Approved 3-18-86
Date

MINUTES OF THE SENATE COMMITTEE ON PUBLIC HEALTH AND WELFARE.

The meeting was called to order by SENATOR ROY M. EHRLICH at
Chairperson

10:00 a.m./~~p.m.~~ on March 4, 1986 in room 526-S of the Capitol.

All members were present except:

Committee staff present:
Emalene Correll, Legislative Research
Bill Wolff, Legislative Research
Norman Furse, Revisors Office
Clarene Wilms, Committee Secretary

Conferees appearing before the committee:
Bob Williams, Kansas Committee for Prevention of Child Abuse
Written Testimony by G. Joseph Pierron, District Judge
Robert Barnum, Committee of Youth Services
Stephen Clegg, Chairman, Kansas Children and Youth Advisory Committee

Walt Whelan, Vice President, Pyramid Life Insurance Company
Jack Roberts, Blue Cross, Blue Shield

Others Attending: See attached list

The minutes of February 25, 26, 27 and 28 were approved as presented.

SB-670 - An Act concerning the children and youth advisory committee; authorizing the employment of a coordinator;

Bob Williams testified and presented written testimony in support of SB-670. Attachment I Mr. Williams stated that there needs to be a mechanism established whereby dissemination of successful programs can be communicated to other committees and information from communities to the child and youth advisory committee regarding concern for youth. Many communities could benefit from child abuse provision programs but are unfamiliar with the family and children trust fund and how to apply for funds.

Written testimony of G. Joseph Pierron, District Judge was presented to the committee in support of SB-670. Attachment II Judge Pierron stated that the purpose of the original legislation creating the trust fund was to provide relatively small amounts of money to communities to start up prevention programs in the area of child abuse and family violence. Due to the varied types of programs that have been developed a coordinator would be of great value.

Robert Barnum presented written testimony in support of SB-670 by Secretary Robert C. Harder, SRS, Attachment III Mr. Barnum stated that over the past 3 or 4 years the committee has become increasingly concerned about the vario programs established in communities as to what is working, what will work an what is not. A coordinator would make possible an orderly process of workin with agencies the committee serves, planing meetings, determining needs of Kansas communities with regard to the children and other organized concerns.

Stephen Clegg testified and presented written testimony in support of SB-670. Mr. Clegg stated that with a coordinator the committee would be better able to advise the governor and the legislature of the needs and problems of children; also promote a network of helps to enable Kansans to deal with said needs and problems. Attachment IV

During questioning it was explained that this committee acts as an umbrella under which the various child abuse agencies and other groups dealing with problems of child and youth work.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON PUBLIC HEALTH AND WELFARE,

room 526-S, Statehouse, at 10:00 a.m./p.m. on March 4, 1986

SB-671 - An Act establishing regional Alzheimer's disease assistance centers; providing for the designation of such centers; authorizing the development of a state Alzheimer's disease assistance plan;

Walt Whalen testified and submitted written testimony in support of SB-671. Attachment V Mr. Whalen stated that the federal government has adopted similar legislation to determine the social and fiscal impact. It is anticipated that this legislation would speed up the legislative process saving both time and money. A number of states have adopted similar measures It was further stated that legislation of this type can improve the efficiency of the legislative process; reduce cost of the legislative process; encourage the development and retention of domestic insurers in the state of Kansas.

Jack Roberts testified and presented many exhibits showing facts and figures on mandated coverage in support of SB-671. Attachment VI Mr. Roberts stated that he felt the bill treated about half the problem. History shows that mandating never lowers costs. It removes the choice of the buyers as to what they may purchase. Self insured groups represent about 50% of the population and they are tax exempt. The small groups cannot self insure as easily and they inherit the burden.

Meeting adjourned at 11:04 a.m.

