daily, and the state treasurer shall deposit the same in the state treasury. The state treasurer shall credit such amounts as follows: On and after July 1, 1983, to the state freeway fund amounts specified in section 14, to be expended in the manner provided in K.S.A. 68-2301, and amounts specified in section 14 to a special city and county highway fund to be apportioned and distributed in the manner provided in K.S.A. 1982 Supp. 79-3425c, and amendments thereto.

(b) On July 2, 1983, and on each day thereafter, after the state treasurer has received certification from the secretary of transportation that provisions have been made for the payment of the pro rata share of the amount required to be paid on the next ensuing payment date of either principal and interest or interest on the outstanding highway bonds issued pursuant to K.S.A. 1982 Supp. 68-2304, the state treasurer shall transfer from the state freeway fund to the state highway fund an amount prescribed by section 15.

Sec. 14. Except as otherwise provided in subsection (b), on and after July 1, 1983, the state treasurer shall credit amounts received pursuant to K.S.A. 79-3408 and 79-3475 and K.S.A. 1982 Supp. 79-3408c, 79-3475a, 79-3492 and 79-34,118 and section 9 as follows: To the state freeway fund 67.9% and to the special city and county highway fund 32.1%.

(b) On and after July 1, 1984, whenever the rate of tax upon motor vehicle fuels fixed pursuant to subsection (a) of section 11 is increased or decreased, the secretary of transportation shall adjust the percentages prescribed by subsection (a) in such a manner that the estimated change in

revenues resulting from such increase or decrease in rates shall be allocated in the proportion of 65% thereof to the freeway fund and 35% thereof to the special city and county highway fund, adjusted to the nearest .10%.

Sec. 15. Except as otherwise provided in subsection (b), on and after July 2, 1983, the state treasurer shall transfer from the state freeway fund to the state highway fund an amount equal to 83.8% of the moneys credited, on the preceding day, to the state freeway fund from taxes imposed pursuant to K.S.A. 79-3408 and 79-3475 and K.S.A. 1982 Supp. 79-3408c, 79-3475a, 79-3492 and 79-34,118 and section 9.

(b) On and after July 2, 1984, whenever the rate of tax upon motor vehicle fuels fixed pursuant to subsection (a) of section 11 is increased or decreased, the secretary of transportation shall adjust the percentage prescribed by subsection (a) in such a manner that the estimated change in revenues resulting from such increase or decrease in rates shall be allocated entirely to the state highway fund, adjusted to the nearest .10%.

Sec. 16. K.S.A. 79-3408c, 79-3475, 79-3475a, 79-3492, 79-34,118, 79-34,126 and K.S.A. 1982 Supp. 79-3408, 79-3425, 79-3425c, 79-3425h, 79-3487 and 79-34,104 are hereby repealed.

Sec. 17. This act shall take effect and be in force from and after its publication in the Kansas register.

DRAFT for HOUSE Substitute for SENATE BILL NO. 12  
For Consideration by House Committee on Ways and Means

1 AN ACT establishing the state health care benefits program;  
2 providing for the administration thereof by the Kansas state  
3 employees health insurance committee; prescribing the  
4 composition and powers, duties and functions thereof;  
5 amending K.S.A. 20-358 and 40-223 and K.S.A. 1982 Supp.  
6 75-4101, 75-4105 and 75-4106 and repealing the existing  
7 sections; and also repealing K.S.A. 1982 Supp. 75-4108,  
8 75-4108a, 75-4110, 75-4113 and 75-4113a.

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

10 New Section 1. (a) Within the limits of appropriations made  
11 or available therefor and subject to the provisions of  
12 appropriation acts relating thereto, the Kansas state employees  
13 health insurance committee shall develop and provide for the  
14 implementation and administration of a state health care benefits  
15 program.

16 (b) The state health care benefits program may provide  
17 benefits for persons qualified to participate in the program for  
18 hospitalization, medical services, surgical services and other  
19 health services. The program may include such provisions as are  
20 established by the Kansas state employees health insurance  
21 committee, including but not limited to qualifications for  
22 benefits, services covered, schedules and graduation of benefits,  
23 conversion privileges, deductible amounts, limitations on  
24 eligibility for benefits by reason of termination of employment  
25 or other change of status, leaves of absence, military service or  
26 other interruptions in service and other reasonable provisions as  
27 may be established by the committee.

28 (c) The Kansas state employees health insurance committee  
29 shall designate by rules and regulations those persons who are  
30 qualified to participate in the state health care benefits

Atch. VII

1 program. In designating persons qualified to participate in the  
2 state health care benefits program, the committee may establish  
3 such conditions, restrictions, limitations and exclusions as the  
4 committee deems reasonable.

5 (d) The state health care benefits program established  
6 under this act shall be effective on and after August 1, 1983.

7 New Sec. 2. (a) There is hereby established the Kansas  
8 state employees health insurance committee which is composed of  
9 (1) the commissioner of insurance, (2) the secretary of  
10 administration, (3) a state employee appointed by the governor,  
11 and (4) a member of the house of representatives appointed by the  
12 speaker of the house of representatives, and (5) a member of the  
13 senate appointed by the president of the senate.

14 (b) The member appointed by the governor shall serve for a  
15 term ending on the first day of the regular legislative session  
16 in the first even-numbered year after being appointed. The  
17 members appointed by the speaker of the house of representatives  
18 and the president of the senate shall serve for terms ending on  
19 the first day of the regular legislative session in the first  
20 odd-numbered year after being appointed. All appointed members of  
21 the committee shall serve until their successors are appointed  
22 and qualified. In the event of a vacancy in the position of an  
23 appointed member of the committee, a successor shall be appointed  
24 for the remainder of the unexpired term in the same manner as the  
25 preceding appointment.

26 (c) In odd-numbered years, the member appointed by the  
27 speaker of the house of representatives shall be the chairperson  
28 of the Kansas state employees health insurance committee and the  
29 vice-chairperson shall be the member appointed by the president  
30 of the senate. In even-numbered years, the member appointed by  
31 the president of the senate shall be the chairperson of the  
32 Kansas state employees health insurance committee and the  
33 vice-chairperson shall be the member appointed by the speaker of  
34 the house of representatives. The director of purchases shall

1 serve as the secretary of the committee. The committee shall  
2 meet on call of the chairperson and at such other times as  
3 determined by the committee.

4 (d) A quorum of the Kansas state employees health insurance  
5 committee shall be three. All actions of the committee shall be  
6 taken by a majority of all of the members of the committee.

7 (e) Members of the Kansas state employees health insurance  
8 committee attending meetings of such committee, or attending a  
9 subcommittee meeting thereof authorized by such committee, shall  
10 be paid compensation, subsistence allowances, mileage and other  
11 expenses as provided in K.S.A. 75-3223 and amendments thereto.

12 New Sec. 3. (a) The Kansas state employees health insurance  
13 committee is hereby attached to the department of administration  
14 and shall be within the department of administration as a part  
15 thereof. All budgeting, purchasing and related management  
16 functions of the Kansas state employees health insurance  
17 committee shall be administered under the direction and  
18 supervision of the secretary of administration. All vouchers for  
19 expenditures and all payrolls of the Kansas state employees  
20 health insurance committee shall be approved by the chairperson  
21 of the Kansas state employees health insurance committee and the  
22 secretary of administration.

23 (b) There is hereby created within the department of  
24 administration the position of technical administrator for the  
25 state health care benefit program. The technical administrator  
26 shall provide primary staffing assistance to the Kansas state  
27 employees health insurance committee and perform such other  
28 functions and duties as may be prescribed by the committee. The  
29 technical administrator shall be in the unclassified service  
30 under the Kansas civil service act and shall be appointed by the  
31 secretary of administration, subject to approval by the Kansas  
32 state employees health insurance committee. Within the limits of  
33 available appropriations, the secretary of administration shall  
34 provide such additional assistance as may be requested by the  
35 committee.



1 New Sec. 4. (a) Subject to the provisions of appropriation  
2 acts relating thereto, in developing and providing for the  
3 implementation of a state health care benefits program the Kansas  
4 state employees health insurance committee may enter into one or  
5 more group insurance contracts to provide coverage for all or  
6 part of the state health care benefits program or enter into  
7 contracts in accordance with the provisions of section 5 with one  
8 or more health maintenance organizations for the provision of  
9 health care services, or any combination thereof.

10 (b) The Kansas state employees health insurance committee  
11 is hereby authorized to negotiate and enter into contracts with  
12 qualified insurers, health maintenance organizations and other  
13 contracting parties for the purpose of establishing the state  
14 health care benefits program, including the acquisition of  
15 consulting and other services necessary therefor. The committee  
16 shall advertise for proposals, shall negotiate with not less than  
17 three firms or other parties submitting proposals, and shall  
18 select from among those submitting proposals the firm or other  
19 contracting party to contract with for the purpose of entering  
20 into contracts for services related to the state health care  
21 benefits program.

22 (c) Contracts entered into pursuant to this section,  
23 section 5 or sections 10 shall not be subject to the provisions  
24 of K.S.A. 75-3738 to 75-3740, inclusive, and amendments thereto.  
25 Such contracts may be for terms of not more than three years and  
26 may be renegotiated and renewed. All such contracts shall be  
27 subject to the limits of appropriations made or available  
28 therefor and subject to the provisions of appropriations acts  
29 relating thereto.

30 New Sec. 5. The Kansas state employees health insurance  
31 committee, in accordance with the provisions of section 4, may  
32 contract to provide health care services of a health maintenance  
33 organization for persons qualified to participate in the state  
34 health care benefits program. The contract shall provide that  
35 coverage under the contract is applicable to those persons

1 qualified to participate in the state health care benefits  
2 program as the committee determines feasible. This coverage may  
3 be available to such qualified persons as an alternative to other  
4 benefits under the state health care benefits program or may be  
5 part of the benefits provided to such persons under the program.  
6 The contract may include services for spouses and dependents of  
7 members at rates established in accordance with such contract. A  
8 contract to provide health care services of a health maintenance  
9 organization under this section shall be construed to be part of  
10 the state health care benefits program.

11 New Sec. 6. (a) The participation of a person qualified to  
12 participate in the state health care benefits program shall be  
13 voluntary, and the cost of the state health care benefits program  
14 for such person shall be established by the Kansas state  
15 employees health insurance committee.

16 (b) Periodic deductions from state payrolls may be made in  
17 accordance with procedures prescribed by the secretary of  
18 administration to cover the costs of the state health care  
19 benefits program payable by persons who are on the state payroll  
20 when authorized by such persons. Any such periodic payroll  
21 deductions in effect on an implementation date for biweekly  
22 payroll periods shall be collected in the manner prescribed by  
23 the secretary of administration.

