

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by Senator Paul Hess at _____
Chairperson

2:30 a/m/p.m. on January 27, 1983, 19 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Research Department: Marlin Rein, Sherry Brown, Mary Galligan, David Monical,
Ed Ahrens

Revisor's Office: Norman Furse

Committee Staff: Mark Skinner, Administrative Aide; Doris Fager, Secretary

Conferees appearing before the committee:

Pat Hurley, Secretary of Administration

Dick Brock, Office of the Insurance Commissioner

Joan Klesath, Kansas Association of Public Employees

Jack Roberts, Blue Cross-Blue Shield

Keith Landis, Christian Science Committee on Publication

Col. James E. Fox, President, National Guard Association of Kansas

Chief M/S Melvin Simpson, Chairman, Legislative Committee of the Enlisted
Association of the National Guard of Kansas

Col. (Retired) Michael Sarras, Chairman, Legislative Committee of the National Guard
Association of Kansas

Col. Gene Budig, Deputy Chief of Staff, Kansas Air National Guard

Major Gen. Ralph T. Tice, Adjutant General of Kansas

SB 12 - Establishing State Health Care Benefits Program

Senator Hess explained that the bill being discussed is the product of an interim committee study. He then gave a brief background and explanation of the measure.

Mr. Hurley gave a historical overview of Senate Bill 12. He distributed a written presentation (Attachment A). He also distributed Attachment B and Attachment C, a memorandum concerning Health Insurance Benefits Program, and a balloon of SB 12 noting suggested amendments. Mr. Hurley said his department supports the basic concept of SB 12. There was a limited discussion following his presentation.

At this point, Senator Hess noted that he felt a subcommittee was needed to study the proposal in detail, and he appointed the following persons: Senator Werts, Chairman; Senator Hein, and Senator Steineger.

Mr. Brock presented a copy of testimony which he had prepared for the Interim Committee on this subject (See Attachment D). He stated that SB 12 is a step in the right direction. He noted that the Surety Bond Committee has operated under fairly rigid statutes--there has been no staff, no budget, etc. He suggested that both benefits and eligibility need to be studied when looking at the health care benefits program in Kansas. He added that the "deductible" and "co-pay" elements of health care benefits may be suggested by the Committee on Surety Bonds and Insurance before the Legislative session is over. Committee members were given opportunity to question Mr. Brock.

Ms. Klesath noted that she understands the need for cost containment measures in the state health care benefits program. She said her organization would like to be a part of an advisory committee that might be established, so that the feelings of employees could be projected. There was a brief discussion concerning Ms. Klesath's presentation.

SB 12 - Continued

Mr. Roberts commented that Blue Cross-Blue Shield has no problem with either SB 12 or SB 18. His company will be glad to cooperate with whatever method the state decides to use for its health care benefits program.

Mr. Landis distributed copies of his presentation (Attachment E). Committee members were given opportunity to question him. The Chairman noted that Mr. Landis' suggestion in Attachment E would be referred to the subcommittee appointed earlier in the meeting.

No action was taken on SB 12.

SB 18 - Creating Joint Committee on State Employee Compensation and Benefits

Secretary Hurley said it is his understanding that, because of the magnitude of the fringe benefits problem, it is difficult to recommend a change in detail; therefore, SB 18 creates a committee that would be similar to the Joint Committee on State Building Construction. He indicated he has mixed feelings about the proposal. He shares the frustration of legislators in attempting to deal with matters at any great length during the legislative session; however, he has welcomed discussing with subcommittees any problems relating to the Department of Administration. He added that he wonders if the problem would be solved by the proposals in SB 18.

In answer to a question from Senator Hess, Mr. Hurley said the covered payroll fringe benefits represent 20% to 30% of the payroll; and added he would be happy to share this information with the committee.

Ms. Klesath stated that the Kansas Association of Public Employees supports the concept of SB 18.

Mr. Roberts noted that he had previously stated his organization had no problem with SB 18.

SB 72 - Tuition Grants for Army and Air National Guard Members

Col. Fox presented his written testimony (Attachment F) Following his statement, he was asked how many states have similar tuition grant programs. He said 43 states have some sort of assistance, while Kansas has none. General Tice noted that Kansas has some tuition assistance for R.O.T.C. students.

Col. Sarras referred to Attachment F and called attention to some of the statistics presented in the testimony. Members were given opportunity to ask questions.

Col. Budig noted that the Air National Guard is stressing post-secondary education. He noted that Nebraska covers 75% of tuition costs for Guard Members; and West Virginia paid 100% of the tuition.

There were questions from committee members for Col. Budig concerning salaries of Guard members, etc.

Chief M/S Simpson distributed his written statement (Attachment G). Committee members were given opportunity to question him.


General Tice completed the testimony of the Adjutant General's Office and the National Guard. He presented his written statement (Attachment H). Following a short discussion, the Chairman explained that no action would be taken on SB 72 at this meeting.

The meeting was adjourned by the Chairman.

STATE OF KANSAS
DEPARTMENT OF ADMINISTRATION
JOHN CARLIN, Governor
PATRICK J. HURLEY, Secretary of Administration
Room 263-E, Capitol Building
(913) 296-3011

MEMORANDUM

TO: Senate Ways and Means Committee

FROM: Patrick J. Hurley, Secretary of Administration 

DATE: January 27, 1983

SUBJECT: Senate Bill 12 - Health Insurance

By way of historical background, since 1969 the Committee on Surety Bonds and Insurance has annually bid the group health insurance contract that provides the coverage for state employees. This committee is composed of the State Insurance Commissioner, Attorney General and State Treasurer. Although the statutes require the contract to be competitively bid, in recent years there has been only one insurer submitting bids. Because of this annual bid procedure, the current system of procurement appears to discourage true competition. This is due in large part to the sizable financial outlay a bidder would have to initially incur to establish an office and office staff to carry out a contract that is only assured for one year.

Since 1969, the State of Kansas has paid the single member premium for group health insurance contracts. Although the benefit coverage has not changed significantly, the costs for such coverage has steadily increased from the \$8.32 level in 1969 to \$66.70 for the current fiscal year. The FY 1982 costs increased over 25% from the prior year, 21% in FY 1983 and an estimated 41% for FY 1984. The State's cost for single member employee coverage was \$22.4 million in FY 1982, \$27.2 million in FY 1983, and \$38.5 million was projected for FY 1984. Blue Cross/Blue Shield has indicated that the FY 1984 projection will be revised downward and revised estimates should be available in the near future. These increases are not only the concern of the State as an employer, but the employee as well. Although the single member premium is paid by the employer, the employees bear the cost of providing coverage for their dependents. This cost for dependent coverage has risen at roughly the same rate as the single member premium. The employees' costs for dependent coverage was \$93.42 a month in FY 1982, \$112.64 for FY 1983, and would be roughly \$159.00 in FY 1984 based upon the same percentage increase as the earlier estimate for the single member premium increase. In meetings with employee

organizations pursuant to the Public Employees Relations Act, our Department increasingly hears concerns raised as to the rapidly rising costs of health insurance coverage. We share that concern, both as to the financial impact on the employee and the employer.

The report of the Interim Special Committee on Health Insurance likewise has expressed this concern for rising health care costs. Further, by placing responsibility for health care benefits in the Department of Administration, the Committee has recognized that health care is a part of the overall package of benefits provided state employees. I believe that this is a logical change that will be helpful in administering and balancing the benefits of state employees. Senate Bill No. 12, which was recommended by the Interim Committee, gives to my Department a great amount of flexibility in designing a health benefits program. Although we concur with the bill and will not be proposing major changes to it, there are several modifications which we will request.

