

MINUTES OF THE SENATE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS.

The meeting was called to order by Sen. Neil H. Arasmith at
Chairperson

9:00 a.m. ~~pm~~ on February 28, 1984 in room 529-S of the Capitol.

All members were present except:

Senators McCray and Hess - Excused

Committee staff present:

Bill Wolff, Legislative Research
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

Senator Jan Meyers
Clare Ewert, Kansas Women's Equity Action League
Alice Kitchen, Kansas Women's Equity Action League
Marge Jantz, Older Women's League
Sylvia Hoagland, Kansas Department of Aging
Ila Major, Gray Panthers
Charlotte King
Jack Roberts, Kansas Blue Cross-Blue Shield
Ron Todd, Kansas Insurance Department

The minutes of February 27 were approved.

The hearing began on SB 704 concerning group health insurance continuation with the testimony of Sen. Jan Meyers in support of the bill. Sen. Meyers said that currently when group health insurance is terminated by death of the employee, written application must be made within thirty days to continue the coverage for dependents. She explained that this bill says the coverage will continue for six months following the termination with the financial responsibility on the dependent during that period. At the end of that six month period, a notice of the right to convert would be given to the dependent. Sen. Meyers said that she feels thirty days is not sufficient time for a widow to make this decision, but the six months would allow her more time in which to get her financial affairs in order and to decide what her insurance needs are and what she can afford.

The chairman asked if the employer would continue to pay his portion of the group insurance during the six month period. Sen. Meyers answered that, no, the dependent would assume the total responsibility but that it would be at the group rate for the six month period. She added that it would not be bringing anyone new into the group because the dependent had been counted already in the group.

The chairman called on Clare Ewert, Kansas Women's Equity Action League, for her testimony in support of SB 704. She said that her group had placed advertisements in several papers in Kansas asking women to respond if they were having trouble with insurance. All of the responses they received indicated that the women were having problems with getting affordable insurance. She feels that the bill will help relieve this problem.

Alice Kitchen, Kansas Women's Equity Action League, followed with her testimony in support of SB 704. (See Attachment I.) Upon conclusion of her testimony, she distributed copies of data concerning insurance for mid-life dependents. (See Attachment II.)

Sen. Pomeroy said that if the bill is intended to be effective in a divorce situation, the word "or" needs to be changed to "and" in line 829 of the bill. Ms. Kitchen commented that one reason for the six months extension was to give the insurance agency and the employer time to locate the dependent and give notice in divorce cases.

Marge Jantz of the Older Women's League gave testimony in support of SB 704. She told the committee that she has been a life long resident of Kansas and has also served on the Johnson County Aging Commission. She said she would be delivering a message from Joan Upshaw of the Social Work Department of the Shawnee Mission Medical Center. (See Attachment III.) She concluded by saying that in her experience on the

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Johnson County Aging Commission, older persons tend to pay bills before spending on food and other necessities for themselves, and, therefore, the bill is needed to offer these older persons continued affordable coverage for medical expenses.

Sen. Werts noted that in the example given of a young divorced woman who was unable to afford insurance in Ms. Upshaw's letter, no mention was made of what the ex-husband was paying for group insurance. He asked if the continuation of the insurance would be on the same level as what the young woman would now have to pay.

Sylvia Hoagland, Kansas Department of Aging, responded to this question. She said that in some cases the level would be the same, and in some cases it would not. She added that this bill provides a continuation of insurance for six months to allow a transition period for a dependent so a decision does not have to be made in a time of stress. Ms. Hoagland continued with the remainder of her testimony. (See Attachment IV.)

Ila Major, Gray Panthers, followed with testimony in support of SB 704. She said that she was also speaking as a member of the Older Women's League. Ms. Major stated that older women are the poorest of the poor. She continued that she has found that on the actuary table, women's insurance becomes cheaper after age 55. However, many of these women had been married a long time, never worked, and spent time and money in the care of their husbands which left them with a depleted money supply. Therefore, these women cannot afford insurance if they were not left any by their husbands. She added that the Gray Panthers also have younger women as members and that young women who are left with children after divorce or death are a fast growing group. This group of women also cannot afford insurance and, therefore, go without it.

Charlotte King of Overland Park appeared as a concerned citizen in support of SB 704. She said that she has worked with insurance companies and has seen the problems they have in this area. She told the committee that she was recently divorced and has not been notified of any conversion rights on her ex-husband's insurance. She has looked for affordable insurance since last August and has not been able to find any. She feels that something is needed for persons such as herself who have had protection for many years but have had it taken away through no real fault of their own.