24 New Sec. 7. (a) There is hereby created in the state  
25 treasury the health care benefits program fund. The cost of the  
26 state health care benefits program shall be paid from this fund.  
27 The Kansas state employees health insurance committee shall remit  
28 all moneys received by or for the committee pursuant to the state  
29 health care benefits program to the state treasurer. Upon  
30 receipt of such remittance the state treasurer shall deposit the  
31 entire amount thereof in the state treasury to the credit of the  
32 health care benefits program fund. All expenditures from the  
33 health care benefits program fund shall be made in accordance  
34 with appropriation acts upon warrants of the director of accounts  
35 and reports issued pursuant to vouchers approved by the

1 chairperson of the Kansas state employees health insurance  
2 committee and the secretary of administration or by a person or  
3 persons designated by the chairperson and the secretary. The  
4 director of accounts and reports shall issue warrants pursuant to  
5 vouchers approved by the chairperson and the secretary or by a  
6 person or persons designated by the chairperson and the secretary  
7 for payments from the health care benefits program fund  
8 notwithstanding the fact that claims for such payments were not  
9 submitted or processed for payment from money appropriated for  
10 the fiscal year in which the fund first became liable to make  
11 such payments.

12 (b) The pooled money investment board may invest and  
13 reinvest moneys in the health care benefits program fund in  
14 obligations of the United States of America or obligations the  
15 principal and interest of which are guaranteed by the United  
16 States of America or in interest-bearing time deposits in any  
17 commercial bank or trust company located in Kansas, or, if the  
18 board determines that it is impossible to deposit such moneys in  
19 such time deposits, in repurchase agreements of less than 30  
20 days' duration with a Kansas bank for direct obligations of, or  
21 obligations that are insured as to principal and interest by, the  
22 United States government or any agency thereof. Any income or  
23 interest earned by such investments shall be credited to the  
24 health care benefits program fund.

25 Sec. 8. (a) Each state agency which has on its payroll  
26 persons participating in the state health care benefits program  
27 shall pay from any moneys available to the agency for such  
28 purpose an amount specified by the Kansas state employees health  
29 insurance committee as the cost to the agency for the state's  
30 contribution for persons participating in the state health care  
31 benefits program.

32 (b) Payments from public funds for coverage under the state  
33 health care benefits program for persons participating in that  
34 program shall not be deemed a payment or supplement of wages of  
35 such person notwithstanding any other provision of law or rules

1 and regulations relating to wages of any such person.

2       Sec. 9. Commencing with the regular session of the  
3 legislature in 1984 and with each regular session of the  
4 legislature thereafter, the Kansas state employees health  
5 insurance committee shall submit to the president of the senate  
6 and to the speaker of the house of representatives, on the day  
7 the governor's budget report is submitted to the legislature,  
8 recommendations with respect to the state health care benefits  
9 program together with estimates of the cost of the program  
10 proposed by the committee, including a five-year projection of  
11 the cost of the program. Together with the recommendations  
12 submitted, the committee shall include alternatives for cost  
13 containment and benefit coverage for qualified persons for both  
14 the proposed program and the five-year projected program. The  
15 committee shall also submit any recommendations for legislation  
16 with respect to the state health care benefits program.

17       New Sec. 10. (a) In exercising and performing the powers,  
18 duties and functions prescribed by sections 1 to 10, inclusive,  
19 the Kansas state employees health insurance committee may adopt  
20 rules and regulations and enter into such contracts as may be  
21 necessary;

22       (b) The Kansas state employees health insurance committee  
23 shall establish an advisory committee to advise the committee on  
24 matters relating to health care benefits of state officers and  
25 employees and to assist the committee in the development of  
26 policy with respect to such benefits.

27       (c) The Kansas state employees health insurance committee  
28 shall maintain an ongoing study and review of the state health  
29 care benefits program in order to make necessary improvements  
30 therein and to make recommendations thereon under section 9. Such  
31 study and review shall include study of self-funding of all or  
32 part of such program and self-administration of all or part of  
33 any such self-funded program.

34       New Sec. 11. The director of accounts and reports shall  
35 make periodic deductions from state retirement or other benefit

1 payments to retired state officers and employees and other  
2 persons who are qualified to participate in the state health care  
3 benefits program for the costs of the state health care benefits  
4 program which are payable by such retired state officers and  
5 employees and other persons when authorized to make such  
6 deductions by the written, voluntary authorization of such  
7 retired state officers and employees and other persons. No such  
8 authorization shall be construed to be an assignment of any  
9 annuity, benefits, funds, property or rights of any person under  
10 K.S.A. 74-4923 and amendments thereto.

11 Sec. 12. On August 1, 1983, K.S.A. 20-358 is hereby amended  
12 to read as follows: 20-358. With regard to district court  
13 officers and employees whose total salary is payable by a county,  
14 such county shall either provide for insurance coverage for  
15 hospitalization, medical services, surgical services and other  
16 health services at least equal to insurance coverage provided to  
17 other state officers and employees ~~pursuant to K.S.A. 75-4108,~~  
18 ~~and any amendments thereto,~~ under the state health care benefits  
19 program or, if such district court officers and employees are  
20 designated by the Kansas state employees health insurance  
21 committee under subsection (c) of section 1 as qualified to  
22 participate in the state health care benefits program, shall pay  
23 the employer's costs for enrolling such employees under the same  
24 ~~insurance coverage plan provided to other state officers and~~  
25 ~~employees~~ state health care benefits program. In the event a  
26 county elects the latter type of insurance coverage, counties  
27 shall remit the employer and employee premiums to the ~~director of~~  
28 ~~accounts and reports~~ Kansas state employees health insurance  
29 committee in accordance with the directions of ~~said director~~ the  
30 committee, and counties may adopt the same type payroll deduction  
31 plan for employee premiums as provided in ~~K.S.A. 75-4108a,~~ and  
32 ~~any amendments thereto, for other state officers and employees,~~  
33 section 6. The provisions of ~~K.S.A. 75-4110 and 75-4113,~~ and any  
34 ~~amendments thereto,~~ sections 1 to 10, inclusive, shall be  
35 applicable to such employees in the same manner as other state

1 ~~officers--and--employees~~ persons eligible to participate in the  
2 state health care benefits program.

3       Sec. 13. On August 1, 1983, K.S.A. 40-223 is hereby amended  
4 to read as follows: 40-223. Any person ~~ex--persens--who--shall~~  
5 ~~make~~ who makes any examination under the provisions of this act,  
6 except as provided in K.S.A. 40-110 and 40-253 and amendments  
7 thereto, may receive, as full compensation for such person's  
8 services, on a per diem basis an amount fixed by the  
9 commissioner, which shall not exceed the amount recommended by  
10 the national association of insurance commissioners, for such  
11 time necessarily and actually occupied in going to and returning  
12 from the place of such examination and for such time the examiner  
13 is necessarily and actually engaged in making such examination  
14 including any day within the regular work week when the examiner  
15 would have been so engaged had the company or society been open  
16 for business, together with such necessary and actual expenses  
17 for traveling and subsistence as the examiner shall incur ~~and--on~~  
18 ~~accout~~ because of the performance of such services. For the  
19 purposes of this act, "necessary and actual expenses" shall be  
20 limited, whether for travel within the state or travel outside  
21 the state, to those limitations expressed in K.S.A. ~~1980--Supp-~~  
22 ~~75-3207~~ and amendments thereto which pertain to official travel  
23 outside the state. The daily charge shall be calculated by  
24 dividing the amount the examiner is authorized by the  
25 commissioner of insurance to charge per week by the number of  
26 days in the regular work week of the company or society being  
27 examined.

28       All of ~~said~~ such compensation, expenses, the employer's  
29 share of the federal insurance contributions act taxes, the  
30 employer's contribution to the Kansas public employees retirement  
31 system as provided in K.S.A. 74-4920 and amendments thereto, the  
32 self-insurance assessment for the workmen's compensation act as  
33 provided in K.S.A. 44-576 and amendments thereto, the ~~single~~  
34 ~~member-premium-under-the-group-health-insurance-plan-as--provided~~  
35 ~~in--K.S.A.---1980--Supp--75-4110-and-75-4113-and-acts-amendatory~~

1 ~~thereof-or-supplemental-thereto~~ employer's cost of the state  
2 health care benefits program under section 7, and a pro rata  
3 amount determined by the commissioner to provide annual leave for  
4 the examiner not to exceed the number of days allowed state  
5 officers and employees in the classified service pursuant to  
6 regulations promulgated in accordance with the Kansas civil  
7 service act, shall be paid to the commissioner of insurance by  
8 the insurance company or society so examined, on demand of the  
9 commissioner. Such demand shall be accompanied by the sworn  
10 statement of the person making such examination, setting forth in  
11 separate items the number of days necessarily and actually  
12 occupied in going to and returning from the place of such  
13 examination, the number of days the examiners were necessarily  
14 and actually engaged in making such examination including those  
15 days within the regular work week while the examination was in  
16 progress and the company or society had closed for business, and  
17 the necessary and actual expenses for traveling and subsistence,  
18 incurred in and on account of such services. A duplicate of every  
19 such sworn statement shall be kept on file in the office of the  
20 commissioner of insurance. All moneys so paid to the commissioner  
21 of insurance shall be remitted to the state treasurer and the  
22 state treasurer shall issue duplicate receipts therefor, one to  
23 be delivered to the commissioner of insurance and the other to be  
24 filed with the director of accounts and reports.

25 Sec. 14. On August 1, 1983, K.S.A. 1982 Supp. 75-4101 is  
26 hereby amended to read as follows: 75-4101. (a) There is hereby  
27 created a committee on surety bonds and insurance, which shall  
28 consist of the state treasurer, the attorney general, and the  
29 commissioner of insurance. The commissioner of insurance shall be  
30 the chairperson of the committee and the director of purchases  
31 shall be ex officio secretary. The committee shall meet on call  
32 of the chairperson and at such other times as the committee shall  
33 determine but at least once a month on the second Monday in each  
34 month. Meetings shall be held in the office of the commissioner  
35 of insurance. The members of the committee shall serve without

1 compensation. The secretary shall be the custodian of all  
2 property, records, and proceedings of the committee. Except as  
3 provided in subsection (b) and in K.S.A. 74-4925 and 74-4927, and  
4 amendments thereto, and in sections 1 to 10, inclusive, no state  
5 agency shall purchase any insurance of any kind or nature, ~~any~~  
6 ~~health-care-services-of-a-health-maintenance-organization~~ or any  
7 surety bonds upon state officers or employees, except as provided  
8 in this act. Effective on August 1, 1983, and except as  
9 otherwise provided in this section, health care coverage and  
10 health care services of a health maintenance organization for  
11 state officers and employees designated under subsection (c) of  
12 section 1 shall be provided in accordance with the provisions of  
13 sections 1 to 10, inclusive.

14 (b) The Kansas turnpike authority may purchase group life,  
15 health and accident insurance or health care services of a health  
16 maintenance organization for its employees or members of the  
17 highway patrol assigned, by contract or agreement entered  
18 pursuant to K.S.A. 68-2025, and amendments thereto, to police  
19 toll or turnpike facilities, independent of the committee on  
20 surety bonds and insurance and of the provisions of sections 1 to  
21 10, inclusive. Such authority may purchase liability insurance  
22 covering all or any part of its operations and may purchase  
23 liability and related insurance upon all vehicles owned or  
24 operated by the authority, and such insurance may be purchased  
25 without complying with K.S.A. 75-3738 to 75-3744, inclusive, and  
26 amendments thereto. Any board of county commissioners may  
27 purchase such insurance or health care services, independent of  
28 such committee, for district court officers and employees any  
29 part of whose total salary is payable by the county. Nothing in  
30 any other provision of the laws of this state shall be construed  
31 as prohibiting members of the highway patrol so assigned to  
32 police toll or turnpike facilities from receiving compensation in  
33 the form of insurance or health maintenance organization coverage  
34 as herein authorized.