Since before the completion of the Interim Committee's work, my Department has been taking steps to address the area of health care benefits. We have contracted with the Martin E. Segal Company, a nationwide firm of consultants and actuaries, to study the State's current program and advise us as to future steps that can be taken to reduce the rapid rate of increase in health care costs. We have arranged for the Segal Company representative, Mr. John Kuykendall, to be available to appear before this Committee, and two House committees, Thursday of next week. Copies of his report will be provided the committees in advance of his appearance.

Preliminary discussions between my staff and the consultant have brought forth several items I want to mention at this time. First, it is not realistic to assume that with the passage and implementation of Senate Bill 12, employer or employee costs for health care coverage will decrease. Reasonably, my Department's basic objective in assuming the program will be to hold down the rate of future cost increases.

Secondly, while the concept of the State providing employee health benefits on a self-funded and/or a stop-loss basis is viable, this change alone will not result in any real significant change in costs.

To significantly reduce health care cost to the employer in the short term requires either (1) a reduction in the single member premium paid by the State or (2) a reduction in the benefits. These types of actions do not create overall cost reductions, they merely shift the burden from the employer to employee. The long term reductions in the rate of increases in costs must be achieved through cost containment measures. The Segal report will mention a variety of steps in this regard, such as second surgical opinions, pre-admission testing, provider utilization review, hospital admissions review, health education and preventive health care programs.

Already one principle regarding cost containment appears true to me - to the extent that the initial costs of implementing cost containment measures are held down, the potential for future savings will be reduced. Included in my Department's FY 1984 budget is \$425,000 to undertake the responsibilities envisioned by Senate Bill No. 12. In order to organize and be ready to implement the type of state health care benefits program that is envisioned by Senate Bill 12, I believe that a portion of that amount should be made available in FY 1983, at the time the bill passes the Legislature. Over the long term I believe reductions in the rate of annual increases of health benefits costs are achievable so long as adequate funds are provided to initiate proper cost containment measures.

I look forward to working with you in the days ahead on the budget and structuring of a meaningful health care benefits program.

STATE OF KANSAS
DEPARTMENT OF ADMINISTRATION
JOHN CARLIN, Governor
PATRICK J. HURLEY, Secretary of Administration
Room 263-E, Capitol Building
(913) 296-3011

MEMORANDUM

TO: Senate Ways and Means Committee
FROM: Patrick J. Hurley, Secretary of Administration
DATE: January 27, 1983
SUBJECT: Health Insurance Benefits Program

Based on discussions with Segal & Co., the following is a brief outline of the affects of transfer of the employee health benefits program to the Department of Administration.

I. General Considerations

A. Legislation (per balloon) would authorize the Department of Administration to assume responsibility for a state employee health insurance program beginning with FY 1985.

B. A full year will be required to develop alternative program administrative proposals which will heavily emphasize cost containment measures. These cost containment measures primarily focus on decreasing usage of health care services, primarily hospital services, yet continuing to provide those services which employees need. Many of these cost containment measures result in substituting less costly, but equally effective, services for many presently used.

C. It is likely that self insuring in some form will be recommended, as this method lends itself most effectively to the implementation of many of the possible cost containment measures. Many of the possible cost containment measures are difficult or less effective to implement through standard insurance companies. Claim processing would be handled by a contractor.

D. Future cost savings will be in the form of reduced annual increases--not reductions in current costs. Industry averages indicate that plans similar to the present state insurance contract would likely increase at about 20% or more per year. With effective cost containment measures, these increases could possible be held to 5-10% per year.

ATB 1-27-83 2:30p.m

E. No significant savings are likely to be realized as a result of the state administering or self insuring. While there will be some additional interest earnings by self insuring, there will be offsetting reductions in receipts to the state general fund and larger administrative expenses, primarily for contractual services for claims processing and cost containment activities.

F. To undertake this, the Department will require an FY 1983-1984 appropriation. For FY 1983, the Department will need approximately \$100,000, of which \$60,000 would be for a consultant/actuary contract to assist in program design and detailed implementation planning and \$40,000 would be for initial program staffing of a program director and clerical support. It is anticipated that the program director would be someone with ten or more years experience in administration of employee and health benefits as well as other insurance and claims experience (salary of \$25,000 to \$35,000). Present FY 1983 estimate of expenditures would be \$15,000 for salaries and \$25,000 of other expenses including furniture, travel, rent, etc. For FY 1984, the Department would require an estimated \$270,000--\$60,000 for consultant/actuary services, \$150,000 for cost containment contract services, \$42,000 for salaries for two positions, and \$18,000 for staff operating expenses. Funding for both FY 1983 and FY 1984 will need to be from the state general fund, but in subsequent years would be from insurance charges.

II. Proposed Timetable

A. May through December 1983: development and design of detailed health benefits program, gathering of historical data on prior usage, design of alternative cost containment measures, and coordination with surety and bonds committee on insurance carrier for FY 1984.

B. January through April 1984: presentation of detailed proposals to Legislature and finalization of FY 1985 health benefits program.

C. April through June, 1984: solicitation and selection of contract service providers, development of health benefits information for employees, continued work on cost containment system development.

D. July through December 1984: initial program implementation, which may in part include continued purchase of insurance until self insured program could be started, development of FY 1986 health benefits program.

E. January through April 1985: presentation of FY 1986 health benefits program to Legislature and finalization of program and cost containment activities.

F. April through June 1985: solicitation and selection of contract services, development of program information for employees, etc.

G. July through June, FY 1986: first full year of program operations.

III. Summary

A. Basic objective in assuming program is to hold down the rate of future cost increases--reductions in current costs should not be expected. After two to four years of operation the cost containment efforts will begin to pay off and hopefully moderate annual cost increases by about 10-15%, i.e., reduced annual increases from 20% or more to 5-10%.

B. In the short term the only way to significantly minimize cost increases to the state is to shift a greater burden to the employee--such as through deductibles and coinsurance.

C. To develop and implement a program beginning in FY 1985, an appropriation will be required to finance the necessary front end costs and design cost containment efforts which will reduce future program costs. To the extent that the front end costs are held down, the potential for future savings are reduced. Once the program is in operation, overall administrative costs are likely to be higher than under present program due to higher costs for pursuing cost containment measures which will generate future cost savings of far greater magnitudes.

D. Over the long term, reductions in the rate of annual increases are possible, but this will require expenditures up front for start up and adequate administrative and cost containment financing. No one should expect to see actual reductions in health benefit program costs below present levels.

SENATE BILL No. 12

By Special Committee on State Health Insurance

Re Proposal No. 29

12-20

0018 AN ACT establishing the state health care benefits program;
0019 providing for the administration thereof, by the secretary of
0020 administration; amending K.S.A. 20-353 and 40-223 and K.S.A.
0021 1982 Supp. 75-4101, 75-4105 and 75-4106 and repealing the
0022 existing sections; and also repealing K.S.A. 1982 Supp. 75-
0023 4108, 75-4108a, 75-4110, 75-4113 and 75-4113a.