The chairman called on Jack Roberts, Kansas Blue Cross-Blue Shield, to give his testimony in opposition to SB 704. He outlined the three methods of conversion currently: the non-Blue Cross-Blue Shield way affecting 650,000 to 700,000 Kansans, the self-insurers affecting 300,000 Kansans, and the Blue Cross-Blue Shield way affecting 650,000 Kansans. He said that Blue Cross historically has automatically given conversion and sent notice of it with no restrictions or waiting period. In SB 704 the non-Blue Cross and the self-insured remain the same, but Blue Cross changes. Mr. Roberts feels that the issue involved is a social problem which the bill cannot address. The real issue is affordability for people who leave the group and, thus, also have to pay the amount formerly paid by the employer. Mr. Roberts feels that the insurance in this case may not necessarily be affordable. He said that if SB 704 is passed, it will not address the self-employed or non-Blue Cross. The bill is asking for universally extended group insurance which leaves many questions because this is a whole new concept and does not really address affordability. The rate extended group insurance would not be self-sustaining because to do this, employees would have to be charged more for the group insurance. He concluded that the bill does not involve a simple issue and does not meet the problem involved.

Sen. Pomeroy asked Sen. Meyers if she had intended that the bill include children who reach the age where they are no longer covered on the group plan. Sen. Meyers answered that the bill was intended only to provide coverage for an extended six month period for spouses and dependents under 18 with a one month notice after that for conversion or continuation and not for any extension beyond that point.

Mr. Roberts explained that the continuation has no time limitation, and this changes the group insurance concept.

Sen. Meyers replied that she would work with staff to correct the bill to read as she had intended and that she had not intended that the bill have the impact that Mr. Roberts had described.

The chairman announced that Ron Todd would give further testimony which had been requested by the committee on SB 560. The chairman first informed the committee that it had been misinformed at the previous hearing and that there is a guaranty fund

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in which all insurance companies participate to extend to all companies doing business in Kansas. The bill would increase the minimum capital and surplus funds that would provide additional assets to pay off policyholders in cases where a company became insolvent.

Mr. Todd began his testimony. (See Attachment V.) He told the committee that SB 560 is designed to increase safety for policyholders by making sure that very few companies become insolvent and that he would recommend its passage.

Sen. Werts commented that he is bothered by changing the rules of the game for insurance companies already in business. Mr. Todd replied that the rules would be changed to some extent, but the whole idea is that the requirements need to be updated since it has not been done since 1969.

The meeting was adjourned.

SENATE COMMITTEE

ON

COMMERCIAL AND FINANCIAL INSTITUTIONS

OBSERVERS
(Please print)

DATE NAME ADDRESS REPRESENTING

DATE	NAME	ADDRESS	REPRESENTING
2/28	Ed Mullins	Topeka	BUDGET
	Tom Ertzler	Laurence	Sen Hess
	Jane Meyers	Overland Park	Senator
	Arlene Kitcher	Knowns	Women's Enfranchisement League
	Sylvia Houford		KDOA -
	Walpe Johnston	Topeka	BC-BS
	Jack Roberts	"	"
	Thomas Miller	"	"
	Charlotte Blum	Overland Park	WEAL
	Clare Everett	Pravie Village	OWL
	Ila Major	Overland Park	OWL & Gray Panthers
	Marjorie Jantz	Pravie Village	OWL
	Mrs. C. Umbel	Topeka	KCUK
	Janet Wright	Topeka	KCUK
	Dick Brock	Topeka	Ins Dept
	L.M. Corwith	"	Keosauqua P/C Gas
	TJ Wilder	"	KLSI
	PETE MANFRED	WICHITA	RCUL

WEAL

Women's Equity Action League

Specialists in Women's Economic Issues

KANSAS W.E.A.L.
4718 W. 66th St.
Prairie Village, KS 66208
(913) 362-8503

To: Senate Commercial and Financial Institutions Committee
House Insurance Committee