35 Sec. 15. On August 1, 1983, K.S.A. 1982 Supp. 75-4105 is



1 hereby amended to read as follows: 75-4105. All surety bonds,  
2 and insurance contracts ~~and contracts for health care services of~~  
3 ~~a health maintenance organization~~ purchased pursuant to this act  
4 shall be purchased by the committee in the manner prescribed for  
5 the purchase of supplies, materials, equipment or contractual  
6 services under K.S.A. 75-3738 to 75-3744, inclusive, and  
7 amendments thereto. The director of accounts and reports shall  
8 not pay any premium or rate on any surety bond, or insurance  
9 contract ~~or contract for health care services of a health~~  
10 ~~maintenance organization~~ until the purchase of such surety bond  
11 or contract shall have been approved by the secretary of the  
12 committee. Surety bonds, or insurance contracts ~~or contracts for~~  
13 ~~health care services of a health maintenance organization~~ having  
14 a premium or rate in excess of ~~fifty dollars (\$50)~~ \$50 purchased  
15 hereunder shall be purchased on sealed bids as provided by law  
16 for the purchase of other materials, equipment or contractual  
17 services. Where more than one ~~(1)~~ state agency is covered by  
18 any bond, or insurance contract ~~or contract for health care~~  
19 ~~services of a health maintenance organization~~, the committee  
20 shall prorate the cost of premiums or rates on any and all such  
21 bonds or contracts, except as provided in K.S.A. 75-4114 and  
22 ~~K.S.A. 1982-Supp. 75-4108~~, and amendments thereto, purchased as  
23 charges upon the funds of the state agency wherein any covered  
24 state officers or employees are employed or covered property is  
25 located or controlled. Such prorated charges shall constitute a  
26 lawful charge by the committee upon the funds available to any  
27 such state agency and shall be paid by each such state agency to  
28 the committee, or to the surety, or insurance carrier ~~or health~~  
29 ~~maintenance organization~~ if the committee requires it, in the  
30 manner provided by law for the payment of other obligations of  
31 such state agency. ~~Nothing in this act shall prohibit the~~  
32 ~~committee, in its discretion, from renewing a group insurance or~~  
33 ~~health maintenance organization contract or contracts which~~  
34 ~~provide for hospitalization, medical services, surgical services~~  
35 ~~or other health services or any combination thereof, and all such~~

1 ~~contracts--shall-be-contracted-in-accordance-with-K.S.A.--75-3738~~  
2 ~~to-75-3744,-inclusive,-and-acts-amendatory-thereof-~~

3       Sec. 16. On August 1, 1983, K.S.A. 1982 Supp. 75-4106 is  
4 hereby amended to read as follows: 75-4106. All surety bonds,  
5 or insurance contracts ~~and-contracts-for-health-care-services--of~~  
6 ~~a--health-maintenance-organization~~ purchased shall be kept in the  
7 office of the secretary of the committee or in the office of ~~his~~  
8 ~~or-her~~ the designated representative of the secretary. No bond or  
9 contract purchased hereunder may be cancelled by the insurance or  
10 surety company, the health maintenance organization or the  
11 committee during the term of such contract unless a substitute  
12 contract upon the same terms and conditions covering the affected  
13 officers, employees or property is in force, or the committee  
14 determines that the officers, employees or property or class of  
15 officers, employees or property affected no longer requires the  
16 coverage provided by the contract.

17       Sec. 17. On August 1, 1983, K.S.A. 20-358 and 40-223 and  
18 K.S.A. 1982 Supp. 75-4101, 75-4105, 75-4106, 75-4108, 75-4108a,  
19 75-4110, 75-4113 and 75-4113a are hereby repealed.

20       Sec. 18. This act shall take effect and be in force from  
21 and after its publication in the Kansas register.

3/31/83

SENATE BILL 12 - EMPLOYEE HEALTH INSURANCE

For several years the state has seen large annual increases in the cost of employee health insurance--cost increases felt by both the state as an employer and our employees. The present health insurance program and basic benefit package dates back several years. The present administrative system, the Surety & Bonds Committee, was established 15 or 20 years ago when employee compensation was less of an issue than it is today. The existing scheme for the development of recommendations on employee compensation--including both salary and benefits--is fragmented and frustrates our efforts to deal with employee compensation as a totality.

Presently the Governor, as a part of his annual budget report, recommends modifications to the single most important part of the compensation package--the pay plan. The two employee benefits of most importance, health insurance and retirement, are in reality beyond his control. The existing administrative organization for the various employee benefits is beyond the scope of his ability to consider and include modifications in his budget recommendations. Health insurance is nominally under the Surety & Bonds Committee, but they play no part in the overall personnel policies of the state, including compensation. Retirement benefits is under the control of the KPERS Board. This fragmentation has frustrated any attempts to deal with employee compensation as a package, in large part because the Governor lacked the staff expertise and basic information needed to deal intelligently with these complex subjects. The Legislature has I believe felt this same frustration. Both the Governor and the Legislature are at present captives of the administrative structure which establishes the benefits, estimates their costs, and leaves both the Governor and Legislature only with the ultimate decision to either fully fund them or not.

I believe that both the Governor and the Legislature want and deserve a better way to consider the total compensation package--especially the benefits which we can potentially control and thereby modify cost.

This was why I on behalf of the Governor favored the concept which was embodied in S.B. 12. It offered a means by which both the Governor and the Legislature could improve their decisions regarding one of the more important components of total employee compensation--health insurance.

Very simply that concept would have allowed the Governor, through the Secretary of Administration, to consider alternatives broader than the present option of either fund the estimated cost or not. More importantly, it also provided the staff expertise essential to any intelligent consideration of alternatives. Through this process the Governor could consider options, ask questions and ultimately process an insurance program along with appropriate funding to the Legislature. The Legislature likewise could consider options, knowing the Governor's recommendations,

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ask questions and take informed action as appropriate. It appeared that this new administrative scheme, vesting the basic responsibility in the Department of Administration, offered the chance for both the Governor and the Legislature to improve their decisions regarding health insurance and at the same time coordinate that important employee benefit with salary decisions.

The substitute bill before you today fails to meet this basic objective. It vests in a new committee, chaired by a legislator, the responsibility for the design and administration of the health insurance program. While the Secretary of Administration is a member of the Committee, and the Department of Administration would have one staff person to assist the Committee--it deprives the Governor and quite possibly the Legislature of the ability to consider options and make decisions in conjunction with consideration of employee salaries. Once again a committee would determine the nature of the insurance program--a committee like the present one that has no role in analyzing and determining payplan changes. While I admit that the substitute bill would have some advantage over the present administration structure in that at least two of its members, the legislator and I, could potentially also be participants in the decision making process on salaries this is a tenuous linkage at best.

I believe it would be far more preferable to allow both the Governor to consider health insurance along with salaries as a part of his budget deliberations and present to you as a part of his annual budget his recommendations. The version of S.B. 12 which was passed by the Senate would have allowed this. It would have also allowed for the presentation to the entire legislature and the Ways and Means Committees a coordinated salary and insurance recommendation. The substitute bill with its new committee would in all likelihood not allow this but rather continue the present problems.

I believe that it is essential that both the Governor and the Legislature have improved ability to deal with options and the coordination of salary and health insurance benefits. This can only be done in the context of the budgetary decision making process--in both the executive and legislative branches. The Senate passed version of S.B. 12 would provide us with that opportunity, which we both want. The substitute bill, with its committee somewhere in the grey area between the legislature and executive, would not. Instead it would continue the determination of health insurance benefits and costs separated from consideration of basic employee pay--and imposing on both the Governor and Legislature limited options and limited ability to improve decisions regarding total employee compensation.

In conclusion let me reiterate:

1. We agree on the problem--the costs to the State (and the employee) becoming prohibitive, escalating twenty plus percent per year.
2. We agree that both the Governor and the Legislature have to develop a more meaningful mechanism for dealing with this problem.

3. We believe that the original Senate Bill 12, the question of self-insurance aside, is the best mechanism both for the Governor and the Legislature in enabling us to effectively deal with this problem.

4. If the Legislature desires the ability to deal with the subject in more depth than is now possible during the legislative session each year, I would suggest that the legislature either create an interim committee, such as suggested in Senate Bill 18, or assign the matter to an existing interim committee, such as the Budget Committee.

This mechanism would allow both branches of the government to most effectively deal with the problem.

We honestly believe that merely substituting a new part-time committee for the existing part-time committee is not the best solution and will merely tend to perpetuate the difficulty in dealing with the problem.

I would urge you therefore to report favorably the Senate passed version of Senate Bill 12.

# Christian Science Committee on Publication For Kansas

820 Quincy Suite K  
Topeka, Kansas 66612

Office Phone  
913/233-7483

To: House Committee on Ways and Means

Re: SB 12

It is requested that Senate Bill 12 be amended by adding the following wording after "health services" in line 0041:

"and non-medical remedial care and treatment rendered in accordance with a religious method of healing"

The addition of this wording would permit but not require, the providing of benefits to those employees who rely on spiritual means for healing in lieu of medical care and treatment.


A number of states and the federal government provide such coverage in the group health insurance plans for their employees. Attached are excerpts from the statutes of a few of the states providing this coverage. Several other states with less specific language have interpreted their statutes to provide coverage for those utilizing spiritual means for healing. Other statutes, not listed here, provide this coverage for specific groups of employees in local units of government; i.e., school employees, municipal workers.

The argument may be raised that paying for such coverage with government funds violates the constitutional separation of church and state. However, the more common view is that payment for this coverage is merely additional compensation by an employer to its employees and that those employees who choose to rely on spiritual means for healing should not be penalized by the denial of participation in the health care benefit plan.

It is not our intention that direct pay be made by a governmental body to a Christian Science practitioner for treatment given as that could be construed as violation of the constitutional prohibition. Direct payment to a Christian Science care facility has generally been allowable as it involves only the physical care provided while another provides treatment by prayer.

Because of the numerous options available in Senate Bill 12, it seems advisable to permit, but not require, that these benefits be extended to employees relying on spiritual means for healing. This would provide the flexibility necessary to prevent entering into agreements which would violate church-state separation.

A folder of insurance information relating to this subject has been made available to the committee and I will be available to answer any questions concerning this request.



Keith R. Landis  
Committee on Publication  
for Kansas

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STATUTES OF OTHER STATES  
regarding  
GOVERNMENT EMPLOYEES HEALTH INSURANCE

California (Part of a law providing health insurance for state employees and annuitants.) "Such plans shall include hospital benefits, outpatient benefits, obstetrical benefits, and may include other benefits including, but not limited to, benefits offered by a bona fide church, sect, denomination or organization whose principles include healing entirely by prayer or spiritual means." - Cal. Govt. Code, #22790.

Colorado (Part of a health insurance plan law.)  
"The specifications drawn by the board for the health insurance plan shall include basic hospital and medical care benefits and major medical benefits and comparable benefits for employees who rely solely on spiritual means for healing."  
Colo. Rev. Stat. Ann., # 10-8-206.

