Approved 2-24-86
Date

MINUTES OF THE House COMMITTEE ON Insurance.

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

3:30 ~~XX~~ a.m./p.m. on February 20, 1986 in room 521-S of the Capitol.

All members were present except:

Rep. King, excused

Committee staff present:
Emalene Correll, Research Department
Melinda Hanson, Research Department
Gordon Self, Revisor's Office
Deanna Willard, Committee Secretary

Conferees appearing before the committee:

Mr. Peter Packard, Ks. Society for Clinical Social Work
Mr. R. J. Dickens, Employee Benefit Development Systems
Mr. Jack Roberts, Blue Cross Blue Shield
Mr. Wayne Morris, Security Benefit Life
Mr. David Litwin, KCCI
Mr. Jim Schwartz, Kansas Employer Coalition on Health
Mr. Walt Whalen, Pyramid Life

Hearing for opponents on: HB 2737 - mandating coverage for alcoholism/drug abuse, mental and nervous disorders treatment.

Mr. Peter Packard, Kansas Society for Clinical Social Work, stated that the bill as presented refers to psychiatrists and certified psychologists as service providers. He submitted that it should also include clinical social workers. (This group has become a recognized profession since the time the bill was drafted and often are the ones who treat persons with alcohol and drug problems.) (Attachment 1.)

Mr. R. J. Dickens, Employee Benefit Development Systems, stated that this bill would adversely affect small businesses who are finding it difficult to meet expenses, one of which is insurance. It is the timing of the bill to which he expressed opposition; he believes the marketplace will respond on its own within the foreseeable future but that it is not yet an economic move. He talked of the availability of this coverage currently through riders. He was asked to expand on the marketplace response; he stated that the impact on small businesses will be greater now than if a change is made when this type of coverage has become more standardized.

Mr. Jack Roberts, Blue Cross Blue Shield, gave a history of reimbursement for mental illness treatment. He spoke in opposition to mandated benefits because of their proliferation since 1970 and because there are currently riders available. He cited figures of estimated additional annual costs for providing these coverages with 50/50 coinsurance. (Attachment 2.)

Mr. Wayne Morris, Security Benefit Life, raised concerns with the bill though Security Benefit Life is currenty not selling the type of policy affected by this bill. It will raise the cost of premiums paid and may price some persons out of the health insurance market and contribute to self insurance.

Also, coverage for these treatments is readily available at this time, and the extent to which this coverage is purchased reflects the choices of a free market. (Attachment 3.)

Mr. David Litwin, Kansas Chamber of Commerce and Industry, appeared in the interest of employers purchasing group health insurance. He stated that most groups have elected not to take the now optional outpatient coverage for these treatments. He also stated that employers would not be able to utilize their health-care funds in the manner they deemed most efficient and that the bill would add significantly and unpredictably to the costs of health care at a time when costs are already a grave concern. (Attachment 4.)

Mr. Jim Schwartz, Kansas Employer Coalition on Health, explained that he represents a nonprofit agency formed because the cost of providing decent health benefits was becoming prohibitive. They seek to give purchasers competitive options to allow them to offer a selection of plans. They wish to be able to offer "unbundled" provisions as most persons cannot have all the health coverage they want and must make choices.

Mr. Walt Whalen, Pyramid Life, spoke for individual writers who sell the bulk of their health coverage to supplement group coverages. He stated the bill is 1) unnecessary as this coverage is already available; 2) unfair as alcoholism/drug abuse are self-inflicted ailments, and persons who do not use these drugs should not be required to buy coverage for possible treatment; and 3) unwise as it would constrict the number of people who can afford health insurance. He said it would be contrary to social policy by expanding the use of these services and that he has confidence in the wisdom of the marketplace. He also stated that mandated coverages are one of the greatest threats to companies' solvency.

The minutes of the February 18 and the February 19 meetings were approved.

The meeting was adjourned at 4:55 p.m. by the Chairman.