From: Alice Kitchen, Kansas Women's Equity Action League

Re: Hearings on S. 704, HB 3065 and HB 3087

Kansas Steering Committee

Claire Ewert
Prairie Village

Brydie Alsbrook
Kansas City

Joan Olden Brake
Wichita

Sr. Delores Brinkel, S.C.L.
Kansas City

Mary Kay Davis
Leavenworth

Billie Espino
Kansas City

Esther Ewing
Hutchinson

Joan Grein
Topeka

Elaine Harvey, Ed.D.
Hays

Jeanette Livingston
Topeka

Ruth Lyons
Independence

Ila Major
Overland Park

Pat Moore
Wichita

Louise Reece
Garden City

ACCESS TO AFFORDABLE MEDICAL COVERAGE

1. What is needed is the current legislation?
Access to affordable medical coverage is a privilege most people enjoy. However, there is a small but significant group of people who have lost medical coverage due to death, divorce, or retirement of a spouse.
2. Who are these people?
Usually mid-life women between 45-65. Based on the number of males who died in 1983 and a 64% formula for number of males married, we estimate that we are talking about 1,707 women who were left alone due to death. We also would predict that a large portion of these males were employed and covered under a group plan. Those dependents left without insurance due to divorce number 1,138 (81) *after 20 yrs. of marriage* and again a large portion of those people had access to medical insurance through the worker in the household. These people were figured into the group rate prior to the change in status. These dependents are actuarially the same people they were before change in status.
3. What is absent is the current law?
Continuation in the group plan at the group rate. This feature would eliminate the "adverse selection" experience commented on by some insurers.
Requirement that coverage be identical in scope to previous plan with no new waiting period.
Notification by insurer/employer to affected spouse.
Inclusion of those left without coverage due to the retirement of a spouse who is now covered under Medicare.
Inclusion of dependents in these remedies.
4. What are the consequences of not having medical coverage?
To be without medical coverage in our society is to be without a basic necessity. It is hard to imagine anyone feeling secure without a medical plan, much less having dependents whose medical bills could be significant. Visits to doctors offices are usually over \$20 and a hospital bed begins at \$200 for a semi private room in many hospitals. Group coverage for this group is the most desirable and the conversion rate is second best. Individual plans a usually prohibitive in cost and fraught with riders.
5. What have other states done in this regard?
Presently 25 states have conversion privileges for divorced spouses, this includes Kansas. 24 states have conversion/continuation in case of death. 18 have mandated continuation of one kind or another.

Attachment I



ETC

ETC INSTITUTE

MARKETING RESEARCH, DEMOGRAPHY, INFORMATION MANAGEMENT

1501 E. PARK, OLATHE, KANSAS 66061
(913) 829-1215

February 27, 1984

TO: Kansas Women's Equity Action League

The following is a summary of the information that I was able to secure for the Kansas Women's Equity Action League Project. Since you had some more specific information about California, I secured some information about both California and Kansas so that the information for California might be used to gain estimates for Kansas.

1980 Population

California	23,668,000	(to nearest thousand)
Kansas	2,364,000	

Source: 1982 State and Metropolitan Area Data Book, U.S. Department of Commerce

Men and Women, Ages 45-64, Year 1980

California	19.2% of population
Kansas	19.4%

Source: 1982 State and Metropolitan Area Data Book, U.S. Department of Commerce

Persons Insured with company policy (excludes companies with self-insurance)

	Number	Percent of Population
California	17,878,000	75.5%
Kansas	1,507,000	63.7%

Source: Obtained by telephone February 23, 1984, from Health Insurance Association of America (202) 862-4124 (This was their "statistics" office; their main number is (202) 331-1336)

Fletcher Bell's Office 296-3071 did not have any information, as of February 23, 1984.

Women, ages 45-64, without insurance

The California data showed there were one-half million women; using the California percentage for Kansas would yield an estimate of 50,000. In view of the lower percentage insured, the number for Kansas might be higher.

Attachment II

Medicare hospital insurance enrollment-1979

	Number	Percentage of Population
California	2,519,000	10.6%
Kansas	319,000	13.5%

Source: 1982 State and Metropolitan Area Data Book, U.S. Department of Commerce

Comment: The difference in percentage of persons with medicare insurance is probably a function of the age distribution; the percentage of persons in California, ages 65 and over, is 10.2%, while the percentage of persons, ages 65 and over, in Kansas is 13.0%.

Kansas has one of the higher percentages of persons, ages 65 and over; the states with a higher percentage are: Rhode Island (13.4%), Iowa (13.3%), Missouri (13.2%), South Dakota (13.2%), Nebraska (13.1%), Florida (17.3%), and Arkansas (13.7%).

Source: 1982 State and Metropolitan Area Data Book, U.S. Department of Commerce

Percentage of Population with medicare or hospital insurance

California	86%
Kansas	77%

Marital Status, 1980 (persons ages 15 and over)

	Males		Females	
	Number	%	Number	%
Single	241,362	27.2%	186,113	19.6%
Married	569,429	64.2	565,595	59.5
Separated	8,260	0.9	10,685	1.1
Widowed	21,294	2.4	121,686	12.8
Divorced	47,119	5.3	66,881	7.0
Total	887,464		950,960	

Married refers to persons currently married, whether married only once or whether they have been widowed or divorced and remarried. Persons classified as single have never been married or whose marriage was annulled.