0024 *Be it enacted by the Legislature of the State of Kansas:*

0025 New Section 1. (a) Within the limits of appropriations there-
0026 for and subject to the provisions of appropriation acts relating
0027 thereto, the secretary of administration shall develop and pro-
0028 vide for the implementation of a state health care benefits pro-
0029 gram. The state health care benefits program may provide ben-
0030 efits for persons qualified to participate in the program for
0031 hospitalization, medical services, surgical services and other
0032 health services ~~and~~ may include provisions relating to qualifica-
0033 tions for benefits, services covered, schedules and graduation of
0034 benefits, conversion privileges, deductible amounts, limitations
0035 on eligibility for benefits by reason of termination of employ-
0036 ment or other change of status, leaves of absence, military ser-
0037 vice or other interruptions in service ~~and other reasonable pro-~~
0038 ~~visions as may be established by the secretary.~~

0039 ~~(b) The secretary of administration shall designate by rules~~
0040 ~~and regulations those persons who are qualified to participate in~~
0041 ~~the state health care benefits program and the amount of the~~
0042 ~~costs of the state health care benefits program payable by such~~
0043 ~~persons. In designating persons qualified to participate in the~~
0044 ~~state health care benefits program, the secretary may establish~~
45 ~~such conditions, restrictions, limitations and exclusions as the~~

(b) There is hereby created within the department of administration the position of administrator of the state health care benefits program, which shall be within the unclassified service. The administrator shall have the responsibility to assist the secretary of administration in administering the state health care benefits program, carrying out the provisions of this act and performing such other duties as may be assigned by the secretary of administration.

(c)

The program

such provisions as are established by the secretary of administration, including but not limited to

(d) There is hereby established an advisory committee on health benefits which shall be composed of the secretary of administration, the director of purchases, the director of accounts and reports, the state commissioner of insurance and one employee appointed by the governor. The secretary of administration shall be the chairperson of the committee. The advisory committee may authorize the payments of amounts provided in subsection (e) of K.S.A. 75-3223, and compensation as provided in subsection (a) of K.S.A. 75-3223, to persons assisting the committee in the establishment and administration of the state health care benefits program.

ATTN 1-27-83 2:30p

0046 secretary deems reasonable.

0047 ~~(e)~~ The state health care benefits program established under
0048 this act shall be effective on and after August 1, 1984.

0049 New Sec. 2. (a) Subject to the provisions of appropriation
0050 acts relating thereto, in developing and providing for the imple-
0051 mentation of a state health care benefits program the secretary of
0052 administration may:

0053 (1) Enter into one or more group insurance contracts to pro-
0054 vide coverage for all or part of the state health care benefits
0055 program;

0056 (2) establish a self-funded program on an actuarially sound
0057 basis to provide coverage for all or part of the state health care
0058 benefits program and administer the self-funded program or
0059 contract for all or part of the administration of the self-funded
0060 program;

0061 (3) provide for the self-administration of all or part of the state
0062 health care benefits program;

0063 (4) enter into contracts with one or more health care provid-
0064 ers for the provision of health care services;

0065 (5) enter into contracts in accordance with the provisions of
0066 section 3 with one or more health maintenance organizations for
0067 the provision of health care services; or

0068 (6) perform any combination of the authority granted under
0069 this subsection (a).

0070 (b) All group insurance contracts, contracts for health care
0071 services of a health maintenance organization and contracts for
0072 the administration of a self-funded program authorized under
0073 subsection (a) shall be subject to the competitive bid require-
0074 ments of K.S.A. 75-3739 and amendments thereto. The secretary
0075 of administration may negotiate contracts under paragraph (4) of
0076 subsection (a), and these contracts shall not be subject to the
0077 competitive bid requirements of K.S.A. 75-3739 and amend-
0078 ments thereto.

0079 New Sec. 3. The secretary, in accordance with the provi-
0080 sions of section 2, may contract to provide health care services of
0081 a health maintenance organization for persons qualified to par-
0082 ticipate in the state health care benefits program. The contract

(e)

Subject to the provisions of subsection (c),

(c) Subject to the approval of the advisory committee on health benefits, the administrator of the state health benefits program is authorized to negotiate and enter into contracts with qualified insurers and other contracting parties for the purpose of establishing a state health care benefits program, including the acquisition of actuarial and other services necessary therefor. The committee shall advertise for proposals, shall negotiate with not less than three firms or other parties submitting proposals, and shall select from among those submitting proposals the firm or other contracting party to contract with for the purpose of entering into contracts for services related to the state health care benefits program. Contracts entered into pursuant to this subsection (c) shall not be subject to the provisions of K.S.A. 75-3738 through 75-3740, and amendments thereto.

0083 shall provide that coverage under the contract is applicable to
0084 those persons qualified to participate in the state health care
0085 benefits program as the secretary determines feasible. This cov-
0086 erage may be available to such qualified persons as an alterna-
0087 tive to other benefits under the state health care benefits pro-
0088 gram or may be part of the benefits provided to such persons
0089 under the program. The contract may include services for
0090 spouses and dependents of members at rates established in
0091 accordance with such contract. A contract to provide health care
0092 services of a health maintenance organization under this section
0093 shall be construed to be part of the state health care benefits
0094 program.

0095 New Sec. 4. The participation of a person qualified to par-
0096 ticipate in the state health care benefits program shall be volun-
0097 tary, and the cost of the state health care benefits program for
0098 such person shall be established by the secretary of administra-
0099 tion. Periodic deductions from state payrolls may be made in
0100 accordance with procedures prescribed by the secretary of ad-
0101 ministration to cover the costs of the state health care benefits
0102 program payable by persons who are on the state payroll when
0103 authorized by such persons. Any such periodic payroll deduc-
0104 tions in effect on an implementation date for biweekly payroll
0105 periods shall be collected in the manner prescribed by the
0106 secretary of administration.

0107 New Sec. 5. (a) There is hereby created in the state treasury
0108 the health care benefits program fund. The cost of the state
0109 health care benefits program shall be paid from this fund. The
0110 secretary of administration shall remit all moneys received by or
0111 for the secretary in the capacity as administrator of the state
0112 health care benefits program to the state treasurer. Upon receipt
0113 of such remittance the state treasurer shall deposit the entire
0114 amount thereof in the state treasury to the credit of the health
0115 care benefits program fund. All expenditures from the health
0116 care benefits program fund shall be made in accordance with
0117 appropriation acts upon warrants of the director of accounts and
0118 reports issued pursuant to vouchers approved by the secretary of
0119 administration or by a person designated by the secretary. ←

The director of accounts and reports shall issue warrants pursuant to vouchers approved by the secretary for payments from the fund notwithstanding the fact that claims for such payments were not submitted or processed for payment from money appropriated for the fiscal year in which the fund first became liable to make such payments.

0120 (b) The pooled money investment board may invest and
0121 reinvest moneys in the health care benefits program fund in
0122 obligations of the United States of America or obligations the
0123 principal and interest of which are guaranteed by the United
0124 States of America or in interest-bearing time deposits in any
0125 commercial bank or trust company located in Kansas, or, if the
0126 board determines that it is impossible to deposit such moneys in
0127 such time deposits, in repurchase agreements of less than 30
0128 days' duration with a Kansas bank for direct obligations of, or
0129 obligations that are insured as to principal and interest by, the
0130 United States government or any agency thereof. Any income or
0131 interest earned by such investments shall be credited to the
0132 health care benefits program fund.

0133 (c) Each state agency which has on its payroll persons par-
0134 ticipating in the state health care benefits program shall pay from
0135 any moneys available to the agency for such purpose an amount
0136 specified by the secretary of administration as the cost to the
0137 agency for the state's contribution for persons participating in the
0138 state health care benefits program.

0139 (d) Payments from public funds for coverage under the state
0140 health care benefits program for persons participating in that
0141 program shall not be deemed a payment or supplement of wages
0142 of such person notwithstanding any other provision of law or
0143 rules and regulations relating to wages of any such person.

0144 (e) Commencing with the regular session of the legislature in
0145 1984 and with each regular session of the legislature thereafter,
0146 the secretary of administration shall submit to the president of
0147 the senate and to the speaker of the house of representatives, on
0148 the day the governor's budget report is submitted to the legisla-
0149 ture, recommendations with respect to the state health care
0150 benefits program together with estimates of the cost of the
0151 program proposed by the secretary ~~including a five year proj-~~
0152 ~~ection of the cost of the program~~. Together with the recommen-
0153 dations submitted, the secretary of administration shall include
0154 alternatives for cost containment and benefit coverage for quali-
0155 fied persons for ~~both~~ the proposed program ~~and the five year~~
0156 ~~projected program~~.