Illinois (Several laws as follows authorizing group health insurance for public employees contain a provision recognizing Christian Science treatment and care.)  
"The program may also include coverage for those who rely on treatment by prayer or spiritual means alone for healing in accordance with the tenets and practice of a well recognized religious denomination." - Ill. Ann. Stat., Ch. 127, #526 (state employees).

Missouri (Part of a law relating to group hospital and medical insurance benefits for state employees.)  
"Hospital, surgical and medical expenses shall include expenses for comparable benefits for employees who rely solely on spiritual means through prayer for healing."  
Mo. Ann. Stat., #104.515.

Oklahoma (Part of a law providing group health insurance for state employees.) "'Major medical benefits' means... Christian Science Practitioners' services, Christian Science nurses' services, and may include such other benefits as may be determined by the Board." Okla. Stat., Tit. 74, #1303.

Oregon (Part of a law providing for group health insurance benefits for state employees.) "'Benefit plan' includes comparable benefits for employees who rely on spiritual means of healing." - Ore. Rev. Stat., #292.051, as added in 1979.

Texas (Part of a law providing health insurance benefits for state employees.) "'Health benefits plan' shall mean any group insurance policy or contract, medical, dental,... or similar group arrangement provided by a carrier for the purpose of providing, paying for, or reimbursing expenses for health care services for employees who rely solely on spiritual means through prayer for healing in accordance with the teachings of a well recognized church or denomination."  
Tex. Rev. Civ. Stat. Ann., Ins. Code, Art. 3.50-2, #3.

Statutes of Other States  
regarding  
Government Employees Health Insurance

Wyoming (Part of a law authorizing and providing for group health coverage for state employees and officials.)  
"The specifications drawn by the board [Wyoming State Employees' and Officials' Group Health Insurance Board of Administration] for the health insurance plan shall include basic hospital and medical and osteopathic and psychiatric care benefits and major medical benefits, and comparable benefits for employees who rely solely on spiritual means for healing." - Wyo. Stat., #9-704.



REMARKS BY

FLETCHER BELL  
COMMISSIONER OF INSURANCE

BEFORE THE

HOUSE WAYS & MEANS COMMITTEE  
TESTIMONY ON HOUSE SUBSTITUTE FOR SENATE BILL NO. 12

MARCH 31, 1983

Atch. ~~12~~

MR. CHAIRMAN - MEMBERS OF THE COMMITTEE: AS THE COMMISSIONER  
OF INSURANCE -- BUT MORE IMPORTANTLY FOR PURPOSES OF THIS MEETING -  
--AS THE CHAIRMAN OF THE STATE COMMITTEE ON SURETY BONDS AND INSURANCE,  
I APPRECIATE THIS OPPORTUNITY TO DISCUSS THE STATE GROUP HEALTH  
INSURANCE PLAN FOR STATE OFFICERS AND EMPLOYEES. IN DOING SO,  
I WON'T TAKE A LOT OF YOUR TIME BY DWELLING ON THE PAST. A MEMBER  
OF MY STAFF APPEARED BEFORE THE SPECIAL INTERIM COMMITTEE WHICH  
AUTHORED SENATE BILL NO. 12 IN ITS ORIGINAL FORM. AT THAT TIME  
HE PRESENTED A RATHER COMPREHENSIVE LOOK AT THE PROGRAM -- ITS

HISTORY -- AND ITS PROBLEMS. THUS, RATHER THAN WASTE YOUR TIME

WITH A REPETITION, I WILL SIMPLY LEAVE WITH THE COMMITTEE SECRETARY

A COPY OF THAT TESTIMONY.

THE FIRST THING I WANT THIS COMMITTEE TO KNOW IS THAT THE

COMMITTEE ON SURETY BONDS AND INSURANCE COMPRISED OF THE ATTORNEY

GENERAL, THE STATE TREASURER, AND MYSELF SINCERELY WELCOME THE

ATTENTION THE STATE HEALTH PLAN HAS RECEIVED SINCE ADJOURNMENT

OF THE 1982 SESSION. THE CURRENT PROGRAM IS SO WRAPPED UP IN STATUTORY

REQUIREMENTS THAT EFFECTIVE CHANGES DEMAND A MAJOR STATUTORY REVISION.

I HAVE REVIEWED THE DRAFT OF HOUSE SUBSTITUTE FOR SENATE BILL  
NO. 12. THE DRAFT SEEMS TO BE CONSISTENT WITH THE GENERAL GUIDELINES  
AND SUGGESTIONS WE HAVE DISCUSSED AND I BELIEVE IT WILL SERVE AS  
AN APPROPRIATE STATUTORY VEHICLE FOR A MORE EFFICIENT AND ECONOMICAL  
STATE HEALTH INSURANCE PROGRAM. AS IS TRUE OF MOST UNDERTAKINGS  
OF THIS KIND, FUTURE REFINEMENTS AND REVISIONS MAY BECOME NECESSARY  
AS THEY ARE IDENTIFIED BY ACTUAL OPERATING EXPERIENCE UNDER THE  
STATUTORY FRAMEWORK. NEVERTHELESS THE DRAFT, IN MY OPINION, CONTAINS  
A SUFFICIENT DEGREE OF BOTH LATITUDE AND ACCOUNTABILITY TO DEVELOP

A STATE HEALTH INSURANCE PROGRAM THAT IS SUBJECT TO BETTER BUDGETARY CONTROLS THAN THE PRESENT SYSTEM WHILE AT THE SAME TIME MEETING THE ESSENTIAL HEALTH INSURANCE NEEDS OF STATE OFFICERS AND EMPLOYEES.

NEVERTHELESS, I REALIZE THE COMPLEXITY AND IMPORTANCE OF THE SUBJECT MATTER WILL PROBABLY GENERATE SUGGESTIONS FOR AMENDMENTS.

AS A RESULT AND TO THE EXTENT SUCH SUGGESTIONS ARE IN ORDER, I

OFFER THE FOLLOWING:

FIRST, ON PAGE 3, NEW SECTION 3(A) THERE IS A PROVISION WHICH READS, "ALL BUDGETING, PURCHASING AND RELATED MANAGEMENT FUNCTIONS

OF THE KANSAS STATE EMPLOYEES HEALTH INSURANCE COMMITTEE SHALL

BE ADMINISTERED UNDER THE DIRECTION AND SUPERVISION OF THE SECRETARY

OF ADMINISTRATION." I UNDERSTAND THE NEED TO ASSIGN THESE RESPONSIBILITIES

TO AN EXISTING STATE AGENCY AND I BELIEVE THE DEPARTMENT OF ADMINISTRATION

IS THE PROPER REPOSITORY. HOWEVER, THE PROVISION QUOTED ABOVE

APPEARS TO VEST THE SECRETARY OF ADMINISTRATION WITH MORE AUTHORITY

THAN IS APPROPRIATE. ACCORDINGLY, I SUGGEST THAT THE WORDS, "IN

ACCORDANCE WITH POLICIES ESTABLISHED BY THE KANSAS STATE EMPLOYEES

HEALTH INSURANCE COMMITTEE" BE ADDED IMMEDIATELY FOLLOWING THE

WORD "ADMINISTRATION". ALSO, IN THE SAME SECTION THERE IS A REQUIREMENT

THAT ALL VOUCHERS FOR EXPENDITURES AND ALL PAYROLLS OF THE COMMITTEE

BE APPROVED BY THE CHAIRPERSON OF THE COMMITTEE AND THE SECRETARY

OF ADMINISTRATION. PERHAPS I AM WRONG BUT, AS I UNDERSTAND THE

STRUCTURE, THE COMMITTEE WOULD NOT HAVE A PAYROLL.

SECOND, THE LAST SENTENCE OF NEW SECTION 4(B) SUBJECTS ALL

CONTRACTS ENTERED INTO BY THE COMMITTEE TO "THE LIMITS OF APPROPRIATIONS

MADE OR AVAILABLE THEREFORE". IT SEEMS TO ME THIS RESTRICTION

COULD PREVENT THE COMMITTEE FROM ENTERING INTO A CONTRACT THAT

WOULD PERMIT OR REQUIRE A PREMIUM CONTRIBUTION BY INDIVIDUAL OFFICERS  
AND EMPLOYEES. IF SO, I SUGGEST THAT THIS PROVISION BE APPROPRIATELY  
AMENDED. THIS COULD PERHAPS BE SUPPLEMENTED OR REINFORCED BY A  
CLARIFICATION OF NEW SECTION 8(A).

THIRD, SINCE THE KANSAS STATE EMPLOYEES HEALTH INSURANCE  
COMMITTEE IS COMPOSED OF REPRESENTATIVES FROM BOTH THE EXECUTIVE  
AND LEGISLATIVE BRANCHES, SOME THOUGHT MIGHT BE GIVEN TO EXEMPTING  
THE COMMITTEE'S RULES AND REGULATIONS FROM THE PROVISIONS OF K.S.A.  
77-415 ET SEQ. I HAVE NO STRONG FEELING ON THIS BUT THE PROBABLE



DISPARITY BETWEEN THE TERMS OF STATE HEALTH INSURANCE CONTRACTS

AND THE PERMISSIBLE EFFECTIVE DATE OF REGULATIONS ADOPTED UNDER

THE NAMED STATUTORY PROVISIONS COULD POSE SOME UNNECESSARY COMPLICATIONS.

FINALLY, I DON'T BELIEVE AN AMENDMENT IS NECESSARY WITH RESPECT

TO IMPLEMENTATION OF THE PROPOSED STATUTORY PROVISIONS. THIS ASSUMPTION

IS, HOWEVER, BASED ON MY UNDERSTANDING THAT THE EFFECTIVE DATE

OF THE ACT COUPLED WITH THE PROVISION THAT MAKES IT APPLY TO THE

CONTRACT BEGINNING AUGUST 1 OF THIS YEAR, MEANS THE NEW COMMITTEE

WOULD BEGIN WORK IMMEDIATELY UPON ENACTMENT AND THE RESULTS OF

ITS WORK WOULD BE REFLECTED IN THE GROUP HEALTH INSURANCE CONTRACT  
BEGINNING AUGUST 1. MORE SPECIFICALLY, I AM ASSUMING THE RESPONSIBILITIES  
OF THE CURRENT STATE COMMITTEE ON SURETY BONDS AND INSURANCE WITH  
RESPECT TO THE STATE EMPLOYEES HEALTH INSURANCE CONTRACT WOULD  
CEASE AS OF THE EFFECTIVE DATE OF HOUSE SUBSTITUTE FOR SENATE BILL  
NO. 12.

AGAIN, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE I SUPPORT  
SUBSTITUTE FOR SENATE BILL NO. 12 WITH OR WITHOUT THE AMENDMENTS  
I HAVE SUGGESTED. I WOULD, HOWEVER, ADD ONE NOTE OF CAUTION.