SENATE

PUBLIC HEALTH AND WELFARE COMMITTEE

DATE 3-4-86

(PLEASE PRINT)

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John Peterson	Topeka	Ks Assn Prof Psychologists
Larry Hinton	Topeka	SRS/ADAS
[illegible] Remert	"	Planned Parenthood
[illegible]	Topeka	Ks Council for Children & Youth
Paul M. Klotz	Topeka	Assn. of CMHCs of Ks
Bob Clawson	Topeka	SRS
[illegible]	Topeka	Kansas [illegible]
Bob Williams	Topeka	Ks Comm for Prevention of Child Abuse
Lois Jelen	Topeka	Kansas Action for Children
Warren J. Bell	Topeka	State Dept of Education
JACK ROBERTS	TOPEKA	[illegible]
[illegible]	Topeka	[illegible]
[illegible]	Topeka	Ks. [illegible]

3-4-86

Kansas Committee for Prevention of Child Abuse

435 S. Kansas, 2nd Floor
Topeka, Kansas 66603
913-354-7738

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Robert R. Williams

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TESTIMONY

SENATE COMMITTEE ON PUBLIC HEALTH & WELFARE

March 4, 1986

S.B. 670

Mr. Chairman, Committee members, thank you for allowing me this opportunity to address S.B. 670. My name is Bob Williams. I am the Executive Director of Kansas Committee for Prevention of Child Abuse (KCPCA).

Senate Bill No. 670 authorizes the employment of a coordinator to work with the Children & Youth Advisory Committee. As many of you know, Kansas was the first state to enact a Family & Children's Trust Fund. In the ensuing six years, 33 other states have established similar Children's Trust Funds. Nationally, Kansas is considered the "Dean" of child abuse prevention.

While we are not voting members, KCPCA regularly attends the Children & Youth Advisory Committee meetings. It is our understanding regarding S.B. 670 that the Committee feels they have reached a point where if they are to continue to be effective, there is simply too much work to do for a group of volunteers without paid staff support. The areas the Committee would like to become involved in go beyond the day-to-day monitoring of funds. Children's Trust Funds are on the cutting edge of child abuse prevention. They are the laboratory whereby we are learning what works on a local level to reduce child abuse.

The Children & Youth Advisory Committee would like to begin to determine what prevention programs are effective. Judge Joe Pierron, district judge for Division 3 in Johnson County, who was instrumental in passage of the Family & Children's Trust Fund, has suggested a Comprehensive Child Abuse & Neglect Prevention Proposal for the State of Kansas. In his proposal Judge Pierron identifies several programs which his experience indicates are most effective in preventing child abuse. Education for Parenthood, Healthy Start, Respite Care are a few identified by Judge Pierron. The Committee wants to identify what works and what doesn't.

The Children & Youth Advisory Committee has recently ruled that individuals responsible to these programs approved for funding must attend a training session. This training session would instruct the participants on how they can measure program results.

Attachment I
3/04/86 S. PH&W

Attachment I

There needs to be a mechanism established whereby dissemination of successful programs can be communicated to other communities and information from communities to the Children & Youth Advisory Committee regarding concern for youth. There are many communities which could benefit from child abuse prevention programs but are unfamiliar with the Family & Children's Trust Fund and how to apply for funds. Additionally, the National Committee for Prevention of Child Abuse is establishing a national network of states with Trust Funds. A staff person would enhance not only this opportunity, but all of those previously mentioned.

In closing, of the 33 states with Trust Funds, eight have staff positions. Let's keep Kansas the "Dean" of child abuse prevention -- we encourage you to pass S.B. 670.

3-4-86

DISTRICT COURT OF KANSAS
TENTH JUDICIAL DISTRICT
JOHNSON COUNTY COURTHOUSE
OLATHE, KANSAS
66061

CHAMBERS OF
G. JOSEPH PIERRON
DISTRICT JUDGE
COURT NO 3

OFFICERS
MARILYN ZELLER
SECRETARY/BAILIFF

GLENDA McLALLEN, C.S.R.
OFFICIAL COURT REPORTER

(913) 782-5000, EXT. 472

February 24, 1986

Senator Bill Morris
Senate Chamber
Topeka, Kansas 66612

Dear Senator Morris:

Clarene Wilms of Senator Ehrlich's office has sent me three copies of Senate Bill 670 on modification of the trust fund law, such that the Children & Youth Advisory Committee may employ a coordinator for the Committee to work on projects and provide staff assistance to the committee and be paid out of the trust funds.

Having been involved in the drafting of the bill in 1979 and its passage in 1980, I think this modification is a good one. The purpose of the bill was to provide relatively small amounts of money to communities to start up prevention programs in the area of child abuse, neglect and family violence.

Over the past five years the fund has accomplished what it set out to do, in that many communities have experimented with various prevention approaches. We have had successes and failures, and have learned a lot from both.

