Approved March 13, 1984
Date

MINUTES OF THE House COMMITTEE ON Insurance.

The meeting was called to order by Rep. Rex Hoy at
Chairperson

3:30 ~~x.m.~~/p.m. on February 27, 1984 in room 521 S of the Capitol.

All members were present except:
Rep. Peterson, who was excused

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

Conferees appearing before the committee:

Ken Schafermeyer	Jack Roberts
Robert R. Williams	Sylvia Hougland
Gary Robbins	Al Bramble
Marlon Dauner	Hattie Norman
Judy Culley	Dr. Lee Lohrenz
Dr. Robert Harder	John Peterson
Richard Burnett	Dick Brock

Others Present:
See List (Attachment 1)

Attachment 2 was furnished to committee members by Kathleen Sebelius, setting out the position of the Kansas Trial Lawyers Association on HB 3008.

HB 2998, by Public Health and Welfare--Participation of health care providers in health care plans, was first on the agenda.

Ken Schafermeyer, Executive Director of the Kansas Pharmacists Association, passed out Attachment 3, and read from this testimony in support of HB 2998. He also passed out Attachment 4, photostats of six letters, and read a portion of each letter asking for freedom of choice of a pharmacist.

Robert R. Williams, Assistant Executive Director of the Kansas Dental Association, passed out his written testimony (Attachment 5) and referred to it in supporting HB 2998.

Gary Robbins, Executive Director of the Kansas Optometric Association, passed out Attachment 6 and read from it in supporting HB 2998. He said their organization agreed with the prior testimony on the bill.

Marlon Dauner, Senior Vice President of External Affairs for Blue Cross and Blue Shield, then spoke in opposition to HB 2998. He explained how the various programs, including HMO's, would be affected by passage of this bill.

HB 2999, by Public Health and Welfare--Health insurance coverage of emotionally handicapped children otherwise covered by state plans, was next to be considered.

Judy Culley, Administrator, The Shelter, Inc. of Lawrence, KS, and representing the Kansas Association of Licensed Private Child Care Agencies, was first to speak in support of HB 2999. She passed out her written testimony and read from it (Attachment 7).

Dr. Robert Harder, Secretary of the State Department of Social and Rehabilitation Services, passed around Attachment 8, setting out the position of that department on HB 2999 in support of the bill. He also passed out Attachment 9, a photostat of the bill showing several suggested changes the department would like to see included. There were questions of Dr. Harder as to what children would be affected by this bill.

Richard Burnett, Clinical Coordinator, St. Francis Boys Homes at Salina and Ellsworth, KS, passed out his written testimony (Attachment 10) and read from it in support of HB 2999.

Jack Roberts, of Blue Cross and Blue Shield, then spoke on HB 2999. He spoke of the amendments suggested by Dr. Harder, and said they would have little opposition to the bill as long as all health insurance is the same. He said probably not very many people would be involved.

HB 3010, which would prohibit age rating of medicare supplement policies, was next on the agenda.

Sylvia Hougland, Secretary of Aging for the Kansas Department on Aging, read from her written testimony (Attachment 11) in support of HB 3010. There were questions from the committee as to how passage of this bill would affect premiums paid by people in other age groups.

Jack Roberts, of Blue Cross and Blue Shield, passed out Attachment 12 and explained the statistics provided. He briefly explained how their Plan 65 and Medicare work and said they would not really complain if it is kept the same for all companies who furnish this type of insurance.

Al Bramble, Lawrence, KS, speaking for the American Association of Retired People and other groups of older Kansans, passed out Attachment 13. He asked the committee to either allow all to age rate or outlaw it, and urged passage of this bill that outlaws age rating.

Hattie Norman, representing the State Advisory Council on Aging, spoke in support of HB 3010. She said their group is very concerned with health care costs and health care insurance for the elderly.

HB 3064, relating to certificates of insurance, was then up for discussion.

Dr. Lee Lohrenz, Leavenworth, KS, appeared on behalf of the Kansas Association of Professional Psychologists, passed out his written testimony (Attachment 14), and read from it in support of HB 3064.

John Peterson, Executive Director of the Kansas Association of Professional Psychologists, spoke briefly in support of HB 3064.

Dick Brock, of the Kansas Insurance Department, said their department supports HB 3064.

Rep. Spaniol moved to approve the minutes of February 21, 1984, and February 22, 1984. Rep. Cribbs seconded. The motion carried.

The meeting adjourned at 5:00 PM.