0157 New Sec. 6. In administering the provisions of sections 1 to
0158 6, inclusive, the secretary of administration may:

0159 (a) Adopt rules and regulations as provided in K.S.A. 1982
0160 Supp. 75-3706 and amendments thereto;

0161 (b) enter into such contracts as may be necessary; and

0162 (c) establish an advisory committee to advise the secretary on
0163 matters relating to fringe benefits of state officers and employees
0164 and to assist the secretary in the development of policy with
0165 respect to such fringe benefits.

0166 New Sec. 7. The director of accounts and reports shall make
0167 periodic deductions from state retirement or other benefit pay-
0168 ments to retired state officers and employees and other persons
0169 who are qualified to participate in the state health care benefits
0170 program for the costs of the state health care benefits program
0171 which are payable by such retired state officers and employees
0172 and other persons when authorized to make such deductions by
0173 the written, voluntary authorization of such retired state officers
0174 and employees and other persons. No such authorization shall be
0175 construed to be an assignment of any annuity, benefits, funds,
0176 property or rights of any person under K.S.A. 74-4923 and
0177 amendments thereto.

0178 Sec. ~~8.9~~. On August 1, 1984, K.S.A. 20-358 is hereby amended
0179 to read as follows: 20-358. With regard to district court officers
0180 and employees whose total salary is payable by a county, such
0181 county shall either provide for insurance coverage for hospital-
0182 ization, medical services, surgical services and other health
0183 services at least equal to insurance coverage provided to other
0184 state officers and employees pursuant to K.S.A. 75-4108, and any
0185 amendments thereto, under the state health care benefits pro-
0186 gram or, if such district court officers and employees are desig-
0187 nated by the secretary of administration under subsection (b) of
0188 section 1 as qualified to participate in the state health care
0189 benefits program, shall pay the employer's costs for enrolling
0190 such employees under the same insurance coverage plan pro-
0191 vided to other state officers and employees state health care
0192 benefits program. In the event a county elects the latter type of
0193 insurance coverage, counties shall remit the employer and em-

New Sec. 8. In contracting pursuant to K.S.A. 1982 Supp. 75-4108 for hospitalization, medical, surgical or other health services, including services of health maintenance organizations, the next contracts entered into by the committee on surety bonds and insurance shall be for a term ending July 31, 1984, except that such contracts shall include provisions which provide for an option to extend the coverage under the contract, on a month-to-month basis for up to six additional months. The costs for such extended coverage for each additional month shall be specified in the contract. Such contracts shall provide that the secretary of administration shall be the individual authorized to exercise the option to extend such coverage.

0194 ployee premiums to the ~~director of accounts and reports secre-~~
0195 ~~tary of administration~~ in accordance with the directions of ~~said~~
0196 ~~director the secretary of administration~~, and counties may adopt
0197 the same type payroll deduction plan for employee premiums as
0198 provided in K.S.A. 75-4108a, and any amendments thereto, for
0199 other state officers and employees; section 4. The provisions of
0200 K.S.A. 75-4110 and 75-4113, and any amendments thereto, sec-
0201 tions 1 to 6, inclusive, shall be applicable to such employees in
0202 the same manner as other state officers and employees persons
0203 eligible to participate in the state health care benefits program.

0204 Sec. ~~6.~~ On August 1, 1984, K.S.A. 40-223 is hereby amended
0205 to read as follows: 40-223. Any person ~~or persons who shall make~~
0206 ~~who makes~~ any examination under the provisions of this act,
0207 except as provided in K.S.A. 40-110 and 40-253 and amendments
0208 thereto, may receive, as full compensation for such person's
0209 services, on a per diem basis an amount fixed by the commis-
0210 sioner, which shall not exceed the amount recommended by the
0211 national association of insurance commissioners, for such time
0212 necessarily and actually occupied in going to and returning from
0213 the place of such examination and for such time the examiner is
0214 necessarily and actually engaged in making such examination
0215 including any day within the regular work week when the
0216 examiner would have been so engaged had the company or
0217 society been open for business, together with such necessary and
0218 actual expenses for traveling and subsistence as the examiner
0219 shall incur ~~and on account~~ because of the performance of such
0220 services. For the purposes of this act, "necessary and actual
0221 expenses" shall be limited, whether for travel within the state or
0222 travel outside the state, to those limitations expressed in K.S.A.
0223 ~~1980 Supp.~~ 75-3207 and amendments thereto which pertain to
0224 official travel outside the state. The daily charge shall be cal-
0225 culated by dividing the amount the examiner is authorized by
0226 the commissioner of insurance to charge per week by the
0227 number of days in the regular work week of the company or
0228 society being examined.

0229 All of ~~said~~ such compensation, expenses, the employer's share
0230 of the federal insurance contributions act taxes, the employer's

10.

0231 contribution to the Kansas public employees retirement system
0232 as provided in K.S.A. 74-4920 *and amendments thereto*, the
0233 self-insurance assessment for the workmen's compensation act as
0234 provided in K.S.A. 44-576 *and amendments thereto*, the single
0235 member premium under the group health insurance plan as
0236 provided in K.S.A. 1980 Supp. 75-4110 and 75-4113 and acts
0237 ~~amendatory thereof or supplemental thereto~~ *employer's cost of*
0238 *the state health care benefits program under section 5*, and a pro
0239 rata amount determined by the commissioner to provide annual
0240 leave for the examiner not to exceed the number of days allowed
0241 state officers and employees in the classified service pursuant to
0242 regulations promulgated in accordance with the Kansas civil
0243 service act, shall be paid to the commissioner of insurance by the
0244 insurance company or society so examined, on demand of the
0245 commissioner. Such demand shall be accompanied by the sworn
0246 statement of the person making such examination, setting forth
0247 in separate items the number of days necessarily and actually
0248 occupied in going to and returning from the place of such
0249 examination, the number of days the examiners were necessarily
0250 and actually engaged in making such examination including
0251 those days within the regular work week while the examination
0252 was in progress and the company or society had closed for
0253 business, and the necessary and actual expenses for traveling
0254 and subsistence, incurred in and on account of such services. A
0255 duplicate of every such sworn statement shall be kept on file in
0256 the office of the commissioner of insurance. All moneys so paid
0257 to the commissioner of insurance shall be remitted to the state
0258 treasurer and the state treasurer shall issue duplicate receipts
0259 therefor, one to be delivered to the commissioner of insurance
0260 and the other to be filed with the director of accounts and
0261 reports.

0262 Sec. ~~10~~ On August 1, 1984, K.S.A. 1982 Supp. 75-4101 is
0263 hereby amended to read as follows: 75-4101. (a) There is hereby
0264 created a committee on surety bonds and insurance, which shall
0265 consist of the state treasurer, the attorney general, and the
0266 commissioner of insurance. The commissioner of insurance shall
0267 be the chairperson of the committee and the director of pur-

11.

