

Approved On: _____

Minutes of the House Committee on Assessment and Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 7:30 a.m. on April 9, 1985 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Adam, Crowell, Leach, Reardon, Wagnon

Committee staff present:

Tom Severn, Legislative Research
Melinda Hanson, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

Mr. Ron Todd, Assistant Commissioner of Insurance, explained HB-2600, an act relating to insurance; concerning the taxation of insurance companies.

Mr. Bud Cornish, representing Kansas insurance companies, said he was startled and shocked when he read the bill which would double the tax for domestic insurance companies. He explained that the 1% tax comes off the top but the privilege tax is based on net earnings. He said there are 40 Kansas insurance firms operating in Kansas and approximately 1250 who are based outside the state, but that the Kansas companies pay approximately 20% of the tax. He believes the time is not now for a change in the taxing system.

Mr. Jack Roberts, representing Blue Cross and Blue Shield of Kansas, spoke as an opponent of HB-2600. He said that an increasing number of employers now use some variation of self-insurance. According to a survey there are 57% now self-funding their medical plans in some way, compared with 19% in 1980. (Attachment 1) He said the primary impact of this bill would be on firms with few contracts, farm groups, non-groups, and plan 65. (Attachment 2) He also submitted copies of articles from the Kansas City Times and Wichita Eagle-Beacon saying that Blue Cross had reduced its rates 6% to 14%, saving its subscribers about \$22 million this year. (Attachment 3)

The minutes of April 5 were reviewed. There were no changes and they were approved as presented.

There being no further business, the chairman adjourned the meeting.



Ed C. Rolfs, Chairman

GENERAL ADM FROM BCA

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APMX

TO: ALL BLUE CROSS AND BLUE SHIELD PLANS

ATTENTION: PLAN PUBLIC RELATIONS DIRECTORS

SUBJECT: THE BLUE CROSS AND BLUE SHIELD DIGEST

DATE: FEBRUARY 5, 1985

- 0 -

(SURVEYS FIND HEALTH BENEFIT SELF-FUNDING ON RISE)

(CHICAGO) -- THE NUMBER OF EMPLOYERS SELF-FUNDING THEIR GROUP HEALTH CARE PLANS "IS EXPLODING" AND, "FOR THE FIRST TIME, EMPLOYERS THAT USE SOME VARIATION OF SELF-INSURANCE NOW OUTNUMBER EMPLOYERS THAT FULLY INSURE THEIR HEALTH BENEFITS, ACCORDING TO RECENT SURVEYS," BUSINESS INSURANCE REPORTED IN ITS JANUARY 28 ISSUE.

IN A SERIES OF ARTICLES, THE PUBLICATION REPORTED THAT EXPERTS SAY EMPLOYERS ARE TURNING TO SELF-INSURANCE "FOR ONE MAIN REASON: TO CUT THEIR BENEFIT COSTS." IN ADDITION, SELF-INSURANCE CAN AVOID STATE PREMIUM TAXES AND ALSO EARN INTEREST ON RESERVES SET ASIDE TO PAY CLAIMS.

"EMPLOYERS ARE LOOKING TO SQUEEZE EVERY (HEALTH CARE) DOLLAR," THE MAIN ARTICLE QUOTED RICHARD SEIDEN, A SENIOR VICE PRESIDENT AT FRANK B. HALL CONSULTING CO. IN NEW YORK.



ACCORDING TO BUSINESS INSURANCE, A 1984 SURVEY BY THE WYATT CO. OF 268 COMPANIES FOUND 57 PERCENT WERE SELF-FUNDING THEIR MEDICAL PLANS IN SOME WAY, COMPARED WITH 19 PERCENT IN 1980.

THE ACCOUNTING FIRM OF COOPERS & LYBRAND ALSO CONDUCTED A SURVEY OF 302 COMPANIES LAST YEAR, AND FOUND THAT 60.9 PERCENT WERE EITHER SELF-FUNDING OR USING MINIMUM PREMIUM PLANS COMBINING INSURANCE AND SELF-FUNDING, THE ARTICLE SAID.

YOUR PRIMARY IMPACT WOULD BE ON

EMPLOYEE GROUPS

	<u># of Groups</u>	<u># of Contracts</u>	<u># of Subscribers</u>
Less than 10 Contracts	12,606	29,730	71,602
10 - 24	1,122	16,950	41,373
25 - 99	<u>815</u>	<u>38,043</u>	<u>89,952</u>
TOTALS	14,543	84,723	202,927

		
Farm		9,900	25,310
Non-Group (Direct & Conversions)		5,400	8,160
Plan 65		<u>153,435</u>	<u>153,435</u>
		168,735	186,905

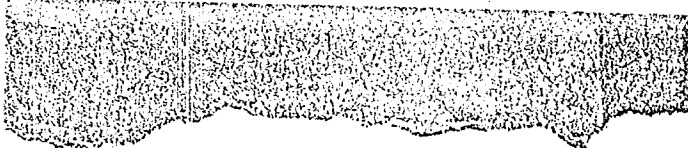

(As of 7-1-84)

Attachment 2

4/9/85

YOUR PRIMARY IMPACT WOULD BE ON
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January 10, 1985

Blue Cross to cut what it charges most Kansans

The Associated Press

TOPEKA — Blue Cross and Blue Shield of Kansas announced plans Wednesday to save its subscribers about \$22 million this year through rate reductions ranging from 6 percent to 14 percent.

Wayne Johnston, the president of the company's Kansas operation, said the reductions stemmed from a decrease in the use of hospitals and medical services.