GUEST LIST

Attachment 1

COMMITTEE: House Insurance DATE: Monday Feb. 27, 1984

NAME	ADDRESS	COMPANY/ORGANIZATION
JACK ROBERTS	TOPEKA	BC-BS
Dick Brock	"	Ins Dept
Sherman A. Parks, Jr.	"	Ks Chiropractic Assn
Kathy Wade Apps	Topeka	Ks. Chiropractic Assn.
Bob Williams	Topeka	Ks. Dental Assn.
Larry Magill	"	IIAK
Marion Danner	Topeka	BC BS
Tom Miller	"	BCBS
John Peterson	Topeka	Ks Assoc of Prof Psychologists
Lee Lohrenz	Leavenworth	Ks ~~Assoc~~ of Prof Psychologists
Ken Schafermeyer	Topeka	KS Pharmacists Assoc.
Gary Robbins	Topeka	KS Optometric Assn
Sylvia Hansford	Topeka	KDOA

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Atch. 1

GUEST LIST

Attachment 1

COMMITTEE: House Insurance

DATE: Monday, Feb. 27, 1989

NAME	ADDRESS	COMPANY/ORGANIZATION
Richard Burnett	2130 E. Crawford #120 Salina, KS 67401	
Hattie Norman	308 Jeff	~~State~~ Adv. Com.
Lee Braughler	Lawrence Ks.	AARP/KCCA
Allen L. Hurlbert	Topeka	SRS Legal
R. Harder	Topeka	SRS
Wm R Preston	Box 210 - Newton, Ks	Newton Ks
	Lawrence	KALPCCA
	Topeka	KAOM
	Topeka	KMS
Kay M. Mellner	Topeka	MHAK
Frank Gentry	"	Ks Hosp Assoc
	KDFS	Manhattan
Page 2		

Attachment 2

ktla

suite 300 columbian building
112 west sixth
topeka, kansas 66603
(913) 232-7756

February 23, 1984

TO: The Chairman and Members of the House Insurance Committee.
FROM: Kathleen Sebelius.
RE: H.B. 3008 on PIP Attorney Fees.

As we stated in our testimony, the Kansas Trial Lawyers Association opposed passage of H.B. 3008. Currently, in accordance with policy established by the Legislature, fees paid to an attorney who works on a case are paid proportionately by the insurance company and the client. The company receives back its money in full, due to the efforts of the attorney, and in return pays a portion of the fee.

The Supreme Court has said that unless the record justifies that an attorney has performed a service, no fee is paid. So no one is making money on cases which require no service.

Under a contingency fee system, a plaintiff's attorney agrees to work for a percentage of the recovery. Agreements in auto cases are often 25%-33%. If no money is recovered, no fee is paid. The attorney earns the same rate regardless of the amount recovered, but the actual fee depends on the recovery.

In other words, an attorney will be paid 25% of $1,000 or 25% of $10,000, if the contract specified a 25% contingency fee. The $1,000 award will pay a fee of $250; the larger award would net $2,500.

If the insurance companies no longer bear their proportionate share of attorney fees, it is the injured party who will suffer. Insurance companies are asking that a plaintiff's attorney recover their PIP payments, and reimburse them in full, but not pay for that service. Consequently, the client would pay the entire fee, instead of sharing it with the insurance carrier.

The proposed system would require a second judicial proceeding, in most cases, to determine and specifically allocate fees. This is bound to make the entire transaction more costly and cumbersome, not to reduce costs.

We feel that this is unfair, that the legislative policy has designated that if work is performed, an attorney should be compensated. We urge you to vote against H.B. 3008 on Tuesday in Committee.

KGS:jlc

Atch. 2

Attachment 3

THE KANSAS PHARMACISTS ASSOCIATION
1308 WEST 10TH
PHONE (913) 232-0439
TOPEKA, KANSAS 66604
KENNETH W. SCHAFERMEYER, M.S., CAE
PHARMACIST
EXECUTIVE DIRECTOR

Statement to the House Committee on Insurance

SUBJECT: House Bill 2998

DATE: February 27, 1984

Mr. Chairman and Members of the Committee:

I am Ken Schafermeyer, Executive Director of the Kansas Pharmacists Association, an organization representing approximately 80% of the practicing pharmacists in the state of Kansas. Thank you for the opportunity to address you this afternoon in support of House Bill 2998.

THE PROBLEM

Existing Kansas law contains no assurance that health care providers, such as pharmacists, may not be arbitrarily excluded from health care plans such as health maintenance organizations (HMO's).

Assume a less-than-diligent health care plan administrator decides not to bother offering participation agreements to various practitioners and decides to only talk to a few providers in the community. In that case, the individual providers who have been arbitrarily excluded from participation in the plan and the patients served by those providers have no effective means to have the provider gain participation in the health care plan.

If a provider such as a pharmacist, offers to render services covered by the plan and agrees to be bound by the terms and conditions of a health maintenance organization, for example, nothing in existing Kansas law protects the provider from being arbitrarily denied the opportunity to render care to patients covered by the plan.

I would like to give you two examples to demonstrate this problem in Kansas:

1. A health maintenance organization in the Kansas City area has refused to allow some pharmacists to participate in the plan. Instead, the HMO established an exclusive contract with a chain of pharmacies based in Cleveland, Ohio. A group of pharmacies from both Missouri and Kansas worked through a service corporation and offered a bid to the HMO which was lower than that of the chain. Nevertheless, these pharmacies have been excluded from the program.

Many patients (and some physicians) have written to express their concerns with the exclusive contract arrangement. I have received 18 letters so far. Several of these letters are being provided to the Committee.

2. According to the Kansas Dental Association, a prepaid dental care program contacted a dentist who offered to assist in enrolling other dentists in the program. This dentist contacted a few of his friends and then the prepaid dental care program closed enrollments. Other dentists were not allowed to participate in the program. As most of you will agree, going to a dentist can produce a great deal of anxiety. It can be assumed, however, that patients are better off if they are

allowed to choose the provider who pleases them most.