0268 chases shall be ex officio secretary. The committee shall meet on
0269 call of the chairperson and at such other times as the committee
0270 shall determine but at least once a month on the second Monday
0271 in each month. Meetings shall be held in the office of the
0272 commissioner of insurance. The members of the committee shall
0273 serve without compensation. The secretary shall be the custo-
0274 dian of all property, records, and proceedings of the committee.
0275 Except as provided in subsection (b) and in K.S.A. 74-4925 and
0276 74-4927, and amendments thereto, *and in sections 1 to 6, inclu-*
0277 *sive*, no state agency shall purchase any insurance of any kind or
0278 nature, ~~any health care services of a health maintenance organi-~~
0279 ~~zation~~ or any surety bonds upon state officers or employees,
0280 except as provided in this act, *Effective on August 1, 1984, and*
0281 *except as otherwise provided in this section, health care cover-*
0282 *age and health care services of a health maintenance organiza-*
0283 *tion for state officers and employees designated under subsec-*
0284 *tion (b) of section 1 shall be provided in accordance with the*
0285 *provisions of sections 1 to 6, inclusive.*

0286 (b) The Kansas turnpike authority may purchase group life,
0287 health and accident insurance or health care services of a health
0288 maintenance organization for its employees or members of the
0289 highway patrol assigned, by contract or agreement entered pur-
0290 suant to K.S.A. 68-2025, and amendments thereto, to police toll
0291 or turnpike facilities, independent of the committee on surety
0292 bonds and insurance *and of the provisions of sections 1 to 6,*
0293 *inclusive.* Such authority may purchase liability insurance cov-
0294 ering all or any part of its operations and may purchase liability
0295 and related insurance upon all vehicles owned or operated by
0296 the authority, and such insurance may be purchased without
0297 complying with K.S.A. 75-3738 to 75-3744, inclusive, and
0298 amendments thereto. Any board of county commissioners may
0299 purchase such insurance or health care services, independent of
0300 such committee, for district court officers and employees any
0301 part of whose total salary is payable by the county. Nothing in
0302 any other provision of the laws of this state shall be construed as
0303 prohibiting members of the highway patrol so assigned to police
0304 toll or turnpike facilities from receiving compensation in the

0305 form of insurance or health maintenance organization coverage
0306 as herein authorized.

0307 Sec. ~~11~~ On August 1, 1984, K.S.A. 1982 Supp. 75-4105 is
0308 hereby amended to read as follows: 75-4105. All surety bonds,
0309 *and* insurance contracts ~~and contracts for health care services of a~~
0310 ~~health maintenance organization~~ purchased pursuant to this act
0311 shall be purchased by the committee in the manner prescribed
0312 for the purchase of supplies, materials, equipment or contractual
0313 services under K.S.A. 75-3738 to 75-3744, inclusive, and amend-
0314 ments thereto. The director of accounts and reports shall not pay
0315 any premium or rate on any surety bond; *or* insurance contract ~~or~~
0316 ~~contract for health care services of a health maintenance organi-~~
0317 ~~zation~~ until the purchase of such surety bond or contract shall
0318 have been approved by the secretary of the committee. Surety
0319 bonds; *or* insurance contracts ~~or contracts for health care services~~
0320 ~~of a health maintenance organization~~ having a premium or rate in
0321 excess of ~~fifty dollars (\$50)~~ \$50 purchased hereunder shall be
0322 purchased on sealed bids as provided by law for the purchase of
0323 other materials, equipment or contractual services. Where more
0324 than one ~~(1)~~ state agency is covered by any bond; *or* insurance
0325 contract ~~or contract for health care services of a health mainte-~~
0326 ~~nance organization~~, the committee shall prorate the cost of pre-
0327 miums or rates on any and all such bonds or contracts, except as
0328 provided in K.S.A. 75-4114 ~~and K.S.A. 1982 Supp. 75-4108~~, and
0329 amendments thereto, purchased as charges upon the funds of the
0330 state agency wherein any covered state officers or employees are
0331 employed or covered property is located or controlled. Such
0332 prorated charges shall constitute a lawful charge by the commit-
0333 tee upon the funds available to any such state agency and shall
0334 be paid by each such state agency to the committee, or to the
0335 surety; *or* insurance carrier ~~or health maintenance organization~~ if
0336 the committee requires it, in the manner provided by law for the
0337 payment of other obligations of such state agency. ~~Nothing in~~
0338 ~~this act shall prohibit the committee, in its discretion, from~~
0339 ~~renewing a group insurance or health maintenance organization~~
0340 ~~contract or contracts which provide for hospitalization, medical~~
0341 ~~services, surgical services or other health services or any combi-~~

12.

0342 nation thereof, and all such contracts shall be contracted in
0343 accordance with K.S.A. 75-3738 to 75-3744, inclusive, and acts
0344 amendatory thereof.

0345 Sec. 12 On August 1, 1984, K.S.A. 1982 Supp. 75-4106 is
0346 hereby amended to read as follows: 75-4106. All surety bonds, or
0347 insurance contracts and contracts for health care services of a
0348 health maintenance organization purchased shall be kept in the
0349 office of the secretary of the committee or in the office of his or
0350 her the designated representative of the secretary. No bond or
0351 contract purchased hereunder may be cancelled by the insur-
0352 ance or surety company, the health maintenance organization or
0353 the committee during the term of such contract unless a substi-
0354 tute contract upon the same terms and conditions covering the
0355 affected officers, employees or property is in force, or the com-
0356 mittee determines that the officers, employees or property or
0357 class of officers, employees or property affected no longer re-
0358 quires the coverage provided by the contract.

0359 Sec. 13 On August 1, 1984, K.S.A. 20-358 and 40-223 and
0360 K.S.A. 1982 Supp. 75-4101, 75-4105, 75-4106, 75-4108, 75-4108a,
0361 75-4110, 75-4113 and 75-4113a are hereby repealed.

0362 Sec. 14 This act shall take effect and be in force from and
0363 after its publication in the Kansas register.

13.

14.

15.

REMARKS BY

RICHARD D. BROCK
COMMITTEE ON SURETY BONDS AND INSURANCE

BEFORE THE

SPECIAL COMMITTEE ON STATE HEALTH INSURANCE
TOPEKA, KANSAS

SEPTEMBER 9, 1982

ATT D 1-27-83
2:30p.m.

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 ^{OTHER} 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
emanating 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 31¹⁹⁸² 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

HAVE HAD FOR ADMINISTRATIVE EXPENSES ON A VENTURE THAT IS TANTAMOUNT

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

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

In other words 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 only on the immediate results and would not take into account the longer term impact
For instance at \$19.22 per month

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 *much*

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

AND WHEN IT CAME IT WOULD BE ON TOP OF THE *unlimited* \$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 ^{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 ^{voluntarily} BUY PART B COVERAGE. BY EXCLUDING BENEFITS ^{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

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,
And, most important, we don't
establish the prices charged.
ORDER THE TESTS OR PERFORM THE SURGERIES, AND THAT IS WHERE THE

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^S 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.

Christian Science Committee on Publication For Kansas

820 Quincy Suite K
Topeka, Kansas 66612

Office Phone
913/233-7483

To: Senate 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" on line 0032:

"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.

State employees in Kansas City and Wichita, who are Christian Scientists, have asked that I make this request.



Keith R. Landis
Committee on Publication
for Kansas

ATTN 1-27-83 2:30



NATIONAL GUARD ASSOCIATION OF KANSAS

27 January 1983

SUBJECT: Senate Bill No. 72 (Kansas National Guard Educational Assistance)

Mr. Chairman; Members of the Committee:

I'm Colonel James Fox, President of the Kansas National Guard Association of Kansas. Both the National Guard Association and Enlisted Association requested Senate Bill No. 72 and on behalf of these organizations, we collectively want to express our gratitude to this committee for introducing the Bill.

The National Guard Association is a professional organization consisting of over 1000 active and retired Army and Air National Guard Officers representing 115 military units in 61 Kansas communities. The Association was formed to promote and support adequate state and national security. To achieve an improved readiness posture, that can respond quickly to state and national emergencies, the National Guard must maintain satisfactory standards in personnel, training and equipment. The bill will attract additional personnel and greatly improve the quality of members in the National Guard and the communities they reside in.