GUEST LIST

COMMITTEE: Insurance DATE: 2-20-86

NAME	ADDRESS	COMPANY/ORGANIZATION
Dick Brock	Topeka	Ins Dept.
W. W. Whalen	Prairie Village	Pyramid Life Nat. Assoc. of Life Co
Wayne Morris	Topeka	Security Benefit
Keith Hawkins	Mission, KS	Pyramid Life Insurance Co.
JACK ROBERTS	TOPEKA	BC-BS
Tom Palace	Topeka	Sovereign Services

Testimony on HB 2737 to the House Insurance Committee 2/20/86

Mr. Chairman and Members of the Committee:

My name is Peter Packard, Licensed Specialist in Clinical Social Work, and I represent the Kansas Society for Clinical Social Work, a chapter of the National Federation of Societies for Clinical Social Work.

The bill as it is here presented refers to Psychiatrists and Certified Psychologists as service providers. We submit that it should also include Clinical Social Workers.

Clinical Social Workers have the required qualifications:

In Kansas the Behavioral Science Board licenses psychologists and social workers. There are various levels of licensing, the highest levels being the Certified Psychologist and the Licensed Specialist in Clinical Social Work. These levels are the only ones considered to have met the qualifications for independent private practice in their respective professions.

Clinical Social Workers provide a large proportion of the services that are addressed by the bill.

Mental Health Centers and many other mental health agencies are staffed mainly by Clinical Social Workers. Many of these professionals, as well as those in private practice, regularly apply for and receive third party payments from health insurance companies. Often persons with alcohol and drug problems are assigned to Clinical Social Workers rather than Psychiatrists or Certified Psychologists. This is because of the social worker's special knowledge and skill in including the patient's family in the treatment process.

Clinical Social Work was not recognized as a profession at the time the original bill was written.

The bill now under revision was passed at a time prior to the emergence of Clinical Social Work as a recognized profession. Now there is a National Registry of Health Care Providers in Clinical Social Work, a publication to which Health Insurance Adjustors refer often to determine who gets paid.

Without the inclusion of Licensed Specialists in Clinical Social Work we believe the bill will be out of date and incomplete even before it is passed into law.

Attachment 1
House Insurance 2/20/86

Exhibit B

VARIATION OF HOUSE BILL NO. 2737 (Revised)
Estimated Additional Annual Costs To
Blue Cross and Blue Shield of Kansas, Inc.

A. Inpatient: Currently all subscribers, both group and non-group, have a minimum of 30 days NM, DA, A and most groups have 120 days. Shown below are the additional costs to add additional days up to 120 in a treatment facility for drug abuse and alcoholism and 30 days of O.P. day treatment for drug abuse and alcoholism.

B. Outpatient: Currently, groups have the option of $500, $1,000 or $2,000 O.P. Psychiatric benefits. Shown below are the estimated additional annual costs for those groups with less than $1,000 to increase benefits to $1,000 with coinsurance of 50/50 plus the costs of adding the benefit to Non-Group, Farm and Plan 65/Plan D.

	Estimated Additional Annual Costs		
	Inpatient	Outpatient	Total
Community Group	$ 164,500	$1,324,800	$1,489,300
Merit Rated Group	620,100	3,027,700	3,647,800
State Employee Group*	451,400	227,900	679,300
Farm**	139,900	248,900	388,800
Non-Group**	200,900	368,400	569,300
Plan 65/Plan D**	181,000	384,500	565,500
Total	$1,757,800	$5,582,200	$7,340,000

* Based upon assumptions provided, the mandated inpatient benefits could result in an additional $1,806,100 for the State Group.

**Assumes mandatory on all contracts. In order to offer this coverage to Non-Group, Farm and Plan 65 subscribers on an individual selection basis, it would be necessary to impose restrictions such as waiting periods for as long as twelve months and to increase the subscriber's share of cost in the coinsurance. Without such limitations, the rates would reflect a minimal spread of risk and would approach the actual costs for each subscriber utilizing the coverage.