Again, the patient's concerns and preferences were not taken into account in this case.

While these are just two examples, the result of arbitrary exclusion of providers from health care plans can actually be anti-competitive. Without competing health care providers, the sole provider has no incentive to offer a higher quality of service. Although restriction of freedom of choice is made in the name of cost savings, such a restriction is unnecessary. By carefully establishing reimbursement rates and contract terms, the health care plan administrator will discourage many providers from participating; therefore there is no need to restrict patient access to pharmacy and certain other services. What happens is that certain health care plans can exclude providers in cases when cost is not a factor. This often impairs the competition of health care providers based on the level of service.

THE SOLUTION

Five organizations representing pharmacists, psychologists, chiropractors, optometrists and dentists have worked together to address the problem of exclusive contracts. We wanted to propose a bill which: (1) would not result in higher cost services; (2) would enhance competition among health care providers based on the level of service; and (3) would continue to allow health care plans, such as HMO's, a great deal of flexibility to structure a health care plan in the way they see fit, so long as health care providers are not arbitrarily excluded from the health care plan.

This bill meets these objectives. House Bill 2998 is supported by all five organizations.

Bob Williams of the Kansas Dental Association will describe the bill and explain details. I believe his testimony will answer any questions you may have about the bill.

Mr. Chairman and members of the Committee, thank you for the time to describe the need for this bill. We feel that it is a very important measure and that it is for the public good. We hope that you will support this bill. Thank you.

jp

2/27/84

Attachment 4

ROBERT E. DELPHIA, M.D.
ROBERT M. NOTTINGHAM, M.D.
GARY D. HARRIS, M.D.
Diplomates, Am. Bd. Family Practice
401 Clairborne Drive
Olathe, Kansas 66062
Phone 782-1610

November 2, 1983

Total Health Care
ATTN: Andy Corcoran
P.O. Box 23163
Kansas City, Missouri 64141

Dear Andy,

As you know from the very first, we have been less than pleased with the arrangement that sends our Total Health Care patients to a single pharmacist. Prior to the institution of your program, local pharmacists competed fairly effectively for the business. In addition, all of them kept cross files on the patients so that, at a moments notice, we could find out what medicines had been issued to the patients in the last few months. We feel that their prices were competative and when possible, we ordered the cheapest medication since we knew it was coming out of the patients pocket. Now, because of your underwriting arrangement, we have little stimulous to be concerned with such matters.

We firmly believe that it would be far more effective, no more expensive and in the interest of good medical practice, if you were to work out an arrangement where the same amount of money you are now paying to Revco, was placed in the reserve fund to be dispensed to the local pharmacists of our choice. This is the one feature of the program that is the most intolerable to us and to many of our patients. We feel that the present program is a very grave injustice to local pharmacists who have cooperated with us in keeping costs down over a period of many years.

Very Sincerely,

Robert E. Delphia, M.D.

Gary D. Harris, M.D.

Robert M. Nottingham, M.D.

RED/jh

Att. 4a

Feb. 2, 1984
518 W. Park St.
Olathe, Ks. 66061

The Kansas Legislators:

Please pass the legislation to prevent exclusive contract arrangements between insurance companies and pharmacies.

My husband and I buy Total Health Care and having to go to Revco for perscriptions is both inconvenient and unfair. We dislike the store and the service. As a matter of fact, the pharmacist once gave us the wrong perscription! We had to go back and exchange it. Needless to say we've never been back. Instead we go to the pharmacy of our choice, where we get quality service from people we've known for ten years, even though we pay twice for the perscriptions--once in our premiums and again at the store.

We belong to an insurance group that costs us a bundle of money. We should be able to order our perscriptions from a pharmacy we trust while still getting the full benefits we deserve. Let free enterprise determine who gets the business. Vote to end exclusive contracts.

Respectfully yours,

Jean Baldwin Caldwell

Jean Baldwin Caldwell

David K. Caldwell

David K. Caldwell

TO WHOM IT MAY CONCERN: 2/15/84

We are currently on a new Blue Cross plan called Total Health Care. I have found this plan to be inadequate in one very important area.

Presently we are allowed to choose from a variety of doctors, but are only given a choice of one pharmacy (Revco). Just as a person should stay with a doctor they trust, they should also stay with a pharmacist they trust. For years we have done business with Mr. Kerr at Kerr's Pharmacy. I have come to trust him very much with dispensing my families prescriptions. Now I must take my business to Revco. I feel my rights have been violated. I think every pharmacy should at least be given the chance to offer their customers any insurance available.

Thank You,

Ernest V. & Susann J. Keena

Ernest V. Keena Jr.
Susann J. Keena

Dear Mr. Kerr, 2/15/84

I would like to inform you that my decision to do business with Revco is based soley on our new health care plan (Total Health Care). I am very upset that we are not given a choice of pharmacies to do business with. I would like to make my dissatisfaction known. Please show this letter to the proper authorties.

Thank You,
Marie Hibbard
Marie Hibbard

January 19, 1984

TO WHOM IT MAY CONCERN:

Due to my husband's employment, we had to go to Total Health at the first of the year, 1984. Not only do we have to change our family doctor of so many years and go with a doctor on their list, but we also have to give up a fine relationship with our pharmicist and go to Revco for our prescriptions.