2:30 p.m.
A.H.F. 1-27-83

General Tice, The Adjutant General of Kansas, has assured the Association that his office can administer this act within the resources provided in Senate Bill No. 92 and that no additional administrative funding is required.

During the past 18 months the Kansas National Guard has experienced substantial growth. We have gained 1400 people representing an increased federal payroll of 4 million dollars. However, the Army and Air National Guard are still short 1500 of their authorized strength ceiling of 9000 people. This represents a minimum annual loss of $4\frac{1}{2}$ million federal dollars in pay and allowances. Additional federal funds would be allocated in the form of supplies, services, equipment, special training man-days, and additional full time federal employees when we reach our authorized strength level.

Senate Bill No. 72 will assist Kansas to achieve our strength goals while upgrading the quality of personnel in the National Guard. Additionally, the bill will create an environment to improve retention of people in our Kansas Guard.

We estimate that 850 students or approximately 10% of our authorized strength would participate in this program. Using a 50% tuition factor and based upon Section 3.a. of the bill, the highest allowable amount of funds an individual would receive is \$69.00 for 6 semester or 202 clock hours. They would receive a maximum of \$171.00 for satisfactory performance and enrollment in more than 6 semester or 202 clock hours. Estimating that 80% of these members would be part-time students and 20% would be full-time students, the grand total FY 84 appropriations would be 152,000 dollars. (An analysis of funding is at Tab Green)

In summary, men and women across the state tell us that if this educational assistance incentive is provided they would join the National Guard. States that maintain 100% of authorized strength are assured of maintaining their federal recognition which is required to remain in existence. Additionally, we receive added benefits in federal funds to improve and construct facilities and we receive state of the art equipment that allows our members to be trained in higher technology. Thank you for your time and consideration.

TABS:

Green - Education Encouragement Fund
Blue - KNG Economic Impact
Yellow - Estimated Net Worth from KNG to General Fund
Pink - National Guard Strength Data
Red - National Guard Unit Location
Amber - Military Support to Civil Authorities
Orange - NGAK Legislative Committee Members

FACT SHEET

KANSAS NATIONAL GUARD EDUCATION ENCOURAGEMENT FUND

(S.B. 72)

50%
Tuition amount auth-
orized per year, per
student

1. Board of Regents Schools	6 hrs or equivalent for 2 semesters a year	\$138.00
	more than 6 hrs per se- mester.	\$342.00
2. Private/Religious Affil- iation (19)	average cost \$100 per semester hr, \$3,000 per tuition	"
3. Junior Colleges (20)	average cost \$12.00 per semester hour	"
4. Vo-Tech Schools (13)		
5. Municipal University Washburn University	\$40.00 per semester hr	"

Based upon Sec. 3(a), S.B. 72 highest allowable amount
as follows:

50%
Tuition per Semester

6 semester hours or 202 clock hours	\$69.00
more than 6 semester hrs or 202 clock hours	\$171.00

If a FY 84 objective were established - 10% of KNG mem-
bers enrolled in program - number of participating mem-
bers would be 850.

Estimating 80% of these members would be part-time stu-
dents and 20% would be full-time students, following is
FY 84 appropriation:

680 part-time students for 2 semesters	\$ 93,840.00
170 full-time students for 2 semesters	\$ 58,140.00
	<hr/>
*Grand Total	\$151,980.00

*Average \$179.00 a member per year.

THE ADJUTANT GENERAL OF KANSAS

FACT SHEET

ECONOMIC IMPACT

KANSAS ARMY NATIONAL GUARD AND THE KANSAS AIR NATIONAL GUARD

*ESTIMATE PAY (ANNUAL)

MILITARY PERSONNEL

Kansas Army National Guard.....	\$ 13.3 million
Kansas Air National Guard.....	10.6 million
Sub-Total.....	\$ 23.9 million

TECHNICIAN PERSONNEL & STATE EMPLOYEES

Kansas Army National Guard.....	\$ 9.5 million
Kansas Air National Guard.....	16.2 million
State (Civilian).....	1.9 million
AGR (CFTM, AFTM, FTRF & SIDPERS).....	3.6 million
Sub-Total.....	31.2 million

TOTAL PAY FROM ALL SOURCES.....\$ 55.1 million

SUPPLIES AND SERVICES

Kansas Army National Guard (Federal Funds).....	\$ 7.4 million
Kansas Air National Guard (Federal Funds).....	8.8 million
State Funds.....	1.4 million
TOTAL.....	\$ 17.6 million

VALUE OF EQUIPMENT

Kansas Army National Guard (Federal Equipment).....	\$ 137.1 million
Kansas Air National Guard (Federal Equipment).....	123.7 million
Kansas State Property.....	.6 million
TOTAL.....	\$ 261.4 million

FACILITIES

STATE DEFENSE BUILDING.....\$ 2.0 million

KANSAS ARMY NATIONAL GUARD

76 - Facilities owned by the State.....	\$ 9.8 million
6 - Facilities occupied under lease, license and rental agreements--no value established	

October 1, 1982

KANSAS AIR NATIONAL GUARD

Forbes Air Base, Topeka, KS (licensed).....	\$ 13.0 million
McConnell AFB, Wichita, KS (licensed).....	7.0 million
Smoky Hill Weapons Range (Original acquisition cost).....	2.8 million
Sub-Total.....	22.8 million
TOTAL ESTIMATED VALUE OF FACILITIES OCCUPIED.....	\$ 34.6 million

RECAPITULATION

PAY FROM ALL SOURCES.....	\$ 55.1 million
SUPPLIES AND SERVICES.....	17.6 million
VALUE OF EQUIPMENT.....	261.4 million
FACILITIES.....	34.6 million
GRAND TOTAL.....	\$ 368.7 million

*For FY 83 (Federal: October 1, 1982 - September 30, 1983;
State: July 1, 1982 - June 30, 1983)

FACT SHEET

AN ESTIMATED NET WORTH IN KANSAS

OF YOUR KANSAS NATIONAL GUARD

(STATE GENERAL FUND)

1. Governor Carlin's recommended FY 84 appropriations from the state general fund for State of Kansas support of the Kansas National Guard. (S.B. 92)

<u>Budget Program</u>	<u>Appropriation</u>
Operations Management	\$ 796,797
Physical Plant Operations	1,117,273
State Military Service	98,009
Total State General Fund	\$2,011,979

2. Estimated revenue return to state general fund due to Kansas National Guard multiple missions in Kansas.

A. <u>State Income Tax Paid</u>	Estimated total Revenue	<u>\$1,337,500</u>
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Factors - 1400 full-time federal employees who are also members of KNG, \$500.00 average state income tax paid by each member, annual federal payroll -\$29.3 million

sub-total state income tax paid -	<u>\$ 700,000</u>
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8500 - KNG members, \$75.00 average state income tax paid by each member. Annual federal payroll-\$23.9 million.

sub-total state income tax paid -	<u>\$ 637,500</u>
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B. <u>Sales Tax Paid</u>	Estimated total Revenue	<u>\$ 638,400</u>
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Factors - \$53.2 million federal payroll received in state. Estimated 40% of total payroll personal disposable income (to spend, less housing) amount - \$21,280,000 subject to 3% sales tax.

