

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANSThe meeting was called to order by Senator Paul Hess at
Chairperson3:30 a.m./p.m. on January 23, 1984 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Research Department: Richard Ryan, Ed Ahrens, Mary Galligan, Lynne Holt,
Sherry Brown, Chris Stanfield

Revisor's Office: Jim Wilson

Committee Office: Mark Skinner, Doris Fager

Conferees appearing before the committee:

Dr. Marvin Harder, Secretary of Administration

Art Griggs, Chief Counsel, Department of Administration

JoAnne Klesath, Kansas Association of Public Employees

HB 2678 - Group Health Insurance for State Employees

The Chairman explained the background of the proposal, and asked Mr. Wilson to give a brief description of the bill, section by section.

There were questions concerning the amendments in Section 8 regarding the provision to charge a uniform amount per person to the employing agency or local governmental entities participating in the state health care benefits program. Mr. Griggs explained that this applies only to the portion the state pays, and not to that paid by the employee.

Dr. Marvin Harder complimented the committee (Senators Hess and Rehorn and Representatives Bunten and Luzatti) for initiating the compromise bill before the committee at this time. He stressed that it is necessary, if at all possible, to reduce cost to the state of the health care program, because the cost is now very high. He added that he would like to be able to report to the committee one year from today that the Health Care Commission was able to reduce the outlay.

Dr. Harder outlined the following objectives: (1) To reduce health care costs through an innovative program; (2) to reduce, if possible, the cost of family coverage for state employees; (3) to search the nation for innovative health insurance programs; (4) to structure procedure in the future so that the Ways and Means Committees are able to review the outlines of a health insurance program before the appropriations decisions are made. He then stated that if there is a different view with respect to those objectives, he would like to be apprised of those differences.

There was discussion concerning the "Cadillac" health insurance program provided by the State of Kansas. Dr. Harder commented that, because of the fact that the first dollar of health care costs are paid under the present plan, it will be difficult to make a change. Under the present plan, there is no incentive to reduce hospitalization, according to Dr. Harder. If the decision is made to approve a "deductible" plan, it will be necessary to make sure the health package includes some benefits not now enjoyed by state employees.

Senator McCray expressed concern that in reducing the cost of health care coverage, the amount of benefits might be reduced. Dr. Harder explained that he felt the health care benefits need to be included in a total package which would include take-home pay and KPERS benefits.

HB 2678, Continued

Senator Hein commented that he hadn't seen a single piece of legislation which would affect health care costs--only those which will affect reimbursement of costs. He asked Dr. Harder if there would be a proposal forthcoming which would cut costs of health care, such as provision of exercising facilities, etc. Dr. Harder answered that he hadn't considered what would be involved in such an innovation, but that it surely would be considered in the future.

There was a brief discussion regarding provision of options for health insurance by state employees. Dr. Harder said this might be a possibility.

Mr. Griggs called the committee's attention to another possible treatment of health care coverage. The Seigal Company pointed out that, under Section 125 of the I.R.S. Code, the state may be able to offer a plan whereby the net effect is that \$139 a month now paid with after tax dollars could be paid with pre-tax dollars. Mr. Griggs added that the I.R.S. has not given any opinion or set out regulations in this area, and it is difficult to rest assured that establishing such a program would be proper. He further stated that a tax firm has been engaged to decide if this would be a feasible action for FY 1985.

There was discussion among committee members concerning Mr. Griggs' last statement. Upon being questioned, Mr. Griggs said he felt such a change would require statutory amendments.

Ms. Klesath noted that she would like to see provisions of subsection (c) on page 2 of the bill (concerning continued coverage of retired appointed and elected state officials) apply to other employees as well. She also expressed concern over the person mentioned in line 69 on page 2 (a representative of the general public appointed by the governor). She said she would like to see a provision in that section which indicated that a state officer or employee should not be appointed as the third member of the health care commission. There was a brief discussion among committee members about this suggestion.

When asked about the fiscal impact of including all state employees in the provisions of subsection (c) on page 2, Mr. Griggs said he could not answer specifically, but reminded the committee that retired people average more hospitalization and visits to doctors than do younger people, and this would help them to pay lower premiums.

A conceptual motion was made by Senator Talkington and seconded by Senator Bogina to include state employees who have had 10 years service in the provisions of Lines 50 to 60 of HB 2678, with a limit of 31 days in which to make the election. The motion carried by voice vote.

Motion was made by Senator Werts and seconded by Senator Steineger to include the words "per person" following the word "amount" on line 215 of HB 2678. The motion carried by voice vote.

Motion was made by Senator Steineger and seconded by Senator Warren to report HB 2678 as amended favorably for passage. The motion carried by roll call vote.

The meeting was adourned by the Chairman.