

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. ~~p.m.~~ on March 16, 1984 in room 529-S of the Capitol.

All members were present except:

Senators Hess, McCray, Feleciano, and Pomeroy - Excused

Committee staff present:

Bill Wolff, Legislative Research
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

Ron Todd, Kansas Insurance Department

The minutes of March 15 were approved.

The hearing began on HB 2756 dealing with reserve requirements of health maintenance organizations (h.m.o.s). Ron Todd of the Kansas Insurance Department appeared in support of the bill. He explained that the bill is a result of the Department working with h.m.o.s this past summer in an effort to create a substitute bill for one dealing with the same subject which did not pass last session. He informed the committee that h.m.o.s are organizations that provide an alternative form of health care as opposed to Blue Cross-Blue Shield and other insurance. They were established in 1974 and operate similar to insurance companies. Some have their own buildings for health care except for hospitalization and offer contracts for this service, usually to groups. Mr. Todd said that there were no requirements to prevent insolvency in the original legislation for h.m.o.s. The National Association of Insurance Commissioners composed a model bill to provide more security for h.m.o.s which was introduced last session and, evidently, was too complicated to be accepted. House Bill 2756 was developed as a first step towards the model bill's requirements. Mr. Todd explained that new Section 2 contains the new requirements and went through them with the committee. He concluded that there are now seven h.m.o.s operating in Kansas and that all have had input in the preparation of the bill. He urged the committee to take favorable action on the bill.

Sen. Harder asked the meaning of "guaranteeing organization" on line 128 of the bill. Mr. Todd said that it refers to a holding company.

Sen. Karr asked for an explanation of the "annual statement" mentioned on line 75. Mr. Todd explained that the Department requires an annual statement on which one of the lines is called "uncovered expenditure" which means those not covered by a doctor's agreement or by a hospital agreement. Sen. Karr inquired if the only auditing that would be done would be by the Department, and Mr. Todd said that this is correct.

Sen. Werts began an inquiry as to if the reserve is part of the net worth of h.m.o.s. Mr. Todd stated that the reserve is not part of the assets but is used in computing the net worth where the reserve would be carried as a liability because it is being set aside. He agreed with Sen. Werts that it would be a contingent liability. Sen. Werts requested that Mr. Todd compose wording to be placed in the definition section of the bill for "net worth". Mr. Todd agreed to do so with reference to the annual statement although he feels that it will be difficult to word such a definition.

The chairman asked if h.m.o.s are examined, and Mr. Todd answered that they are.

Sen. Reilly asked the committee members if they had received a letter from Charles Beall from Topeka regarding the development of an ambulatory center to provide health care service in cities of over 50,000, and what the impact of this bill would be on this effort. Staff explained that the bill would have no impact because it is a day care surgery facility. The hearing was concluded on HB 2756.

The chairman asked the committee if it wished to act upon HB 2756 with the understanding that the definition of "net worth" would be a floor amendment.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS,
room 529-S, Statehouse, at 9:00 a.m./~~pm~~ on March 16, 1984

Sen. Reilly made a motion to recommend HB 2756 favorably. Sen. Gordon seconded the motion, and it carried.

Attention was turned to HB 2753 dealing with examinations of insurance companies which had been previously heard. A motion had been made to report the bill favorably as amended, but there had been no second to the motion.

Sen. Reilly told the committee that in view of the letter received by all the committee members from Ron Todd explaining the intent of the Department in regard to HB 2753, he feels that the bill in no way will reduce the cautious approach the Department takes in its examinations of insurance companies. He feels that the fees paid by the larger companies are exorbitant and that the Department does need to concentrate more time on those companies where it is felt they are near insolvency.

Sen. Reilly moved that HB 2753 be reported favorably as amended, Sen. Werts seconded, and the motion carried.

The meeting was adjourned.

ALH
H.S.

SENATE COMMITTEE

ON

COMMERCIAL AND FINANCIAL INSTITUTIONS

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
3/16	E. D. RATHBUN	LIBERAL KANSAS	self-
"	ED MULLINS	TOPEKA	BUDGET
"	JOHN SCHNEIDER	TOPEKA	SRS
	LARRY MAGILL	"	IIAK
	BON TODD	"	INS. DEPT.
	Merum-Uhnholtz	"	KS CUL
	TJ Wilder	"	KLSI



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FLETCHER BELL
Commissioner

March 15, 1984

Honorable Neil Arasmith, Chairman
Senate Commercial and Financial
Institutions Committee
Statehouse, Room 128-S
Topeka, Kansas 66612

Dear Senator Arasmith:

Following today's hearing on House Bill 2753, your committee amended the bill by deleting Section 2 thereof. The purpose of this letter is to express our support for passage of House Bill 2753 as amended.

In its present form, House Bill 2753 would remove the mandatory requirements that domestic insurance companies be examined every 3 years and that each foreign company doing business in Kansas be examined every 5 years. In lieu thereof it would substitute the authority to examine such companies whenever the Commissioner deems it necessary to do so as opposed to a dictate from the calendar.

We feel this change would enable the Commissioner to more efficiently use his examination staff and devote their attention and expertise to examining those companies that most need to be examined as determined by the Commissioner from other financial reports available to him -- such as annual financial reports and the results of the early warning system reports from the National Association of Insurance Commissioners.

This flexibility would enable us to provide more protection to the public than we are able to do under the present system of required financial examinations even though annual financial reports and other information indicate such examination is not necessary at that time. We wish to emphasize that nothing in this proposal would change our present performance of "market conduct" examinations whenever they appear necessary on special issues such as advertising, claims settlement practices, rating procedures, etc.

We would urge your favorable consideration of House Bill 2753, as amended.

Sincerely,

Fletcher Bell
Commissioner of Insurance

Ron Todd
Assistant Commissioner

RT:sc

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