I and my husband feel that our rights have been taken away from us. Kerr's Pharmacy is trustworthy and has provided a service that Revco could never do. Why does Total Health have to go with only one pharmacy? They pay just so much to Revco, why can't they to any other pharmacy that is willing to handle the insurance?

I really feel that our basic rights have been infringed upon. I trust my pharmicist, Mr. Jim Kerr, and do not want to switch to Revco Pharmacy. Due to our circumstances in Total Health insurance, I regret that I will probably have to switch.

Susie Dedrick and Allen Dedrick
7260 W. 151st
Stanley, KS 66223

January 24, 1984

Kerr's Pharmacy
151st and Mur-Len Rd.
Olathe, Kansas 66062

Dear Mr. Kerr,

Our family has been served by your pharmacy for a number of years. We have been more than pleased with the service we have received over the years. We are extremely upset that with the new Total Health Care Program with Blue Cross and Blue Shield we will no longer be able to use your pharmaceutical services to fill our prescriptions.

We feel that this policy is extremely unfair. Total Health Care allows for a selection of doctors to be of service to those enrolled with Total Health Care. But there is no selection to what pharmacy you are allowed to use. We feel very strongly that we should have the right to choose the pharmacy that we would prefer to patronize.

Sincerely,

Don and Janet Simpson

Don (O.J.) and Janet Simpson
15129 Locust
Olathe, Kansas 66062

4 F

Attachment 5

KANSAS DENTAL ASSOCIATION

FEBRUARY 27, 1984

TESTIMONY

by

Robert R. Williams,
Assistant Executive Director
Kansas Dental Association

INSURANCE COMMITTEE

Mr. Chairman and Members of the Committee:

OVER THE PAST FEW YEARS THERE HAS BEEN WIDESPREAD INTEREST IN ALTERNATIVE DELIVERY SYSTEMS. TODAY THERE ARE A VARIETY OF PROGRAMS, ALL OFFERING SOME METHOD OF REIMBURSEMENT FOR THE CONSUMER. THE IDEA IS TO CREATE COMPETITION IN THE DELIVERY OF HEALTH CARE SERVICES.

ALL OF THESE GROUPS MUST MARKET THEIR PLANS. AT ONE TIME THE PLANS WERE ONLY MARKETED TO CONSUMERS. INSURANCE WAS THOUGHT TO BE A CONTRACT BETWEEN THE INSURANCE COMPANY AND THE BENEFICIARY, WITH THE HEALTH CARE PROFESSIONAL ONLY PROVIDING HIS SERVICES IN THE FORM OF TREATMENT. THIS CONCEPT HAS CHANGED. NOW THESE PLANS ARE ALSO MARKETED TO THE HEALTH CARE PROFESSIONAL, MAKING THEM AN INTEGRAL PART OF THE SYSTEM. IN MOST CASES, THE HEALTH CARE PROFESSIONAL IS ASKED TO SIGN A CONTRACT AGREEING TO ABIDE BY CERTAIN PROVISIONS. THE CONTROLS IN THE HEALTH CARE PROGRAM ARE VESTED IN THIS PROVIDER AGREEMENT AND THE HEALTH CARE PROFESSIONAL'S WILLINGNESS TO ABIDE BY THE CONTRACT.

CURRENTLY IN KANSAS IT IS POSSIBLE FOR A THIRD PARTY TO CONTRACT WITH ONLY A FEW PROVIDERS IN A GIVEN AREA TO PROVIDE SERVICES TO ITS BENEFICIARIES. THIS PRACTICE

5200 Huntoon
Topeka, Kansas 66604
913-272-7360

Atch. 5

PREVENTS THE CONSUMER FROM SEEKING SERVICES FROM THE HEALTH CARE PROVIDER OF HIS/ HER COICE AND ELIMINATES ANY COMPETITION. ONE OF THE PURPOSES OF ESTABLISHING AN ALTERNATIVE HEALTH CARE SYSTEM IS TO CURB THE RISING COST OF HEALTH CARE. IN ORDER FOR AN ALTERNATIVE HEALTH CARE SYSTEM TO HAVE ANY IMPACT ON THE CONSUMER MARKET, IT MUST BE COMPETITIVE.

HOUSE BILL 2998 ASSURES THAT CONSUMERS MAY SELECT ANY LICENSED HEALTH CARE PROVIDER AND BE REIMBURSED AT THE SAME RATE MINUS AN ADMINISTRATIVE FEE NOT TO EXCEED 5%, AS THE PLAN PAYS FOR PARTICIPATING HEALTH CARE PROVIDERS. THERE ARE CURRENTLY SEVEN STATES WHICH HAVE ENACTED SIMILIAR LEGISLATION. THIS BILL DOES NOT MANDATE COVERAGE. IT ONLY ASSURES THAT ALL HEALTH CARE PROVIDERS IN THE SERVICE AREA HAVE THE OPPORTUNITY TO PARTICIPATE IN THE PLAN. IT SHOULD BE NOTED THAT EMPLOYERS WHOSE PROVIDERS ARE DIRECT EMPLOYEES OF THE HEALTH CARE PLAN OR WHO OFFER ALTERNATIVE COVERAGE WHICH DOES NOT RESTRICT THE SELECTION OF HEALTH CARE PROVIDERS ARE EXEMPT FROM THIS ACT.