Attachment 2
House Insurance 2/20/86

2-18-86

Security Benefit Life Insurance Company
A Member of The Security Benefit Group of Companies

Date: February 20, 1986

To: The Honorable Rex Hoy, Chairman, and
Honorable Members, House Committee on Insurance

From: Wayne Morris, Law Department

Re: H.B. 2737 -- Mandated Purchase and Mandated Offer of Mental Health Coverage

I am Wayne Morris, Assistant Counsel for Security Benefit Life Insurance Company. Security Benefit is officially neutral on H.B. 2737 because we no longer sell the type of policies that would be affected by this bill. Because we may once again sell such policies, however, and because the bill affects some important insurance principles, we feel compelled to raise certain concerns with the bill.

First, let me say that Security Benefit is proud of its record in mental health. Dr. Karl Menninger, who spoke so eloquently on the need for treating mental illness, is on our board of directors. For at least 20 years, we have included mental illness treatment in the health insurance policies we have purchased for our employees, and we have a contract with the Menninger Foundation for an employee assistance program counselor.

We also agree with many of the statements made by the proponents of this bill: Persons may get sick both physically and mentally; mental illness should not be treated as a social stigma; and untreated mental illness can lead to personal tragedies. Other statements made by proponents, however, raise serious concerns which we feel must be addressed. We believe the following points must be considered during deliberations on the bill.

1. Insurance benefits are paid for by the premiums paid by policyholders.

2. Increasing the type of coverages and the number of providers to be reimbursed will increase the premiums paid.

3. Premium increases may either price some persons out of the health insurance market or contribute to the continued growth of unregulated, self-insurance plans.

4. Insurance coverage for treatment of mental illness, drug abuse and alcoholism is readily available at the current time.

Attachment 3
House Insurance 2/20/86

5. Providing coverage for mental illness under a "rider" is not discriminatory.

6. Because mental illness coverage is available, the extent of such coverage reflects the choices of a free market in a free society.

7. Mental health providers have a duty to concentrate resources on public education regarding the importance of mental illness coverage and its current availability.

In conclusion, we respect the right of companies to offer competitive policies, and the right of persons to choose the type of coverage they wish to maintain. These freedoms have given the United States one of the best systems of coverage for death and sickness in the world.

Thank you for the opportunity to share these concerns. I will be happy to attempt to answer any questions you may have.

WM/hdaf/vf

-Wayne

AH-4

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

HB 2737

February 20, 1986

KANSAS CHAMBER OF COMMERCE AND INDUSTRY
Testimony Before the
Federal and State Affairs Committee
by
David S. Litwin

Mr. Chairman and members of the committee, I am David Litwin, representing the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to testify in opposition to HB 2737.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

In the present matter, there appears to be no significant problem for which this bill would provide a solution. Well before 1978, group* outpatient benefits were available. Since the enactment of L. 1978, c. 166, all carriers offering group

Attachment 4
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*KCCI's interest in this matter is that of employers purchasing group health insurance. Therefore, KCCI does not express a position in favor of or in opposition to those portions of the bill that pertain to individual coverage.

hospitalization coverage must offer optional outpatient coverage similar to that set forth in HB 2737. The experience of Blue Cross-Blue Shield, the largest carrier in this area, has been that most groups have specifically elected not to take the optional outpatient coverage.

Thus there is hardly a groundswell of popular opinion behind the campaign to enact this bill. One reason that this bill is being proposed may be that the coverages it would mandate are faring poorly in the open marketplace, because the potential beneficiaries, after being made aware specifically of this kind of courage, have overwhelmingly determined that they simply do not want it.

On the other hand, this bill would significantly add to the costs of those parties (employers, employee groups, etc.) who do buy group health coverage. As the testimony of representatives of the insurance industry has or will indicate, these added costs are substantial. Indeed, the actual costs may be considerably larger than anticipated, due to the fact that unlike other illnesses, in many cases the dividing line between emotional health and illness is not clear and can be quite subjective.

Thus, in short, these bills would appropriate the discretion of employers and employee groups to utilize their health-care funds in the manner they deem most efficient, and at the same time they would add significantly and unpredictably to the costs of health care at a time when health care cost containment is already a grave concern. We suggest that it would be far more appropriate in this matter to let the decision concerning health care fund allocation be made by those who have to pay the freight.

On behalf of KCCI and myself, thank you once again for the opportunity to present our views for your consideration. If there are any questions, I'll be happy to answer them.