Using your data for 1983 about deaths, you could say "During 1983 in Kansas,

286 males between the ages of 35-44 died, 740 males who were between 45-54 died, and 1,641 males between the ages of 55-64 died. Using the estimate of 64% of the male population as married, we could project that we are talking about 1,707 women who were spouses."

National marital status, ages 65 and over

	Men	Women
Married		
Spouse present	75.5%	38.0%
Spouse absent	2.0	1.7
Widowed	13.6	51.0
Divorced	3.7	3.4

14.7% of the men and 40.9% of the women live alone.

Average lifetime for people in Kansas (1969-1971)

Males 68.83 years
Females 76.54

Source: 1982 State and Metropolitan Area Data Book, U.S. Department of Commerce

Average Age at Death, Kansas 1981 (this includes all deaths)

Males 67.2 years
Females 74.3

Source: 1981 Kansas Department of Health and Environment Annual Summary of Vital Statistics

Marriages ending in Divorce during 1981 (Kansas)

Duration of Marriage	Number of Divorces
20-24 years	548
25-29	315
30-34	175
35-39	64
40+	36
Total 25 +	1138

Some of these women probably are those who end up without insurance.

Hope this helps! Give me a call if you have questions.

Sincerely yours,

Elaine L. Tatham

**SHAWNEE MISSION
MEDICAL CENTER**

February 27, 1984

Neil H. Arasmith, Chairman
Commercial and Finance Committee
Kansas State Legislature
Topeka, Kansas

Dear Chairman Arasmith,

As a Social Work Department director and a direct service provider, I would like to take this opportunity to support Senate Bill 704 which addresses the problem of persons who, through death, divorce and retirement lose their access to health care coverage.

I briefly wish to cite two situations that typify many others that come to my attention annually.

A couple, composed of a sixty-two year old husband and a fifty-eight year old wife, were referred to me while the wife was hospitalized. The initial purpose was to help the couple with decisions around going home. The paramount concern that emerged, however, was the husband and wife's fear of not having enough money to pay for her doctor's bills and for the medications the physicians prescribed to treat her chronic illness around heart and respiratory problems. The husband had been terminated from his life long employment due to his disabilities to perform the needed work. He was now under Medicare disability coverage for himself. His wife, however, was not covered under that entitlement, nor was covered under her own account because of her age and the fact she had never worked to have insurance coverage of her own.

At this point, the couple was overwhelmed with the multiple bills from many specialists and services validly treating her. She owed each sizable sums of money. Her immediate fear was their stopping treatment until she could pay on those bills. Additionally, her medicine prescriptions were multiple and costly, increasingly stretching the couple's ability to cover them with their very meager income.

Another situation that serves to typify a class of situations is a young twenty-eight year old mother with an eight year old child. She lost her and the child's access to health insurance due to a divorce. She was not covered or continued on her former spouses

plan. She was not notified by either employer or spouse that this was an option. Later the husband lost that job and has not been under covered employment since, leaving their child also uncovered for medical needs.

Presently, this mother is working two jobs, one full time in a filling station where there are no insurance benefits; one part time as a waitress where similarly there are not benefits. She accumulates about seven to eight hundred dollars per month to meet all the needs of rent, utilities, food, clothing, child care and transportation. This leaves nothing for the \$150.00 to \$200.00 private health insurance premium per month that would be necessary to help assure access to health care services.

Thank you for you and your committee members consideration of these practice experience situations. We hope they help with your understanding of what we consider a prevalent problem with a group of Kansas citizens.

Sincerely,



Joan K. Upshaw
Director, Social Services

JKU/jh

CONTINUATION AND CONVERSION
OF GROUP HEALTH INSURANCE POLICIES

Kansas Department on Aging
February 28, 1984

Bill Summary:

Provides continuation benefits to employees and covered dependents for six months with the right to convert.

Bill Provisions:

1. Requires that continuation of group benefits be provided for six months to members and covered dependents.
 - a. For commercial insurers, requires that covered dependents as well as the group member who lose group status, be given continuation and conversion privileges.
 - b. For Blue Cross/Blue Shield, requires that members and covered dependents who lose group status be given continuation and conversion privileges.
2. Provides for conversion within 31 days after continuation.
3. Does not apply if termination from the group was because of failure to pay after receiving notice, or if the group coverage was replaced within 31 days.
4. Conversion notice must be given by the insurer on the right to convert at least once during the six months continuation period.