C. <u>Other Revenues</u>	Estimated total Revenue	<u>\$ 405,000</u>
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Factors - Federal funds for supplies and services received in Kansas. Amount - \$16.2 million, estimated 50% of total spent in Kansas economy - amount \$8.1 million, 5% other tax. An additional \$417,000 federal reimbursement in military fee fund. (S.B. 92)

3. Net Worth - Kansas National Guard
State General Fund

State Income Tax paid	\$1,337,500
State Sales Tax paid	638,400
Other Revenues paid	405,000
federal reimbursements in military fee fund. (S.B. 92)	417,000
	<hr/>
Total Revenues	\$2,797,900
	<hr/>
State general fund appropriations, TAG budget (S.B. 92)	\$2,011,979
	<hr/>
*at least surplus or profit	\$ 785,921
	<hr/>

*Surplus or profit used by executive and legislative branches to fund other state agency appropriations or aid to local units.

FACT SHEET

KANSAS ARMY AND AIR NATIONAL GUARD STRENGTH DATA

Army Guard Strength Data:

	<u>31 Dec 82</u>	<u>31 Sep 82</u>	<u>31 Sep 81</u>	<u>31 Sep 80</u>
Assigned Strength	6,010	5,903	5,554	4,997
Authorized Strength	7,307	7,283	7,292	7,279
Percentage of Authorized	82.25%	81.05%	76.16%	68.14%

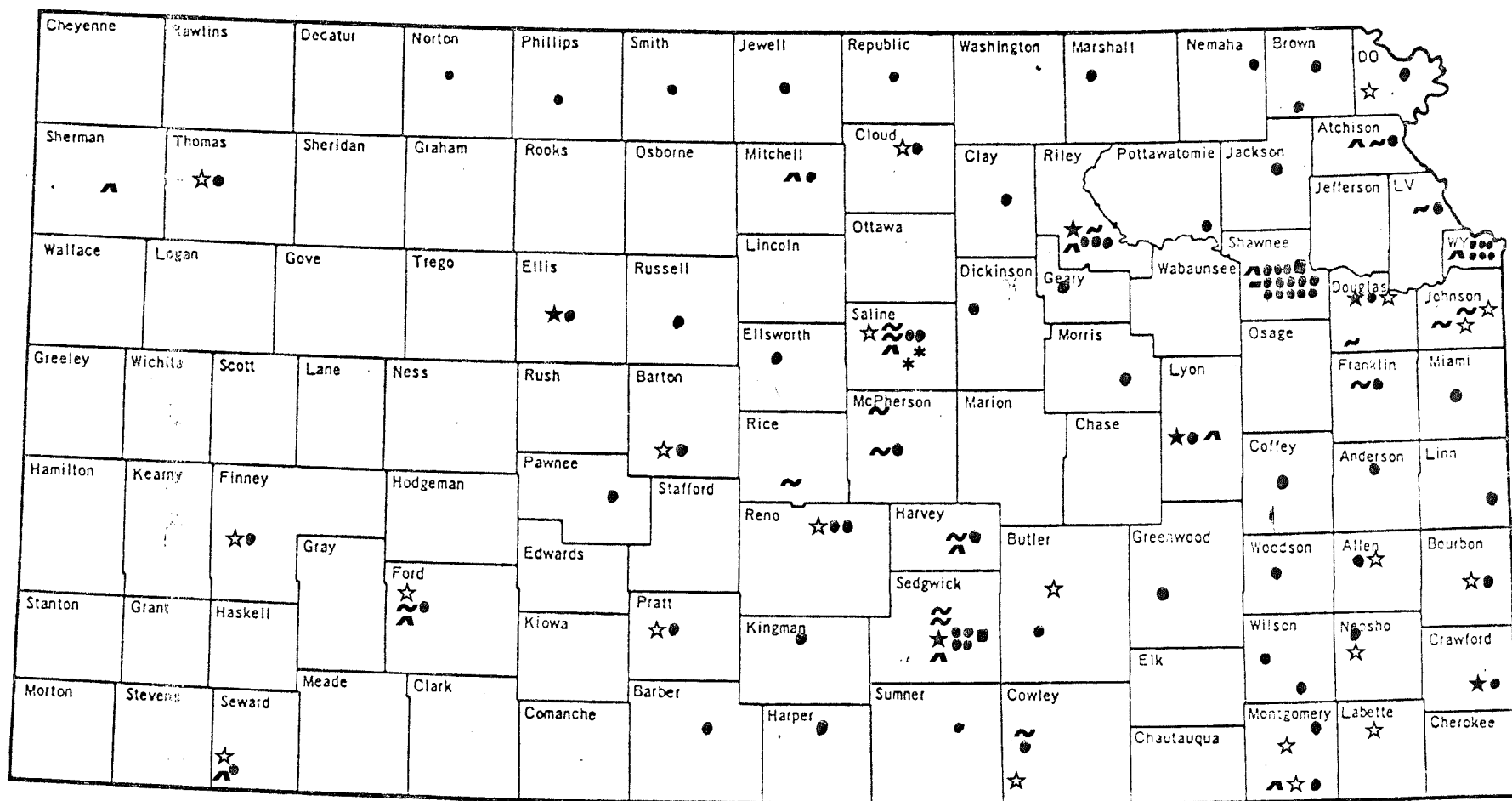
Air Guard Strength Data:

Assigned Strength	1,850	1,896	1,642	1,491
Authorized Strength	2,056	1,944	1,833	1,826
Percentage of Authorized	89.9%	94.9%	89.5%	81.6%

Total Strength Data:

Assigned Strength	7,860	7,799	7,196	6,488
Authorized Strength	9,363	9,227	9,125	9,105
Percentage of Authorized	83.9%	84.5%	78.9%	71.3%

EDUCATION ACCESSIBILITY



- | | |
|--|---|
| <ul style="list-style-type: none"> ● Army National Guard Units ■ Air National Guard Units * Nickell Barracks Training Center (Army) * Smoky Hill Bombing Range (Air) | <ul style="list-style-type: none"> ★ Regents Schools - Municipal University ~ Private Schools (both 4 years & 2 years) ☆ Community Colleges & Other 2 Year Institutions ▲ Vocational-Technical Schools |
|--|---|

Military Support to Civil Authorities

The Army and Air National Guard provide the State of Kansas with reserve forces in emergencies, upon call of the Governor. These forces provide the Governor with the means to meet the statutory requirement to maintain Law and Order and the health and welfare of the communities in the event of a natural disaster. This assistance in the form of personnel and equipment can be as small as an individual water trailer to a well equipped force of over 9000 personnel.

Many of the normal missions for our units translate easily to supporting the State during emergencies. Our units provide a well disciplined force that can be self sufficient in the planning and performing of missions.

In 1981 and 1982, twenty communities received assistance from the Guard. Both years were relatively calm in the domestic area, with the weather causing the majority of requests. Tornadoes in Mulberry and Lawrence were devastating, but floods caused the largest dollar loss in both years. Small storms caused many communities to request assistance for debris removal and cleanup.

Since 1951, the Guard has provided over 81,000 mandays to our State.

It should be noted that the Kansas Guard is assisting by providing personnel, equipment and distribution points for the distribution of excess commodities to the needy persons of our communities.