Blue Cross and Blue Shield of Kansas is the largest provider of health insurance in the state and operates in all Kansas counties except Wyandotte and Johnson. Those counties are covered by Blue Cross and Blue Shield of Kansas City.

Fletcher Bell, state insurance commissioner, said Blue Cross had informed him in August that it would buck a 16-year trend and not seek a rate increase in 1985. After studying its financial status, Mr. Bell said, he urged the company to return its savings to subscribers.

The plan, which was filed late Tuesday with the Kansas Department of Insurance, mainly will affect three categories of subscribers. Reductions will apply to groups with fewer than 25 members and to non-group and Farm Bureau subscribers.

The new rates, which are scheduled to take effect April 1, are expected to save about 125,000 subscribers more than \$7 million by the end of this year.

Subscribers in groups with more than 25 members also are expected to benefit from the plan. Those groups are rated on their own experi-

ence, and rates already have been lowered for many of them.

The company estimates that it will give the merit-rated groups about \$15 million in either refunds or contributions to group reserves, which will allow them to buy more insurance.

Subscribers with Plan 65, which supplements Medicare coverage for senior citizens, will not be affected by the rate reduction. However, they will receive benefits as a result of the federal government's raising of the Medicare deductible, Mr. Johnston said. Medicare will not cover the first \$400 of a subscriber's annual charges, up from \$365 in 1984. Blue Cross's Plan 65 will pay that additional cost at no extra charge. Without the Blue Cross compensation, the Medicare change would have cost subscribers \$4.7 million, he said.

Mr. Johnston credited the lowered rates to a general reduction in the use of hospital and medical services and to his company's Competitive Allowance Program, which went into effect last year and limits the amount that hospitals and doctors can charge for a given service.

Mr. Johnston said health care providers also had a hand in lowering insurance rates.

The nation's downward trend in the use of hospitals and medical services has been magnified in Kansas, Mr. Johnston said. Although insurance carriers nationwide have been going to the hospital less, the decrease by Kansans is 5 percent to 8 percent greater than the other states' average, he said.

Mr. Bell said he expected the request to be approved without a hitch.

Blue Cross Announces Decline In Some Health Insurance Rates

Associated Press

TOPEKA — Blue Cross and Blue Shield of Kansas said Wednesday that it planned to reduce its medical insurance rates 6 percent to 14 percent, saving its subscribers about \$22 million this year.

Wayne Johnston, president of the insurer, said the reductions stemmed from a decrease in the use of hospitals and medical services.

"It is not a modest adjustment," Johnston said. "We're very pleased to give our subscribers this good news, and we hope the trend continues."

Fletcher Bell, state insurance commissioner, did not hesitate to take partial credit for the reductions and said he saw no reason why the decrease in rates would not be quickly approved by his department.

BLUE CROSS had informed the insurance department in August that it would buck a 16-year trend and not seek a rate increase in 1985. After studying its financial status, Bell said, he urged the firm to return its savings to subscribers.

● BLUE CROSS, 2A, Col. 3

● BLUE CROSS. From 1A

The plan, filed Tuesday with the Kansas insurance department, mainly will affect three categories of subscribers — groups with fewer than 25 members, non-group subscribers and Farm Bureau subscribers. About 125,000 subscribers in those groups would save more than \$7 million this year under rates that would take effect April 1.

"The rate decrease will range from maybe \$5 a month to as much as \$35 a month," Johnston said.

For example, Farm Bureau subscribers in the 45-to-49 age bracket who are on a \$1,000-deductible program will pay \$8.43 a month less if they are single and \$17.95 a month less with a family policy, he said.

SUBSCRIBERS IN groups with more than 25 members also may expect lower rates. Rates for those groups are merit-rated, meaning that their rates also are based on the use of hospitals and medical services by members of those groups.

The company estimates it will give the merit-rated groups about \$15 million in either refunds or contributions to group reserves, which allows them to purchase more insurance. Those groups received similar savings last year, Johnston said.

The announcement was welcome news to some Kansas employers.

Miklos Lorik, general manager of Precision Winding Inc. of Wichita, said, "The first time I heard about it was on the radio while I was in my car. I couldn't believe it. I'm glad I was sitting, because I almost fell out of the car.

"**I LOVED** to hear it because I believe Blue Cross and Blue Shield and many other types of insurance are getting so expensive that people can't afford it. And it's important and vital that we all have insurance," Lorik said.

Lorik said he was not sure of the reasons for the decrease, but he guessed that alternative types of health insurance were forcing Blue Cross and Blue Shield to offer competitive rates.

"Whatever the reason, I welcome it," he said.

Subscribers of Plan 65, which supplements Medicare coverage for senior citizens, will not be affected by the rate reduction. However, they also have benefited because Blue Cross did not raise their rates despite an increase in the Medicare deductible from \$356 to \$400 as of Jan. 1, Johnston said.



Johnston
... "Hope
the trend
continues."

"**NORMALLY, WE'D** have to increase the rate to do that," he said. Such an increase, he said, would have cost those subscribers an estimated \$4.7 million.

Johnston credited the lowered rates to a general reduction in the use of hospital and medical services and his firm's Competitive Allowance Program, which went into effect last year and limits the amount hospitals and doctors can charge for a given service.

Johnston said health care providers also had a hand in lowering insurance rates.

"**I WOULD** hasten to give credit to hospitals, doctors and dentists," Johnston said. "Their cooperation has resulted in our ability to pass on to subscribers a significant savings."

The nation's downward trend in the use of hospitals and medical services has been magnified in Kansas, Johnston said. While insurance carriers nationwide have been going to the hospital less, the decrease by Kansans is 5 percent to 8 percent greater than other states, he said.