SPECIFICALLY, I DO NOT WANT THIS SESSION OF THE LEGISLATURE TO  
ENACT THIS OR SOME SIMILAR BILL WITH THE EXPECTATION THAT THE PROBLEM  
OF THE COST OF THE STATE HEALTH INSURANCE PLAN IS FOREVER SOLVED,  
DEDUCTIBLES -- COPAYMENTS -- SELF-INSURANCE -- SELF-ADMINISTRATION --  
AND COST CONTAINMENT ARE ALL FEATURES THAT CAN BE MADE TO SOUND  
ATTRACTIVE. UTILIZATION OF DEDUCTIBLES AND COPAYMENTS IS INEVITABLE  
BUT PLEASE RECOGNIZE THESE FOR WHAT THEY ARE -- THEY ARE BENEFIT  
REDUCTIONS THAT RESULT IN PREMIUM REDUCTIONS OR REDUCED PREMIUM  
INCREASES -- THEY ARE NOT COST CONTAINMENT. SIMILARLY, I WANT

TO BE CANDID WITH YOU AND TELL YOU THAT UNTIL I SEE FAR MORE CONVINCING  
EVIDENCE THAN THE MARTIN SEGAL REPORT -- UNTIL I AM PRESENTED INFORMATION  
THAT DEMONSTRATES RATHER CONCLUSIVELY THE STATE CAN SAVE MONEY  
AND STILL PROVIDE AN ADEQUATE HEALTH INSURANCE PLAN FOR EMPLOYEES -  
- I WILL OPPOSE REMOVING THE HEALTH INSURANCE PROGRAM FROM THE PRIVATE  
SECTOR. FINALLY, I'M SURE THAT GIVEN THE LATITUDE AVAILABLE UNDER  
THE HOUSE SUBSTITUTE FOR SENATE BILL NO. 12, THE FUNDS EXPENDED  
FOR HEALTH INSURANCE BY BOTH THE STATE AND ITS EMPLOYEES CAN BE  
USED MORE EFFECTIVELY. SOME RESTRICTIONS ON ELIGIBILITY -- SOME

DISINCENTIVES FOR UNNECESSARY USE OF HEALTH CARE SERVICES -- SOME  
ABILITY TO REDISTRIBUTE THE MONEY AVAILABLE -- AND OTHER OPPORTUNITIES  
TO CONSERVE DOLLARS OR SPEND OUR DOLLARS MORE WISELY CAN BE UTILIZED  
THAT ARE CURRENTLY AVAILABLE BUT UNATTAINABLE. I WANT TO MAKE  
IT CLEAR, HOWEVER, THAT THE CURRENT HEALTH INSURANCE PROGRAM HAS  
NOT IGNORED COST CONTAINMENT. PRE-ADMISSION TESTING HAS BEEN INCORPORATED  
IN THE PROGRAM FOR MANY YEARS -- PROVISIONS FOR COVERAGE IN RECUPERATIVE  
CENTERS, ALCOHOL TREATMENT CENTERS, HOME HEALTH CARE AND OTHER  
LESS EXPENSIVE SETTINGS HAVE BEEN THE SUBJECT OF NUMEROUS EXPERIMENTAL

PROGRAMS FOR THE STATE GROUP -- THE STATE GROUP WAS ONE OF THE  
FIRST TO ADOPT THE OPT PROGRAM OF BLUE CROSS AND BLUE SHIELD  
WHEREBY COVERAGE FOR HOSPITAL COVERAGE IS NOT PROVIDED IF A SPECIFIED  
TREATMENT CAN BE SAFELY PERFORMED IN AN OUTPATIENT FACILITY. I  
MENTION THIS BECAUSE TO READ THE MARTIN SEGAL REPORT ONE COULD  
CONCLUDE THAT NO COST CONTAINMENT INITIATIVES HAVE BEEN IMPLEMENTED  
WHEN, IN FACT, THE BIG DOLLAR SAVERS ARE ALREADY IN PLACE. I MENTION  
IT ALSO SO YOU WILL RECOGNIZE THAT A SIGNIFICANT CONTAINMENT OF STATE  
HEALTH INSURANCE PREMIUMS IS GOING TO BE ACHIEVED PRIMARILY BY

A REDUCTION IN BENEFITS. I DO NOT SAY THIS AS AN OBJECTION BECAUSE

IT IS A NECESSITY, BUT I WANT NO ONE TO BELIEVE THERE IS SOME

MAGICAL TREE FILLED WITH REAL COST CONTAINMENT -- NOT SIMPLY PREMIUM

REDUCTION -- BUT REAL COST CONTAINMENT INITIATIVES THAT IS SIMPLY

WAITING FOR A NEW STATE HEALTH INSURANCE COMMITTEE TO PICK.

IF YOU HAVE ANY QUESTIONS OR WISH ME TO ELABORATE ON ANY OF

THE COMMENTS CONTAINED HEREIN, I WILL BE HAPPY TO TRY TO RESPOND.

REMARKS BY

RICHARD D. BROCK  
COMMITTEE ON SURETY BONDS AND INSURANCE

BEFORE THE

SPECIAL COMMITTEE ON STATE HEALTH INSURANCE  
TOPEKA, KANSAS

SEPTEMBER 9, 1982

Atch. ~~XI~~



THANK YOU MR. CHAIRMAN -- MEMBERS OF THE COMMITTEE. I AM  
DICK BROCK OF THE INSURANCE DEPARTMENT. TODAY, HOWEVER, I AM WEARING  
A SLIGHTLY DIFFERENT HAT BECAUSE I AM APPEARING AT THE REQUEST  
OF THIS COMMITTEE AS A REPRESENTATIVE OF THE STATE COMMITTEE ON  
SURETY BONDS AND INSURANCE. BY STATUTE THE COMMISSIONER OF INSURANCE  
CHAIRS THAT COMMITTEE. THE ATTORNEY GENERAL AND THE STATE TREASURER  
ARE STATUTORY MEMBERS. THE DIRECTOR OF PURCHASES IS EX-OFFICIO  
SECRETARY.

THE COMMITTEE ON SURETY BONDS AND INSURANCE WAS CREATED BY

THE 1965 LEGISLATURE AND, WITH FEW EXCEPTIONS -- KPERS AND THE

TURNPIKE AUTHORITY ARE THE MOST NOTABLE -- NO STATE AGENCY MAY

PURCHASE INSURANCE WITHOUT GOING THROUGH THE COMMITTEE.

WHILE THE COMMITTEE WAS CREATED IN 1965, A GROUP HEALTH INSURANCE

PLAN DIRECTED BY STATUTE AND UTILIZING STATE PREMIUM CONTRIBUTIONS

*on behalf of employees*

WAS NOT A PART OF THE COMMITTEE'S RESPONSIBILITIES UNTIL 1969.

WHEN GROUP HEALTH INSURANCE FOR STATE EMPLOYEES WAS FIRST EMPLOYED,

IT WAS PRIMARILY AN ACCOMMODATION TYPE OF PROGRAM, INDIVIDUAL

STATE AGENCIES WOULD ARRANGE FOR THE PURCHASE OF GROUP COVERAGE -

- EMPLOYEES ENROLLED IF THEY WISHED TO DO SO -- PREMIUMS WERE PAID INDIVIDUALLY BY ENROLLED EMPLOYEES -- AND THE STATE ITSELF WAS NOT INVOLVED. IN ABOUT 1967 (I'M NOT CERTAIN OF THE EXACT TIME BUT THIS IS CLOSE) THE DEPARTMENT OF ADMINISTRATION NEGOTIATED AND ESTABLISHED A STATE GROUP HEALTH INSURANCE PROGRAM THAT INCLUDED ALL STATE EMPLOYEES AND THE INDIVIDUAL AGENCY GROUPS WERE DISBANDED. ONCE THIS STATE GROUP HEALTH INSURANCE PLAN WAS DEVELOPED AND EMPLOYEES WERE UTILIZING IT, IT WAS ONLY NATURAL THAT SOME KIND OF EMPLOYER CONTRIBUTION WOULD EVOLVE. SUCH EVOLUTION DID OCCUR WHEN THE 1969

LEGISLATURE PLACED RESPONSIBILITY FOR THE PURCHASE OF GROUP HEALTH  
INSURANCE COVERAGE WITH THE COMMITTEE ON SURETY BONDS AND INSURANCE  
AND PROVIDED FOR STATE PAYMENT OF THE SINGLE MEMBER PREMIUM.  
SINCE THAT TIME THE STATUTES GOVERNING THE PURCHASE OF HEALTH  
INSURANCE HAVE BEEN AMENDED IN SOME RESPECTS BUT THE MANNER IN  
WHICH THE INSURANCE IS PURCHASED AND THE BASIC PROPOSITION THAT  
THE STATE PAY THE SINGLE MEMBER PREMIUM HAS NOT CHANGED.

FROM ITS INCEPTION THE STATUTES GOVERNING THE COMMITTEE'S  
ACTIVITIES HAVE REQUIRED THAT INSURANCE BE PURCHASED IN THE MANNER

PRESCRIBED FOR THE PURCHASE OF SUPPLIES, MATERIALS, EQUIPMENT OR CONTRACTUAL SERVICES UNDER K.S.A. 75-3738 TO 75-3744. THESE ARE, OF COURSE, THE GENERAL PURCHASING STATUTES WHICH, IN TURN, MEANS THAT ALL INSURANCE PURCHASED BY THE COMMITTEE, INCLUDING ACCIDENT AND SICKNESS, IS PURCHASED ON THE BASIS OF COMPETITIVE BIDS. TO ACCOMPLISH THIS TASK WITH RESPECT TO THE PURCHASE OF ACCIDENT AND SICKNESS COVERAGE, THE COMMITTEE BEGINS THE PROCESS IN MARCH OR APRIL OF EACH YEAR BY HOLDING A MEETING TO DISCUSS THE BID SPECIFICATIONS TO BE DEVELOPED FOR THE NEXT CONTRACT YEAR. INVITED TO ATTEND

THIS MEETING OR INVITED TO OFFER COMMENTS OR SUGGESTIONS ARE REPRESENTATIVES OF ALL THE CURRENT CARRIERS AS WELL AS REPRESENTATIVES OF COMPANIES AND ORGANIZATIONS THAT HAVE EXPRESSED INTEREST IN BIDDING ON THE CONTRACT. USING LAST YEAR'S MEETING AS AN EXAMPLE, KANSAS BLUE CROSS AND BLUE SHIELD, PRIME HEALTH OF KANSAS CITY, HEALTH CARE PLUS OF WICHITA, FAMILY HEALTH PLAN OF NEWTON, AND AN AGENT REPRESENTING CONTINENTAL NATIONAL AMERICAN INSURANCE GROUP WERE IN ATTENDANCE. IN ADDITION, THE COMMITTEE HAS TRADITIONALLY INVITED OR ASKED FOR SUGGESTIONS FROM SOME OF THE LARGER STATE

AGENCIES BUT THIS HAS NOW BEEN SIMPLIFIED BY THE STATE PERSONNEL  
DIRECTOR'S APPOINTMENT OF AN INFORMAL EX-OFFICIO BENEFIT REVIEW  
COMMITTEE. AGAIN, USING LAST YEAR'S MEETING AS AN EXAMPLE, THE  
BENEFIT REVIEW COMMITTEE WAS REPRESENTED BY TWO MEMBERS OF THE  
STAFF OF THE PERSONNEL DIRECTOR AS WELL AS PERSONNEL OFFICERS FROM  
KU, SRS, DOT, AND THE DEPARTMENT OF REVENUE. FINALLY, THE SPOKES-  
PERSON FOR THE KANSAS ASSOCIATION OF PUBLIC EMPLOYEES IS ALWAYS  
INVITED TO OFFER SUGGESTIONS AND BOTH SHE AND AN OFFICER OF HER  
ASSOCIATION WERE IN ATTENDANCE. IN ADDITION TO THE COMMITTEE