Testimony:

The purpose of this bill is to provide a transition period of affordable health care insurance, to dependents or members who lose their group health insurance benefits. The bill is especially aimed at dependents, who through widowhood or change in status, are no longer covered by a group plan.

To be without health insurance can mean having no medical care at all. Often these people are those who are no longer eligible for group insurance, especially older women through widowhood or divorce. This bill provides a six-month period, where the member or member's covered dependent, and we hope this language in the bill applies to widows(ers) and ex-spouses or former covered members, can continue with the group benefits at group rates while they seek other affordable insurance. The premium is not paid by the company, but by the individual themselves. The time period is limited to six months, thereby not appreciably changing the group's experience. Conversion is extended after the continuation period after notification by the insurer.

The problem was brought to the attention of the State Advisory Council this summer when the Blues, for the first time, age rated small group policies, conversion policies, and individual policies providing dramatic increases in premiums for older persons. Rates went up between 25-45% for those 60-64, between \$224 and \$448 per month. The State Advisory Council directed KDOA to investigate the issues of inadequate or unaffordable health insurance.

What we discovered was that there was a certain group of people who, when cut off from the income-earning member of their family, were often unable to secure adequate health insurance at an affordable price. When no longer covered by a spouse's employment-related health insurance, because of death or retirement of the spouse, or change in marital status, many older people under Medicare age, especially older women, are without access to any affordable health insurance at a time when they need it most.

Approximately 11% of all Older Kansans 60-64 have no health insurance. Under Kansas statute some conversion options exist. However, conversion policies are the most expensive for most people. Even the exercising of conversion options may be missed because of the narrow gap in time (31 days) in which they are entitled to exercise this privilege.

This bill, therefore, is an attempt to provide group benefits at group rates for a period of time to allow that person to seek affordable health insurance. It also provides notice of the right to convert within the continuation period so that the right can legitimately be exercised.

KDOA strongly supports the bill, but we have two concerns:

1. That the language truly covers dependents such as widows.
2. That the continuation rate be at the same rate as the covered policy.

Need for Strengthening the Minimum Financial Requirements

There are approximately 1,200 insurance companies authorized to transact business in Kansas. The oldest and most important reason for state regulation is protection of the public from insolvencies of those insurance companies. For this reason all rates require insurance companies operating in their states to maintain certain minimum capital and/or surplus requirements in addition to reserves for liabilities. This provides an extra "cushion" as a protection to the policyholders and claimants.

The following are some reasons why the Kansas minimum financial requirements need to be raised to help assure adequate protection for Kansas insurance consumers:

- I. Adequate minimum capital, surplus and deposit requirements are not static. They should be revised to keep pace with applicable economic conditions. The Kansas minimum requirements were last revised in 1969 and need to be raised, if for no other reason, than to provide consumers with relatively the same monetary cushion against insolvency as has previously existed.
- II. The loss and loss adjustment reserves of property and casualty companies and some of the accident and health reserves of life companies are only an estimate. The capital and surplus account is therefore a very important cushion to prevent losses from insolvencies by absorbing under reserved liabilities and unexpected losses.
- III. Hopefully, the higher financial requirements will prevent insolvencies in some cases because it is an accepted fact that the rate of insolvencies is higher in states with low minimum financial requirements. Each insolvency that must be paid for by guaranty associations is a deduction to general fund revenues.
- IV. Higher financial requirements will hopefully cause persons interested in organizing a new company to be extremely well prepared prior to commencing formation of a new company. Recent events cause us to believe that potential problems could have been eliminated if the financial requirements would have been higher.
- V. Higher financial requirements will be of immediate importance because of their applicability to insurance companies applying for admission to Kansas. Some present potential solvency problems could have been avoided if the financial requirements were higher at time of admission.
- VI. The capital and/or surplus amount in the property and casualty annual statement is referred to as "policyholders surplus" thereby recognizing that the policyholder has a definite interest in the amount of capital and/or surplus.
- VII. Higher limits of financial requirements will hopefully allow us to take action against companies that appear to be experiencing financial problems earlier and while there is more money left in the company.

- VIII. Higher judgments are being awarded by courts today which could have a very detrimental effect on companies just meeting lower financial requirements.
- IX. Many companies must experiment in today's market with new products in order to be competitive. These experiments can be costly and especially harmful to a company with inadequate capital and/or surplus to support their experimentation.