HOUSE BILL 2998 STILL ALLOWS FOR EXPERIMENTATION WITH IN THE HEALTH CARE DELIVERY SYSTEM WHILE PRESERVING THE CONSUMERS RIGHT TO FREE CHOICE OF HEALTH CARE PROVIDER.

THIS BILL IS SUPPORTED BY THE KANSAS OPTOMETRIC ASSOCIATION, KANSAS PHARMACISTS ASSOCIATION, KANSAS ASSOCIATION OF PROFESSIONAL PSYCHOLOGISTS AND THE KANSAS CHIROPRACTIC ASSOCIATION. THE KANSAS DENTAL ASSOCIATION REQUESTS THAT HOUSE BILL NUMBER 2998 BE PASSED.

Attachment 6

Mr. Chairman and Members of the Committee:

I am Gary Robbins, Executive Director of the Kansas Optometric Association. I am appearing in support of House Bill 2998. We support the testimony delivered by the Kansas Pharmacists Association and the Kansas Dental Association. We believe that House Bill 2998 will assure that consumers are able to receive care from their choice of provider while allowing efforts to lower the cost of health care to be implemented. I appreciated the opportunity to appear.

Attachment 7

KALPCCA

KANSAS ASSOCIATION OF LICENSED PRIVATE CHILD CARE AGENCIES

DATE: February 27, 1984

TO: House Insurance Committee

FROM: Judy Culley, Administrator, The Shelter, Inc., Lawrence, Ks., representing KALPCCA (Kansas Association of Licensed Private Private Child Care Agencies)

RE: HB 2999

Group Represented:

The Kansas Association of Licensed Private Child Care Agencies (KALPCCA) is a voluntary association of thirty-five member agencies. These agencies provide services to the children of Kansas which include foster care, emergency shelter care, group home care and residential treatment center care. KALPCCA, made up of volunteers with no paid staff, works together with SRS to help insure quality care for the children in Kansas.

Purpose of Bill:

This bill provides that health insurance pay for group home and residential treatment center services for children, similar to hospitalization coverage. Hospitalization is the only residential service for children now covered by health insurance. Group home and residential treatment center services are financed primarily through the state, with the child being placed in SRS custody.

Position:

KALPCCA strongly supports HB 2999.

Advantages:

This bill is advantageous in the following ways:

* It allows families to maintain custody of their children and get residential service without having to resort to hospitalization.

* It encourages families to seek help earlier because it offers an alternative to hospitalization.

* It prevents children from being hospitalized when a less institutional setting would be sufficient.

Atch. 7

* It is less costly to insurance companies to pay for most group homes and residential treatment centers than to pay for hospitalization.

* It encourages families to participate actively in the treatment process, knowing that the child is still in their custody and that their insurance is responsible for the cost.

* It represents a step away from the state's intervention into families.

Clarification:

We feel that further clarification is necessary in the bill to clearly show what services are covered and the limitations of that coverage. It is our understanding that SRS is introducing an amendment to provide that clarification.

JC:dlg

Attachment 8

STATE DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

Statement Regarding House Bill 2999

1. Title of Bill:
An act concerning insurance policies relating to emotionally handicapped children or recipients of medical assistance.

2. Purpose of Bill:
To prohibit insurance companies and health maintenance organizations (hereinafter referred to as HMO) from excluding or limiting coverage for persons eligible for the Medicaid/MediKan Programs or emotionally handicapped children.

3. Why the Bill:
At the present time, insurance companies are not prohibited from writing policies or plans which exclude or limit coverage to persons eligible for the Medicaid/MediKan Program. This practice allows insurance companies to utilize the Medicaid/MediKan Program to provide first payment before the private insurer's funds are used. In addition, Federal Regulations prohibit the use of federal monies "if a private insurer would have been obligated to pay for the service except that its insurance contract limits or excludes payments if the individual is eligible for Medicaid" (CFR 42-433.140 (3)). Stated more simply, the federal program has mandated that in all instances the federal dollar is the last dollar to be used when there is potential coverage from a third party.

There were 5,059 children in the custody of the Secretary of SRS at the end of last quarter, December 31, 1983. The vast majority were in family foster care however, 507 required residential care in group boarding homes (5 to 10 residents) and residential centers (more than 10 residents) which are Levels IV, V, or VI.

As of 12-31-83

	No. of Facilities	No. of Children	Max. Cost per/day
Level IV	40	280	$ 39.55
Level V	23	216	51.75
Level VI	2	11*	**
Total	65	507	

* (Six month placement maximum)
** Varies with facility from $75 to $105 per day.

At the present time neither insurance carriers nor HMOs are required to extend coverage for "emotionally handicapped children" in a residential care setting. Only about 10% of children in SRS custody need the structured environment and resources available in group boarding homes that are generally not required in family foster care. Children in these settings have 24-hour care and residential counseling as well as out of residence counseling and treatment available.