MEMBERS OR THEIR REPRESENTATIVES, PERSONS FROM THE DIVISION OF  
ACCOUNTS AND REPORTS AND THE ACCIDENT AND HEALTH AND CONSUMER  
ASSISTANCE DIVISIONS OF THE INSURANCE DEPARTMENT REPRESENTED THE  
STATE. THIS MIX OF INTERESTS GIVES THE COMMITTEE INSIGHT INTO  
PROBLEMS WITH THE HEALTH CARE PLAN THAT ARE OF A RECURRING  
NATURE AND ENABLES THE COMMITTEE TO ADJUST THE SPECIFICATIONS OR  
ADMINISTRATION OF THE PLAN TO ALLEVIATE UNNECESSARY DIFFICULTIES  
WHETHER THE DIFFICULTY IMPACTS ON A CURRENT CARRIER, POTENTIAL

*or the state itself.*

BIDDER, ~~OR~~ STATE EMPLOYEE, FOLLOWING THIS PLANNING SESSION AND ARMED



WITH THIS INPUT, THE COMMITTEE AUTHORIZES THE DIRECTOR OF PURCHASES  
TO PREPARE THE SPECIFICATIONS IN ACCORDANCE WITH ANY INSTRUCTIONS  
EMANATING FROM THE PLANNING SESSION. ONCE THE SPECIFICATIONS ARE  
PREPARED AND APPROVED BY THE COMMITTEE THEY ARE DISTRIBUTED WITH  
AN INVITATION TO BID TO APPROXIMATELY SEVENTY-FIVE INDIVIDUALS  
AND ORGANIZATIONS WHO HAVE EXPRESSED AN INTEREST IN RECEIVING THE  
MATERIAL -- [ YOU WILL NOTE I SAID, INTERESTED IN RECEIVING THE  
MATERIAL. ] EXPERIENCE HAS TOLD US THIS IS NOT EVEN CLOSE TO BEING  
SYNONOMOUS WITH AN INTEREST IN BIDDING. BE THAT AS IT MAY, THIS

DISTRIBUTION IS COMPLETED IN APRIL AND THE BID OPENING IS SCHEDULED

FOR THE FIRST PART OF MAY. BARRING COMPLICATIONS, THE AWARD IS

MADE SHORTLY THEREAFTER. AN OPEN ENROLLMENT PERIOD IS THEN SCHEDULED

DURING THE LATTER PART OF MAY AND THE MONTH OF JUNE FOR THE NEW

CONTRACT WHICH BECOMES EFFECTIVE AUGUST 1 OF EACH YEAR.

THAT, IN ESSENCE, IS THE PROCUREMENT PROCESS BUT THE FACT

THAT WE SELDOM HAVE MORE THAN ONE BIDDER -- AND I CAN'T REMEMBER

WHEN WE HAD MORE THAN TWO SERIOUS PROPOSALS -- TELLS ALL OF US

THAT THE PROGRAM IS NOT ATTRACTIVE TO VERY MANY PERSONS OR ORGANIZATIONS.

INCIDENTALLY MY REFERENCE TO ONE BIDDER AND MY COMMENTS FROM HERE FORWARD WILL LARGELY IGNORE THE FACT THAT THREE HEALTH MAINTENANCE ORGANIZATIONS CURRENTLY HAVE CONTRACTS WITH THE STATE. WHILE THESE ARE IMPORTANT AND I DO NOT MEAN TO DISMISS THEM LIGHTLY, THE BULK OF THE STATE GROUP IS COVERED BY KANSAS BLUE CROSS AND BLUE SHIELD. THUS, FOR PURPOSES OF MY STATEMENT TODAY AND I BELIEVE FOR PURPOSES OF THIS COMMITTEE'S WORK, THE CONTRACTS OF KANSAS BLUE CROSS AND BLUE SHIELD ARE DEEMED TO CONSTITUTE THE PRIMARY STATE HEALTH PLAN. PURSUANT TO THE STATUTES GOVERNING THE COMMITTEE'S ACTIONS, WE

PRESCRIBE THE INSURANCE CONTRACT THAT DESCRIBES THE SUBSTANCE OF  
THE BASE BID. THIS IS AN INDEMNITY CONTRACT THAT IS, IN EFFECT,  
A MIRROR IMAGE OF THE EQUITABLE LIFE INSURANCE SOCIETY'S CONTRACT  
FIRST ISSUED TO THE STATE GROUP. ABOUT ALL WE DO TO IT IS ADJUST  
THE DOLLAR AMOUNT OF THE BENEFITS TO APPROXIMATE CURRENT NEEDS.  
WE DISCOVERED EARLY IN THE GAME, HOWEVER, THAT MANY INSURERS WILL  
NOT BID ON A CONTRACT DEVISED BY SOMEONE OTHER THAN THEMSELVES.  
AND IF THEY DO AND ARE SUCCESSFUL, THEY HAVE PROBLEMS WITH ADMINI-  
STRATION BECAUSE THEIR CLAIMS PEOPLE ARE UNFAMILIAR WITH ITS TERMS.

BECAUSE OF THIS PROBLEM THE COMMITTEE NOT ONLY PERMITS BUT ENCOURAGES  
COMPANIES TO BID ON AN ALTERNATE BASIS. THIS MEANS THEY CAN BID  
ON THEIR OWN CONTRACT IF THE COVERAGE RESULTING IS EQUIVALENT TO  
THAT REQUESTED BY THE BASE BID AND MEETS <sup>OTHER</sup> CERTAIN PRESCRIBED CONDI-  
TIONS. AS IS OBVIOUS FROM THE LIMITED NUMBER OF BIDS WE RECEIVE,  
HOWEVER, THIS WAS NOT A PANACEA. COMPANIES ARE STILL RELUCTANT  
TO BID. WHILE I HAVE NO SCIENTIFIC SUPPORT FOR THIS STATEMENT,  
IT SEEMS RATHER APPARENT THAT ONE OBSTACLE IS THE FACT THAT MOST  
COMPANIES ARE RELUCTANT TO COMMIT THE RESOURCES NECESSARY TO

ADMINISTER A GROUP OF THE SIZE AND GEOGRAPHIC SPREAD PRESENTED  
BY STATE EMPLOYEES WITHOUT SOME ASSURANCE THAT THEY WOULD HAVE  
MORE THAN ONE YEAR TO RECOUP THEIR INVESTMENT. AT THE SAME TIME  
THE INCREASING COSTS OF HEALTH CARE MAKE IT VIRTUALLY IMPOSSIBLE  
FOR AN INSURER TO BID ON A MULTI-YEAR CONTRACT AND GUARANTEE THE  
RATES FOR THE ENTIRE TERM. ON THE OTHER HAND, THE COMMITTEE FEELS  
IT HAS AN OBLIGATION TO BE CERTAIN THE PREMIUM IS AS LOW AS CAN  
BE OBTAINED UNDER THE BIDDING PROCEDURES. THEREFORE, THE POSSIBILITY  
OF REMOVING THE ONE YEAR OBSTACLE TO ENCOURAGE MORE INTEREST IN

THE STATE GROUP IS REMOTE. THIS IS, I BELIEVE, A REAL PROBLEM

AND AS LONG AS WE INSULATE THOSE RESPONSIBLE FOR PURCHASING THE

INSURANCE FROM POSSIBLE PUBLIC AND POLITICAL CRITICISM BY USE OF

A MULTI-MEMBER COMMITTEE AND THE BIDDING PROCESS -- WHICH, I THINK

YOU WILL AGREE, HAS WORKED WELL -- THIS PROBLEM MAY BE ONE OF THOSE

PRICES WE MUST PAY.

*The short-term contract  
emerging from the  
low bidder criteria*

I DO NOT BELIEVE, HOWEVER, ~~THIS~~ IS BY ANY MEANS THE MOST SERIOUS

PROBLEM WE FACE. A MORE SERIOUS PROBLEM IS THE SIMPLE FACT THAT

THE STATE HEALTH INSURANCE PLAN HAS NOT BEEN A MONEYSMAKER.

THE STATE GROUP HEALTH INSURANCE PLAN COVERS MORE THAN 30,000  
STATE OFFICERS AND EMPLOYEES -- AND THIS IS EXCLUSIVE OF DEPENDENTS  
COVERED UNDER FAMILY CONTRACTS. AS A RESULT, THE STATE GROUP IS  
THE LARGEST SINGLE GROUP WITHIN KANSAS BORDERS. IN ADDITION, 44%  
OF THE SUBSCRIBERS ARE 34 YEARS OF AGE OR YOUNGER AND OVER HALF  
OF THEM ARE UNDER 40. THUS, WHEN YOU HAVE A SUPER LARGE GROUP  
WHOSE POPULATION IS RELATIVELY YOUNG AND WHOSE PARTICIPANTS ARE  
SCATTERED ALL OVER THE STATE, IT IS ONLY REASONABLE TO ASSUME THAT  
IT WOULD ENJOY ALL THE ECONOMIES OF SCALE AND OTHER COMPETITIVE



ADVANTAGES THAT ARE INHERENT IN THE GROUP CONCEPT, AND -- BY AND

LARGE -- WE DO. THE COVERAGE UNDER THE STATE HEALTH INSURANCE

PROGRAM IS VERY ADEQUATE EVEN THOUGH WE DON'T HAVE DENTAL COVERAGE

AND SOME OF THE OTHER BENEFITS THAT A PRIVATE SECTOR EMPLOYER MIGHT

PROVIDE. FURTHER, FOR THE KIND OF BENEFIT STRUCTURE WE HAVE UNDER

THE STATE PROGRAM / AND I KNOW YOU DON'T WANT TO HEAR THIS / THE

PREMIUMS ARE PROBABLY AS REASONABLE AS ONE COULD EXPECT. THIS

ASSERTION OF REASONABLENESS IS BUTTRESSED BY THE FACT THAT -- EXCLUDING

ANY CONSIDERATION FOR EXPENSES OR CONTINGENCY RESERVES -- KANSAS

BLUE CROSS AND BLUE SHIELD -- THE STATE'S INSURANCE CARRIER -- HAS

PAID OUT VERY CLOSE TO 4½ MILLION DOLLARS MORE IN CLAIMS THAN HAS

BEEN RECEIVED IN PREMIUM OVER THE LAST FOUR YEARS. TO TAKE THE

STORY A LITTLE FARTHER, THE SAME CARRIER HAS JUST COMPLETED THE

ELEVENTH CONTRACT YEAR. OVER THE ELEVEN COMPLETE YEARS THIS CARRIER

HAS BEEN INVOLVED, THE CLAIMS EXPENSE EXCEEDS THE PREMIUM BY \$12,161.

(THIS FIGURE INCLUDES AN ESTIMATE OF THE FINAL RESULTS OF THE CONTRACT

YEAR ENDING JULY 31<sup>1982</sup> PREPARED BY AN INSURANCE DEPARTMENT EXAMINER.