National Guard Support Missions 81 & 82

<u>Location</u>	<u>Date</u>	<u>Support Provided</u>
Elwood, KS	1 Jan 81	Provide water trailer for community supply
Macksville	5 Jan 81	Provide generator support after ice storm
Lansing	3 Feb 81	Provide generator to KSP during power outage
Pittsburg	10 Feb 81	Provide transportation to hospital personnel during heavy snow
Quenemo	13 Feb 81	Planning and personnel for contingency mission
Great Bend	15 Feb 81	Provide evacuation personnel, equipment and communications during flood
Lawrence	19-21 Jun 81	Provide search and rescue personnel and guard personnel for cleanup
Eureka	29 Jun 81	Vehicle and personnel from Engineer Company to cleanup after wind storm
Munjor	11 Aug 81	Generator support to municipal sewage treatment facility
Wabaunsee Co	11 Nov 81	Helicopter support for search of missing person
Kingman	5 Feb 82	Personnel and vehicles for debris removal after ice storm
Wichita, Kansas City, Hays, Cherryvale, Pittsburg, Yates Center, Garden City	17-22 Feb 82	Cheese distribution assistance - personnel and vehicles
Mulberry	15 Mar 82	Tornado cleanup and security
Rossville	9 Jun 82	Personnel evacuation - vehicles and personnel

National Guard Support Missions 81 & 82

<u>Location</u>	<u>Date</u>	<u>Support Provided</u>
Holton, KS	9 Jun 82	Search and rescue and evacuation
Easton	9 Jun 82	Evacuation - vehicles and personnel
Kingman	15-16 Jun 82	Storm damage clearance
Onaga	24 Jun 82	Personnel for search and rescue
Carbondale	22 Jul - 7 Aug 82	Water supply assistance
Saline Co.	11 Nov 82	Water tanker and personnel during fire
Russell	27 Nov 82	Cleanup after ice storm

NATIONAL GUARD ASSOCIATION OF KANSAS

1982-1983

Legislative Committee:

COL (Ret) Michael P. Sarras, Chairman
1619 N. 81st St., Kansas City, KS 66112

COL (Ret) Duane N. Bridges, Member
610 W. Woodsfield, Norton, KS 67654

COL Alonzo D. Dougherty, Jr., Member
116 9th Ave., Leavenworth, KS 66048

LTC Michael W. Ryan, Member
416 Garfield St., Clay Center, KS 67432

LTC Frederick H. True, Member
1429 Burnett Rd., Topeka, KS 66604

MAJ Malen E. Dowse, Member
907 6th, Dodge City, KS 67801

MAJ Harley A. Krull, Member
Rt. 1, Box 154, Berryton, KS 66409

MAJ Roger D. Thompson, Member
P.O. Box 848, Junction City, KS 66441

MAJ Stanley L. Smith, Member
113 E. 14th St., Pittsburg, KS 66762

MAJ Jonathan P. Small, Member
1600 Randolph, Topeka, KS 66604

MAJ Joseph F. Speelman, Member
9816 Harvest, Wichita, KS 67212

CPT Michael W. Jones, Member
3210 Randolph, Topeka, KS 66604

Maj Gary H. Keller
3911 Worwick Town Rd., Topeka, KS 66610

2Lt William J. Mullich
2025 Kenwood, Olathe, KS 66062



Enlisted Association Of National Guard Of Kansas



MISTER CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE ON WAYS AND MEANS.

I AM CHIEF MASTER SERGEANT MELVIN D. SIMPSON. IT IS MY PLEASURE TO REPRESENT THE ENLISTED ASSOCIATION OF THE NATIONAL GUARD OF KANSAS AT THIS HEARING. I AM THE CHAIRMAN OF THE LEGISLATIVE COMMITTEE FOR THAT ASSOCIATION. THE ENLISTED ASSOCIATION IS AN ORGANIZATION CONSTITUTED FOR THE PURPOSE "TO PROMOTE AND ADVANCE THE STATUS, WELFARE AND PROFESSIONALISM OF THE ENLISTED MEMBERS OF THE NATIONAL GUARD." OUR MEMBERS ARE A STRONG CROSS-SECTION OF THE 7048 ENLISTED KANSAS ARMY AND AIR NATIONAL GUARD MEMBERS ASSIGNED TO 115 MILITARY UNITS IN 61 KANSAS COMMUNITIES.

THE ENLISTED ASSOCIATION STRONGLY SUPPORTS SENATE BILL 72 PROVIDING TUITION ASSISTANCE TO QUALIFIED GUARDSMAN. WE GREATLY APPRECIATE THIS OPPORTUNITY TO APPEAR AT THIS HEARING AND THANK THE NATIONAL GUARD ASSOCIATION OF KANSAS FOR THEIR INITIATIVE AND HARD WORK IN BEHALF OF THIS VITAL INCENTIVE LEGISLATION. SB72, WHEN ENACTED, WILL PROVIDE A VALUABLE INDUCEMENT IN THE ENLISTMENT, RETENTION AND MOST IMPORTANT, THE EDUCATION OF OUR CURRENT AND FUTURE GUARD MEMBERS. THE EVER INCREASING DEMANDS FOR GUARD MEMBERS WHO CAN SUCCEED IN "HIGH TECHNOLOGY" MILITARY MISSIONS REQUIRE THAT WE HAVE THE BEST EDUCATED PERSONNEL. EQUALLY AS IMPORTANT, THE INCREASED EDUCATIONAL BENEFITS WILL CARRY-OVER TO THEIR LOCAL COMMUNITIES IN POTENTIALLY MORE PRODUCTIVE AND BETTER MOTIVATED CITIZENS. THIS BILL WILL PROVIDE THE NATIONAL GUARD A SIZABLE ADVANTAGE IN ATTRACTING PERSONNEL IN A HIGHLY COMPETITIVE MARKET FOR MILITARY SERVICE. IT WILL PROVIDE A POSITIVE INDICATION TO ALL GUARD MEMBERS THAT THE STATE OF KANSAS CONTINUES TO RECOGNIZE THE VALUABLE SERVICE PROVIDED BY THE KANSAS NATIONAL GUARD.

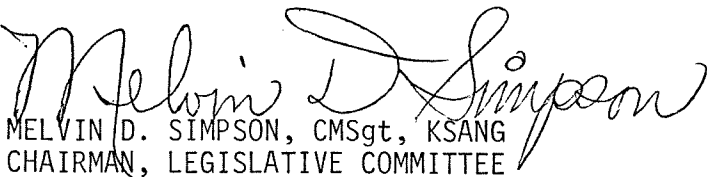
Patriotism is alive...and living in the NATIONAL GUARD

2:30p.m.

ATT G 1-27-83

IN SUMMARY, THE ENLISTED ASSOCIATION, IN COMPLETE UNISON WITH THE NATIONAL GUARD ASSOCIATION, WILL PROVIDE THE UTMOST SUPPORT TO YOUR SUPERB LEGISLATIVE EFFORTS. SENATE BILL 72 FROM YOUR COMMITTEE IS THE NUMBER ONE LEGISLATIVE PRIORITY WITH OUR MEMBERS. IT'S WHAT WE NEED. I THANK YOU.

GENTLEMEN, ARE THERE ANY QUESTIONS?


MELVIN D. SIMPSON, CMSgt, KSANG
CHAIRMAN, LEGISLATIVE COMMITTEE
(913) 233-7560 ext. 128

STATE OF KANSAS
THE ADJUTANT GENERAL

TOPEKA, KANSAS 66601

January 27, 1983

STATEMENT BY MAJOR GENERAL RALPH T. TICE, THE ADJUTANT GENERAL

Senate Bill 72

Mr. Chairman, Members of the Committee on Ways and Means:

I wish to thank all of you for your outstanding support of the Kansas National Guard.

I strongly support Senate Bill 72.

As you have heard from previous testimony, the Guard is a significant factor in the economic condition of our state. The 1,369 full-time Federal employees produces a significant income. But more important, the National Guard Bureau has given the state the organization that requires a large full-time force because of the quality of Kansas Guardsmen.

This Bill will assist us in enhancing a continuing education program for our Guardsmen, which insures their capability of maintaining those skill levels necessary for the high technology equipment that is coming into the Guard.



Ralph T. Tice
Major General, Kansas
Army National Guard
The Adjutant General

AHH 1-27-83
2:30 P.M.