Atch. 8

4. Background of the Bill:
The current practice, as outlined above, results in Kansas being required to provide and pay for medical services to Medicaid eligible persons from all state funds if an insurance company in Kansas chooses to exclude or limit coverage to Medicaid/MediKan eligibles.

Health Maintenance Organizations (HMO) are beginning to develop in the state. It can be anticipated that Medicaid/MediKan eligible persons may be participating in HMO's. Without this provision, the HMO can choose to limit or exclude coverage for the Medicaid/MediKan client in the HMO. This likelihood coupled with the federal requirement to be last dollar, results again in state monies being used in situations that should, at a minimum, be matched with federal monies.

This bill would minimize the states loss of federal matching funds in these situations and would prohibit insurance companies from utilizing state funds to provide for payment of medical services to beneficiaries eligible for Medicaid/MediKan. The Department of Social and Rehabilitation Services supports this bill as a means of maximizing federal financial support.

The State of Minnesota has successfully established a substitute care program for residential facilities that has been operational since 1976. The provisions of this bill relating to emotionally handicapped children is patterned on their model which has averaged a net savings to their public welfare system of approximately $500,000 annually.

Kansas currently has a similar program for insurance coverage for treatment of alcoholism, drug abuse and nervous or mental conditions (K.S.A. 40-2,105). These programs generally promote the early care and treatment of symptoms in less costly settings than found in public and private hospitals.

5. Possible Problems with the Bill:
The bill as drafted includes potentially all children in homes licensed by the Department of Health and Environment which includes family foster care. The entire foster care population is too large a group to expect insurance companies or HMO's to contribute to the cost of care so for that reason the SRS is suggesting that the bill be amended to permit the exclusion of family foster homes by insurance companies or HMO's.

6. SRS Recommendation:
SRS recommends support and passage of this bill.

Robert C. Harder, Secretary
Office of the Secretary
Social and Rehabilitation Services
296-3271
2-27-84

Session of 1984

HOUSE BILL No. 2999

By Committee on Public Health and Welfare

2-14

AN ACT concerning health care services; prohibiting certain exclusions and limitations in health, accident and sickness insurance policies, plans and contracts which relate to emotionally handicapped children or recipients of medical assistance.

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

Section 1. (a) "Emotionally handicapped child" means a child who in the judgment of a licensed social worker, psychologist or psychiatrist is exhibiting those symptoms and behavior patterns that are determined to be of such a nature that the child needs the care and treatment given by a boarding home for children.

group or a residential center and youth.

(b) No individual or group health or accident and sickness insurance policy, plan, certificate or contract delivered or issued for delivery to any person in this state on or after the effective date of this act shall contain a provision excluding or limiting coverage because an insured's eligibility for medical care under a plan developed by the secretary of social and rehabilitation services pursuant to subsection (s) of K.S.A. 39-708c and amendments thereto.

(c) No health maintenance organizations organized under article ~~21~~ of chapter 40 of the Kansas Statutes Annotated, on or after the effective date of this act, shall deny or limit the provision of health care services to an enrollee because of the enrollee's eligibility for medical care under a plan developed by the secretary of social and rehabilitation services pursuant to subsection (s) of K.S.A. 39-708c and amendments thereto. The provisions of this paragraph shall not preclude a health maintenance organization from entering into a provider agreement with the

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Att. 9

secretary of social and rehabilitation services to provide health care services to persons eligible for medical care under a plan developed by the secretary of social and rehabilitation services pursuant to subsection (s) of K.S.A. 39-708c and amendments thereto.

(d) Any group health or accident and sickness insurance policy, plan, certificate or contract delivered or issued for delivery to any person in this state, on or after the effective date of this act, shall provide coverage for the treatment of emotionally handicapped children in a ~~boarding home for children licensed~~ group or a residential center and youth by the secretary of health and environment if the policy ~~provides~~ coverage for inpatient hospital medical coverage. Coverage shall be on the same basis as inpatient hospital medical coverage provided under the policy.

(e) A health maintenance organization organized under article 32, chapter 40 of the Kansas Statutes Annotated, on or after the effective date of this act, shall provide health care services for the treatment of emotionally handicapped children in a ~~boarding home for children licensed by the secretary of health and environment~~ group or a residential center and youth if the health maintenance organization provides inpatient hospital medical services. Coverage shall be on the same basis as inpatient hospital medical coverage provided by the health maintenance organization.

Sec. 2. The provisions of this act shall be applicable to nonprofit service corporations organized under articles 18, 19, 19a, 19b or 19c of chapter 40 of the Kansas Statutes Annotated.

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

Attachment 10

TESTIMONY

to

HOUSE INSURANCE COMMITTEE

by

Richard W. Burnett

On Behalf Of

H.B. 2999

Monday, February 27, 1984

Att. 10

Mr. Chairman, members of the committee, thank you for the opportunity to speak today in support of H.B. 2999.

My name is Richard Burnett. I have some familiarity with the issue of mental health care for youth because I am a licensed specialist clinical social worker and because I manage the clinical department of St. Francis Boys' Homes in Ellsworth and Salina which are licensed by the State of Kansas as residential treatment facilities and accredited by the Joint Commission on Accreditation of Hospitals (the same organization which accredits your local hospitals). I was also one of eight who wrote national standards for residential care adopted and published by the National Association of Homes for Children.