BLUE CROSS-BLUE SHIELD OR OTHER ESTIMATES MIGHT VARY A LITTLE BUT

SHOULD NOT BE VERY FAR APART PERCENTAGE-WISE.) THIS IS WHAT THEY

*\$12,161*

HAVE HAD FOR ADMINISTRATIVE EXPENSES ON A VENTURE THAT IS TANTAMOUNT

TO A 210 MILLION DOLLAR CONTRACT, THIS IS A DEPRESSING BIT OF

*over any level year period.*

NEWS WHEN WE REMEMBER THE STATE'S INITIAL CONTRIBUTION PER EMPLOYEE

FOR HEALTH INSURANCE WAS \$8.32. FOR THE 1980-81 CONTRACT YEAR

THE PREMIUM FOR SINGLE COVERAGE UNDER THE STATE HEALTH INSURANCE

PROGRAM WAS \$43.74 PER EMPLOYEE, PER MONTH. THIS PREMIUM WAS INCREASED

TO \$54.92 FOR 1981-82. THE PREMIUM FOR THE CURRENT CONTRACT IS

\$66.70. AND IT IS ESTIMATED THE PREMIUM FOR 1983-84 WILL BE \$94.49.

SO WE HAVE GONE FROM \$8.32 TO PERHAPS \$94.49 AND EVEN WITH THESE

INCREASES THE PREMIUM COLLECTED HAS BEEN LESS THAN THE CLAIM PAYMENTS.

I REALIZE THESE FIGURES DO NOT TAKE INVESTMENT INCOME INTO

CONSIDERATION AND I CANNOT TELL YOU THE PRECISE IMPACT OF THIS

FACTOR. I CAN TELL YOU, HOWEVER, THAT THIS IS A MINIMAL CONSIDERATION.

THE STATE CONTRACT AND THE BID SPECIFICATIONS LEADING UP TO THE

CONTRACT INCLUDE A UNIQUE PROVISION WHICH GIVES THE STATE A 45

*Further under the state health insurance contract is in effect for 45 days before we ever make a premium payment.*

DAY DELAY IN PREMIUM PAYMENT, THIS DELAY WAS OCCASIONED BY THE

*originally*

PROCEDURES NECESSARY FOR THE DIVISION OF ACCOUNTS AND REPORTS TO

MAKE THE PAYMENT. DESPITE THE FACT IT WAS NOT INTENTIONALLY DESIGNED TO DO SO, THE RESULT OF THIS 45 DAY DELAY IS THAT THE STATE DIRECTLY RECEIVES THE INVESTMENT INCOME FOR THAT PERIOD OF TIME INSTEAD OF THE INSURERS. OBVIOUSLY THE RETURN FROM INVESTMENT INCOME IS GREATEST FOR AN INSURER BETWEEN THE TIME A POLICY FIRST BECOMES EFFECTIVE AND THE TIME CLAIMS PAYMENTS ACTUALLY COMMENCE. THIS IS COINCIDENTALLY ABOUT 45 DAYS ON THE STATE GROUP. AND WHEN PREMIUMS HAVE BEEN DEFICIENT ANYWAY, ONCE THIS OPPORTUNITY IS LOST THERE IS NEVER A CHANCE TO CATCH UP. THEREFORE, IN RECENT YEARS

INVESTMENT INCOME IS NOT A VIABLE CONSIDERATION AS FAR AS THE STATE CONTRACT IS CONCERNED. BUT EVEN IF THIS WASN'T THE CASE, BLUE CROSS BLUE SHIELD RATES -- UNLIKE FIRE AND CASUALTY COVERAGES - - ARE PREDICATED ON THE BASIS OF TOTAL INCOME VERSUS CLAIMS AND OTHER OPERATING EXPENSES. THUS, EVEN IF WE DIDN'T HAVE THE 45 DAY DELAY, INVESTMENT INCOME WOULD BE CONSIDERED IN THE RATES.

ANOTHER SUBJECT THAT ENTERS EVERY CONVERSATION ABOUT THE COST OF THE STATE HEALTH INSURANCE PLAN IS THE IDEA OF SOME KIND OF DEDUCTIBLE. THIS IS AN UNDERSTANDABLE AND LOGICAL SUGGESTION BUT

EVERYONE MUST RECOGNIZE THE IMPOSITION OF A DEDUCTIBLE FOR WHAT  
IT IS -- A REDUCTION IN BENEFITS. AND WHEN VIEWED IN THAT LIGHT  
THERE MAY BE -- I'M NOT SAYING THERE ARE BUT THERE MAY BE -- SPECIFIC  
BENEFITS THAT ARE MORE APPROPRIATE TO REMOVE OR REDUCE RATHER THAN  
THE EMPLOYMENT OF A DEDUCTIBLE THAT REALLY REDUCES EACH AND EVERY  
BENEFIT. IN ADDITION, PEOPLE NEED TO REALIZE THAT THE IMPOSITION  
OF A DEDUCTIBLE IS NOT THE SAME AS FINDING A POT OF GOLD. IN THE  
PROCESS OF BIDDING THE CURRENT STATE GROUP HEALTH INSURANCE CONTRACT  
THE COMMITTEE ASKED FOR BIDS ON A DEDUCTIBLE OF \$100, \$200, \$300

AND \$500 TO BE APPLIED ON EACH COVERED BED-PATIENT ADMISSION OF  
A DEPENDENT. IN OTHER WORDS, THE COMMITTEE ASKED FOR BIDS ON  
DEDUCTIBLES APPLYING ONLY TO THE DEPENDENTS' COVERAGE -- THAT PART  
WHICH IS PAID FOR BY THE EMPLOYEE. THE RESULTS WERE NOT EXCITING.  
ON A \$100 PER ADMISSION DEDUCTIBLE THE SAVING WAS \$3.66 PER MONTH -  
- ON A \$200 DEDUCTIBLE, \$7.31 -- ON A \$300 DEDUCTIBLE \$10.97 AND  
ON A \$500 DEDUCTIBLE THE FAMILY PREMIUM WOULD HAVE BEEN \$.95 PER  
MONTH MORE THAN LAST YEARS PREMIUM. IN OTHER WORDS, WE COULDN'T  
EVEN HOLD THE FAMILY PREMIUM AT LAST YEAR'S LEVEL BY IMPOSING A



\$500 DEDUCTIBLE. AND REMEMBER THIS WAS A PER ADMISSION PER DEPENDENT

DEDUCTIBLE WITH NO LIMIT WHICH IS ABOUT AS TOUGH A DEDUCTIBLE

TREATMENT AS CAN BE CONCEIVED AND SHOULD THEREFORE BE THE MOST

PRODUCTIVE IN TERMS OF SAVING MONEY. THIS IS NOT TO SAY THAT STATE

EMPLOYEES MIGHT NOT HAVE PREFERRED A \$.95 PER MONTH INCREASE AND

A \$500 PER DEPENDENT, PER ADMISSION DEDUCTIBLE TO AN INCREASE OF

\$19.22 PER MONTH. THE DIFFICULTY IS IT WOULD TAKE MORE THAN TWO

*their decision would be based on the immediate results and would not take into account the longer term impact*

YEARS OF PREMIUM SAVINGS TO PAY FOR ONE HOSPITAL ADMISSION. AND

IF THIS ISN'T BAD ENOUGH, IT MUST BE EMPHASIZED THAT BUYING A

DEDUCTIBLE HAS NOT STABILIZED OR REDUCED HEALTH CARE COSTS ONE

BIT. AS A RESULT, PURCHASING THE DEDUCTIBLE WOULD NOT REALLY SAVE *almost*

\$20 PER MONTH -- IT WOULD ONLY DELAY THE INCREASE FOR ONE YEAR

AND WHEN IT CAME IT WOULD BE ON TOP OF THE <sup>*unlimited*</sup> \$500 DEDUCTIBLE IMPOSED

THE YEAR BEFORE.

ALSO, FROM TIME TO TIME SUGGESTIONS ARE MADE THAT THE STATE

HEALTH INSURANCE PROGRAM SHOULD OFFER OR AFFORD OTHER COVERAGES

SUCH AS DENTAL AND/OR OPTOMETRIC SERVICES. TWO OR THREE YEARS

AGO THE COMMITTEE DID BEGIN TO PUT SPECIFICATIONS TOGETHER TO OFFER

DENTAL COVERAGE ON AN OPTIONAL BASIS FOR THOSE OFFICERS AND EMPLOYEES WHO WANTED IT AND WERE WILLING TO PAY FOR IT. BEFORE WE GOT TOO FAR ALONG, HOWEVER, THE ATTORNEY GENERAL ADVISED THE COMMITTEE THAT CURRENT STATUTES REQUIRE THE STATE TO PAY THE SINGLE MEMBER PREMIUM FOR ALL COVERAGES INCLUDED IN THE STATE HEALTH PLAN. REALIZING THE DIFFICULTIES POSED BY PRESENT PREMIUM REQUIREMENTS, THE COMMITTEE HAS NOT PURSUED THE MATTER FURTHER ALTHOUGH WE DID PROVIDE THE SECRETARY OF THE DEPARTMENT OF ADMINISTRATION WITH THE INFORMATION WE HAD.

EMPLOYEE RATING CLASSIFICATIONS IS ANOTHER FREQUENT COMPLAINT RECEIVED BY THE COMMITTEE. I'M SURE IF A VOTE WAS TAKEN MOST MARRIED BUT CHILDLESS STATE EMPLOYEES WOULD BE IN FAVOR OF A RATING STRUCTURE WHEREBY THE FAMILY PREMIUM IS BASED ON AGE AND/OR NUMBER OF DEPENDENTS. WITHOUT REALIZING IT WHAT THEY ARE REALLY SAYING, IF THEY VOTE THE WAY I THINK THEY WOULD, IS THAT THEY WANT ACCIDENT AND SICKNESS COVERAGE TO USE THE SAME RATING PROCESS AS USED FOR INDIVIDUAL POLICIES BUT THEY WANT THE BENEFITS AND PREMIUM LEVELS THAT ARE AVAILABLE UNDER THE GROUP CONCEPT. WITH A GROUP OF 30,000

EMPLOYEES THIS IS IMPOSSIBLE. NEVERTHELESS, A GREATER BREAKDOWN

IN THE RATING STRUCTURE DOES SEEM TO BE A RATIONAL IDEA AND THE

COMMITTEE HAS CONSIDERED GOING TO WHAT WE CALL A "THREE RATE"

STRUCTURE *that is* [A SINGLE RATE] -- [A MARRIED COUPLE, NO CHILDREN RATE -]

- AND [A FAMILY RATE.] EACH TIME WE HAVE CONSIDERED DOING SO, HOWEVER,

WE HAVE BEEN PERSUADED THAT THE DIFFERENCE IN THE PREMIUM CHARGE

WILL BE SLIGHT. THE NEW "MARRIED - NO CHILDREN" CLASS WOULD APPLY

PRIMARILY TO COUPLES WHO HAVE PASSED THE CHILD-BEARING YEARS.

*we have been told*  
AS A GROUP, THIS AGE CATEGORY BECOMES A MORE FREQUENT USER OF MORE

EXPENSIVE COVERED HEALTH CARE SERVICES WHEREAS YOUNG FAMILIES,  
EVEN THOSE WITH SEVERAL CHILDREN, DO NOT DO SO BECAUSE OF THEIR  
GENERALLY MORE HEALTHY CONDITION. THIS PHILOSOPHY SEEMS TO BE  
BORNE OUT BY THE FACT THAT FEW GROUPS USE AND FEW INSURERS ENCOURAGE  
THIS SYSTEM OF RATE CLASSIFICATIONS. IF IT APPEARED LIKELY THAT  
A THREE RATE STRUCTURE WOULD FULFILL THE EXPECTATIONS OF ITS ADVOCATES,  
THE COMMITTEE WOULD HAVE NO HESITANCY IN IMPLEMENTING THIS APPROACH.  
IN THE PRESENCE OF A SERIOUS QUESTION AS TO WHETHER SUCH A CHANGE  
WOULD ACTUALLY BE AN IMPROVEMENT, HOWEVER, THE COMMITTEE'S CONCLUSION

TO DATE HAS BEEN THAT IT WOULD SIMPLY ADD ONE MORE COMPLICATION  
TO THE PROGRAM. EQUALLY IMPORTANT, IT WOULD NOT QUIET THE CRITICISM.  
IT MIGHT MUTE THE VOICES OF CHILDLESS COUPLES BUT THOSE WITH ONE  
CHILD INSTEAD OF TWO OR TWO INSTEAD OF THREE OR THREE INSTEAD OF  
FOUR WOULD START TO COMPLAIN.

IT MAY ALSO BE OF INTEREST THAT THE COMMITTEE IS CURRENTLY  
EXPLORING THE POSSIBILITY OF CHANGING THE EXISTING PROCEDURES WITH  
RESPECT TO ACTIVE EMPLOYEES WHO ARE ELIGIBLE FOR MEDICARE. THE  
STATE HEALTH PLAN HAS ALWAYS INCORPORATED A DIFFERENT RATE FOR

THOSE ELIGIBLE FOR MEDICARE. THIS IS, OF COURSE, NECESSARY BECAUSE

EVERYONE ELIGIBLE RECEIVES COVERAGE UNDER PART A -- THE HOSPITAL

COVERAGE PORTION -- OF MEDICARE. THUS, THE STATE OR ITS CITIZENS

SHOULD NOT PAY AN INSURANCE PREMIUM TO DUPLICATE MEDICARE COVERAGE.

THE DIFFICULTY THE COMMITTEE HAS BEEN CONFRONTED WITH RESULTS FROM

THE OPTIONAL PORTION OF MEDICARE -- PART B. INITIALLY, THE STATE

HEALTH PLAN FOR MEDICARE ELIGIBLES SIMPLY EXCLUDED BENEFITS RECEIVED

FROM MEDICARE. THIS POSED A PROBLEM BECAUSE THE VAST MAJORITY -

- BUT NOT ALL -- PEOPLE BUY PART B COVERAGE. BY EXCLUDING BENEFITS

*voluntarily  
not almost  
automatically*



RECEIVED, HOWEVER, PEOPLE WHO DID NOT BUY PART B WERE RECEIVING  
MORE COVERAGE FOR LESS TOTAL PREMIUM THAN WERE THOSE WHO UNDERSTANDABLY  
AND RESPONSIBLY PURCHASED PART B COVERAGE. TO CORRECT THIS DISCREPANCY,  
THE COMMITTEE ESTABLISHED A PROCEDURE WHEREBY THE BENEFITS UNDER  
THE MEDICARE EXCLUSION COVERAGE OF THE STATE PLAN WERE BASED ON  
WHAT A PERSON RECEIVED OR WOULD HAVE RECEIVED FROM MEDICARE HAD  
BOTH PART A AND PART B APPLIED. UNFORTUNATELY, THIS HAS A SIDE  
EFFECT THAT MAY BE AS BAD OR WORSE THAN THE INITIAL PROBLEM. HANDLING  
THE SITUATION THIS WAY MEANS THAT PEOPLE ELIGIBLE FOR MEDICARE

BUT STILL WORKING FOR THE STATE RECEIVE A REDUCED PREMIUM CONTRIBUTION  
FOR THEIR SINGLE COVERAGE AND -- TO HAVE ESSENTIALLY THE SAME BENEFITS  
-  
- - MUST PURCHASE PART B MEDICARE COVERAGE FOR APPROXIMATELY \$12  
PER MONTH. THE SIMPLE SOLUTION WOULD BE TO DISCOURAGE PEOPLE FROM  
BUYING PART B COVERAGE AND ASSUMING THOSE CLAIMS UNDER THE STATE  
PLAN. THIS IGNORES THE FACT, HOWEVER, THAT PERSONS NOT ENROLLING  
IN PART B OF MEDICARE AT THE FIRST OPPORTUNITY SUFFER A PENALTY  
IN THE FORM OF INCREASED PREMIUMS FOR EACH YEAR THEY ARE NOT ENROLLED.  
THUS, WHILE IT IS NOT THE SIMPLEST AND MAY EVEN BE IMPOSSIBLE,

A BETTER SOLUTION MIGHT BE FOR THE STATE TO BUY PART B COVERAGE  
ON BEHALF OF THOSE EMPLOYEES IN THIS PARTICULAR SITUATION.

IN TERMS OF PROBLEMS, STATE OFFICERS AND EMPLOYEES SOMETIMES  
FAIL TO REQUEST A DESIRED CHANGE IN THEIR SUBSCRIBER STATUS IN  
A TIMELY MANNER. THEY THEN DEMAND A REFUND OR THAT COVERAGE BE  
AFFORDED AS OF THE DATE THEY SPECIFY INSTEAD OF THE DATE ~~THAT~~ THE  
ESTABLISHED ACCOUNTING PROCEDURES PERMIT. THE COMMITTEE IN COOPERATION  
WITH THE DIVISION OF ACCOUNTS AND REPORTS HAS ESTABLISHED A PROCEDURE  
TO PERMIT FAVORABLE TREATMENT IF THE UNTIMELINESS OF THE CHANGE

5  
REQUEST RESULTED FROM AGENCY ERROR AND THE AGENCY SO INDICATES.

THIS STILL, OF COURSE, DOES NOT SATISFY OFFICERS AND EMPLOYEES

WHO WERE SIMPLY DILATORY.

ANOTHER POTENTIAL PROBLEM IS DEVELOPING WITH THE ADVENT OF  
MORE THAN ONE HMO SERVING PARTS OF THE SAME AREA. WE HAVE IT NOW  
WITH RESPECT TO THE HMO'S IN NEWTON AND WICHITA BECAUSE BOTH SERVE  
SOME OF THE SAME AREAS (IDENTIFIED BY ZIP CODE). IN SUCH CASES,  
IT APPEARS THE HMO WITH THE LOWEST BID SHOULD PREVAIL IN THE AREAS  
OF DUPLICATION AND THAT IS THE WAY THIS YEAR'S CONTRACT WAS AWARDED.

THE PROBLEM WITH THIS IN THE CONTEXT OF HMO'S IS THAT HMO'S PROVIDE SERVICE NOT DOLLARS. AS A RESULT, THIS PROCESS OF AWARDING BIDS COULD RESULT IN HAVING TO CHANGE DOCTORS AND MEDICAL TREATMENT FACILITIES DEPENDING ON WHICH HMO IS THE LOW BIDDER. A NEW HMO IS TAKING SHAPE IN THE K.C. AREA SO WE WILL BE FACED WITH THE SAME SITUATION THERE. THE OTHER SIDE OF THE COIN, OF COURSE, IS THE FACT THAT THE COMPETITIVE BIDDING PROCESS BECOMES A FARCE IF PRICE IS NOT THE MAJOR CONSIDERATION.

IF MY COMMENTS HAVE NOT BEEN ENLIGHTENING FROM THE STANDPOINT

OF GUIDING YOU TOWARD A RECOMMENDATION, I APOLOGIZE. BY THE SAME  
TOKEN, IF MY COMMENTS SOUND AS THOUGH I AM DEFENDING THE COMMITTEE'S  
ACTIONS YOU MAY ASSUME IT WAS INTENTIONAL. THE OFFICERS AND EMPLOYEES  
OF THIS STATE ENJOY VERY GOOD HEALTH INSURANCE BENEFITS AND WE  
ENCOUNTER VERY FEW CRITICISMS ABOUT THE COVERAGE. THE PROBLEM  
IS THE COST AND THIS PROBLEM IS NOT CAUSED BY THE COMMITTEE ON  
SURETY BONDS AND INSURANCE OR KANSAS BLUE CROSS AND BLUE SHIELD.

WE DON'T BUILD THE NEW HOSPITAL WINGS, BUY THE "CAT" SCANNERS,

ORDER THE TESTS OR PERFORM THE SURGERIES, AND THAT IS WHERE THE

*And, most important, we don't  
establish the prices charged.*

COST PROBLEM IS -- THE PREMIUMS THE STATE AND ITS EMPLOYEES PAY  
ARE SIMPLY A REFLECTION OF THOSE COSTS. IN ORDER TO CONFIRM THE  
FIGURES PERIODICALLY PROVIDED THE COMMITTEE BY BLUE CROSS AND BLUE  
SHIELD, WE HAVE TWICE HAD ONE OF OUR EXAMINERS CONDUCT AN INDEPENDENT  
AUDIT OF THE STATE HEALTH INSURANCE PROGRAM. A COPY OF THE LAST  
TWO AUDIT REPORTS COVERING THE CONTRACT YEAR<sup>S</sup> ENDING 7/31/77 THROUGH  
*as well as a copy of my remarks*  
7/31/82, HAS BEEN PROVIDED THE CHAIRMAN. I BELIEVE STAFF HAS ALSO  
PROVIDED THE COMMITTEE A COPY OF A REPORT ON THE STATE GROUP HEALTH  
EXPERIENCE PREPARED BY KANSAS BLUE CROSS AND BLUE SHIELD.

I WILL BE HAPPY TO TRY TO ANSWER ANY QUESTIONS OR PROVIDE ANY ADDITIONAL MATERIAL THE COMMITTEE THINKS WOULD BE HELPFUL. BEFORE DOING SO, HOWEVER, I HAVE ONE LAST COMMENT AND THAT IS THAT THE STATE COMMITTEE ON SURETY BONDS AND INSURANCE DOES NOT HAVE ANY PARTICULAR INTEREST IN PRESERVING ITS AUTHORITY OR RESPONSIBILITIES WITH RESPECT TO THE STATE HEALTH INSURANCE PLAN. PROCUREMENT AND ADMINISTRATION OF THE STATE GROUP HEALTH INSURANCE PROGRAM IS ONE OF THE MOST THANKLESS JOBS IN STATE GOVERNMENT. THUS, THEY WILL SHED NO TEARS IF, THROUGH THIS COMMITTEE OR OTHER CONFEREES, A



BETTER VEHICLE CAN BE FOUND AND, AS OFFICERS OF THE STATE THEY

WILL SHARE IN THE JOY OF AN EQUIVALENT OR BETTER HEALTH INSURANCE

PROGRAM AT A STABILIZED OR REDUCED COST.

THANK YOU.