When a tooth aches we go to a dentist, when our body hurts we go to a physician, and when we need intensive medical care we go to a hospital. Such an option is not available when a child or adolescent needs intensive mental health care unless parents can afford the cost of such care or unless the State of Kansas through SRS subsidizes such care.

H.B. 2999 places more responsibility in the private sector for the mental health care of children and adolescents. Why shouldn't parents have available the same kinds of coverage needed for their children as for them-

selves? Why shouldn't the private child care sector be subject to the same demanding standards of insurance company oversight as adult care facilities?

Thank you.

Are there any questions?

Attachment 11

TESTIMONY ON HB-3010
HOUSE COMITTEE ON INSURANCE
Kansas Department on Aging
February, 1984

Bill Summary:

Amends KSA 40-2221 to prohibit the age rating of Medicare supplemental insurance policies.

"Notwithstanding any other provisions of law, no insurance company or non-profit corporation shall charge premiums for medicare supplemental policies that are based on the age of the covered persons."

Testimony:

Age rating of group health insurance is an emerging trend with subtle but ultimately sinister side effects, especially for older persons. The essence of insurance is a pooling of risk. The use of narrowly drawn and artificial age groups for establishing premiums for Medicare supplemental policies will greatly increase insurance premiums for those persons most in need of health care and least likely to be able to pay for that health care on an out-of-pocket basis.

HB-3010 prohibits "age rating" of premiums based on the specific age categories, for a narrow category of health insurance, Medicare Supplement policies.

Medicare supplement policies, policies such as Plan 65, are specifically defined policies that supplement Medicare. The Insurance Commissioner may adopt regulations establishing specific standards as long as they do not exceed minimum standards established under federal law.

Generally, they cover the $356 deductible under Part A (Hospital) and co-insurance from the 61st day, 90% of Medicare approved expenses up to 365 days for certain ancillary services. Under Part B, Medicare pays 80% of reasonable charges after a $75 deductible. Medicare supplemental policies must pay 20% of Medicare eligible expenses and allow an additional $125 deductible. They do not cover non-allowable costs. Generally, Medicare pays 42% of all elderly health care.

HB-3010 is a serious attempt to insure that Medicare supplement policies remain affordable allowing older people to take care of themselves and not have to go on state welfare rolls.

There has been a growing tend in health insurance to "age rate" other types of policies. Recently Blue Cross/Blue Shield age-rated small group policies, individual policies, and conversion policies, increasing premiums from 25-46% for those in the older groups. In Kansas, a substantial number of people will pay more when they can least afford it. Currently most company policies are not age rated.

The average longevity for a Kansas woman is 21 years after age 65; for a man 15 years. For four years, from age 65-69, he will pay less and for 10 years he will pay more. Although on the surface it seems many elderly will benefit, more careful analysis shows that they will not. 43% of all elderly are age 75+; 69% are 70+; and only 31% are between the ages of 65-69.

In my comparisons of insurance companies listed in the Insurance Commissioner's Guide, I compared the companies who age rated with the Blues of Kansas who did not. Of all the companies who were listed, only 9 had lower premiums in the age rated categories. Of those, 8 did not provide the same benefits under Part B; and only 2 of those with lesser benefits were cheaper for Older Kansans over age 70.

The point I'm making is that shared risk in Medicare health insurance gives generally cheaper prices for the majority of older people. It's a better deal, and indeed the savings are minimal from 65-69. It is also no risk for the company. Included below is a comparison of companies from the Insurance Commissioner's "Shopper's Guide."

	Part A Initial Deductible & Co-Insurance	Part B Initial Deductible	20% Co-Insurance
Blue Cross/Blue Shield $464.76	Yes	Yes	Yes
Banker's Life 65 - $461.78 66 - $466.80	Yes	No	Yes
New York Life 65-69 - $440 70-74 - $511.50	Yes	No	Yes
Physicians Mutual 65-69 - $449.78 70-79 - $568.03	Yes	20% of initial deductible.	Yes
American Standard 65-69 - $567 70-74 - $629 75-79 - $689 80-84 - $758 85-89 - $862	Yes	Yes	Yes

It is not uncommon for companies that age rate to have a differential of 50% between the youngest age group and their oldest. In one instance, the differential exceeds 70%. Who will be able to foot the bill at age 80 or 85+ if all companies age rate? Only the taxpayer, through Medicaid.

Medicare supplement policies, in essence, are group health insurance plans for persons over 65. As such they should continue to encompass the concept of shared risk among members of the group. The elimination of shared risk causes enormous increases for those least able to bear the cost. If the major Medicare supplemental insurance goes to age rating, older people will be hurt.

HB-3010 will put all insurance companies on an equal footing by prohibiting age rating. It will protect the neediest. It will preserve the concept of pooled risks and it will not harm the companies.

SH:bms
2-27-84

Attachment 12

PLAN 65 SUBSCRIBERS
BLUE CROSS AND BLUE SHIELD OF KANSAS, INC.

I. 1982 Claims Expense per contract month by age of subscriber:

Age Of Subscriber	Cost Per Contract Month
65 - 69	$18.38
70 - 74	21.39
75 - 79	24.42
80 - 84	25.98
85 - 89	27.81
90 & Over	29.50

II. Breakdown by the age of Medicare recipients and Plan 65 Subscribers:

Age	Medicare	Plan 65	
65 - 69	30%	18%	
70 - 74	27%	26%	
75 - 79	20%	24%	
80 - 84	23%	17%	(32%)
85 - 89		10%	
90 & Over		5%	

III. 63% of the people in our Plan area that are 65 or over are enrolled on Plan 65.

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Attachment 13

Testimony on H.B. 3010

Al Bramble

I want to speak against age rating for health insurance by companies doing business in Kansas and for H.B. 3010.
I do so for several reasons:

a) For one, it penalizes growing old which is already over penalized in many ways. In effect age rating says to the elderly "you have to pay more to live beyond 75 or 80 years." When in fact the old have already paid their dues. Age rating for health insurance was not applied when they were the younger. They helped pay for others. Now, because they reach 75 or 80 or beyond they are forced to pay more, a penalty for living so long.

b) Second, age rating will further impoverish our old. Single and widowed women over 72 years are the largest group of participants in Medicare supplemental insurance. This group is also the poorest of the elderly. If the poverty level is determined by a $4,000 income level, then in 1980 34% were in poverty. If the level is $5,000 the rate jumps to 54%. Higher insurance premiums added to increased utility costs means less and less for food and shelter. This leads to further health problems requiring higher payments for insurance. So the viscious circle rolls on, to the increased impoverishment of the old.

c) Third, age rating for health insurance radically alters the basic concept of shared risk in the health field. I have understood that health insurance was based on many persons paying to provide for the few who need financial assistance to survive health problems. This is the mark of a compassionate society. Now, age rating is changing this. And change it for a group who through the years have helped pay for the health emergencies of others. It is questionably fair to switch health care horses in the middle of the stream.

d) Fourth, it breaks the social contract of life wherein care should be extended to the elderly as a right rather than a privilege, or worse, as a charity.

(over)

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d) Continued:

Through the past the present elderly, when young themselves, did not pay less for health care. They shared and paid for the risk of illness spread across the age groups. Now, in return for a lifetime of work, and care and concern for children, grandchildren, friends and fellow workers, under age rating we are requiring them to pay more for the privilege of living. We should do unto the elderly as they have done to others, have concern and share the risk.

Finally, for consistency and fairness the State should establish a policy that requires all insurance providers to compete on equal competitive footing. Either allow all to age rate or outlaw it. For reasons outlined above I urge passage of this bill that outlaws age rating.

Attachment 14

TESTIMONY BEFORE THE HOUSE INSURANCE COMMITTEE
KANSAS ASSOCIATION OF PROFESSIONAL PSYCHOLOGISTS
February 27, 1984
HB 3064

Mr. Chairman, members of the Committee, my name is Dr. Lee Lohrenz and I am appearing this afternoon on behalf of the Kansas Association of Professional Psychologists. This Association is made up of certified psychologists in the State of Kansas who are engaged in private practice. We appreciate the Committee's introduction of House Bill 3064 and the opportunity to present testimony today in support of that bill.

Since 1974 Kansas citizens have enjoyed freedom of choice protections contained in K.S.A. 40-2,100, 40-2,101, 40-2,104. Those freedom of choice, or vendorship statutes, do not mandate any scope of coverage. What they do say is that if a particular scope of coverage is included within a policy and if the covered services can lawfully be performed by any practioner licensed under the Board of Healing Arts, or by an optometrist, dentist or certified psychologist, then those services may be reimbursed if they are provided by one of those practioners as well as if by a medical doctor. These provisions allow the Kansas consumer the freedom to choose their health care provider to perform covered services. If a policy does not provide for eye care, these provisions do not mandate it. But if the policy does provide for eye care, then the insured can choose to go to an optometrist as well as an ophthalmologist. The same is true for the other providers covered under those statutes.

HB 3064 is designed to deal with a problem sometimes referred to as "extraterritoriality". Currently Kansas Insurance law does not apply and therefore these vendorship provisions do not apply to a group insurance policy when the master policy is issued and delivered outside of the State of Kansas. The situation is

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therefore created where large numbers of Kansas residents and employees are denied the protections and the privileges of our Kansas insurance laws simply because their company has a home office or another facility out of state and the master group policy is delivered there from an out of state insurance company.

Not only does this discriminate against Kansas employees, it discriminates against Kansas insurance companies which inherently must issue their policies from Kansas and therefore come under the provisions of Kansas statutes. HB 3064 simply states that these provisions apply to Kansas employees and to Kansas residents regardless of where the policy is issued. The bill also provides that K.S.A. 40-2,102, Insurance Coverage for Newly Born Children, would apply for Kansas residents in a similar fashion. Last year this Committee and in the full House passed HB 2255 by Representative Heinmann which delt with the extraterritoriality problem in regards to coverage to new born infants.

Other than this provision, this bill does not deal with mandating coverage--only with giving all Kansans the equal protection of our laws to determine what providers they wish to have provide services which are covered under the policy.

This bill is also supported by the Kansas Dental Association, the Kansas Optometric Association and the Kansas Chiropractic Association. We would urge your favorable consideration for HB 3064.

Thank you.