It is now time to take the lessons we have learned and try to apply them on more than a scattershot basis. Due to the many different approaches to prevention, it would be of great value to have a coordinator as suggested in the bill. S.R.S. has always provided us with good staff support, but they simply were not in a position to do what a person whose only job is the trust fund could do.

Based on my experience with funding proposals, I think trust fund monies spent for a coordinator would be well spent. I do not think it is necessary to ask the legislature for additional funds, as I believe the trust fund is adequate to supply this need.

Attachment II
3/04/86 S. PH&W

Attachment II

Please feel free to contact me if I can be of any aid in the support of this legislation. Thank you very much for your concern and efforts.

Sincerely,

G. Joseph Pierron

GJP:mz

3-4-86

STATE DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

STATEMENT REGARDING S. B. 670

1. Title

AN ACT concerning the children and youth advisory committee; authorizing the employment of a coordinator.

2. Purpose

To provide a coordinator for staff assistance to the committee who would be in the unclassified service, and who would be paid from the Family and Children Trust Fund.

3. Background

The membership of the Children and Youth Advisory Committee has long felt the need for permanent staff to assist in meeting its responsibilities under K.S.A. 38-1401 et. seq. Those responsibilities include advising the secretaries of Health and Environment, Social and Rehabilitation Services, Human Resources, and the Commissioner of Education. In addition, it provides advocacy for children in the governor's office and other public and private, state and local agencies affecting children; encourages citizen and community awareness as to the needs and problems of children; advises the governor and legislature on the needs and problems of children; reviews and makes recommendations concerning planning and coordination of programs to children; and prepares and submits to the governor and legislature an annual report evaluating the level and quality of all programs, services and facilities provided to children by state agencies. The Committee is also given responsibility for advising the Secretary of Social and Rehabilitation Services in detail on the use of monies in the Family and Children Trust Fund.

To accomplish its tasks, the Committee has organized five subcommittees on Day Care, Public Information, Planning, Legislation, and the Trust Fund. It is finding it increasingly difficult to meet its statutory charge due to a lack of staff totally dedicated to it.

The coordinator requested in S.B. 670 would be charged with the following tasks:

(a) Coordination with the agencies with which the Committee serves in an advisory capacity as well as the judiciary, the governor's office, the legislature, and local, public and private agencies;

(b) Scheduling and staffing meetings of the Committee and its subcommittees; planning town meetings to further the work of the Committee in determining the needs of Kansas communities with regard to their children.

(c) Coordination of communications to public and private agencies and to the public at large through press releases and the Committee's newsletter. Provision to the Committee and its subcommittees views and information from local communities;

(d) Planning and agenda building to include the development of issues and scheduling of outside speakers;

Attachment III
3/04/86 S. PH&W

Attachment ~~III~~

(e) Provision of staff services to the chairman in the form of development of position papers and letters and other such direct assistance needed by the chairman;

(f) Research and preparation of reports on such topics as the Committee may direct to include surveys and questionnaires, review of national and state literature and practices, review of legislation and administrative policies, and the preparation of the annual report to the governor and legislature;

(g) Development of grant applications to private foundations to further the work of the Committee; and

(h) Coordination with the specialized children's issue task forces which may exist at any given time (i.e. Permanency Planning, Missing and Exploited Children, Pre-School Handicapped, etc.)

4. Effect of Passage

The passage of this bill will greatly enhance the capability of the Children and Youth Advisory Committee to accomplish its statutory responsibilities in assessing the needs of the children of the state and making recommendations as to solutions of problems.

5. SRS Recommendation

SRS recommends passage of this bill.

Robert C. Harder
Office of the Secretary
Social and Rehabilitation Services
296-3271
February 25, 1986

3-4-86

Testimony for Senate Bill 670
by
Stephen Clegg
Chair, Kansas Children and Youth Advisory Committee

This weekend while attending an exhibit at the Kansas City Museum, "Yesterday's Children Growing Up in Kansas City 1900-1950," I reflected upon the history of children within the last century. Forgotten facts stood by black and white photos of children: less than a hundred years ago children slipped into the adult world around age six; childbirth was the leading cause of death among American women between the ages of 15 and 45; almost 32% of the people who died in Kansas City were children under age ten; 63% of the pupils in 1911 did not graduate from primary school. Fortunately, we have come a distance since the 1900's, and the concern for children and youth has grown.

In the 1980's the Kansas legislature enacted an innovative bill, K.S.A. 38-1401-1404, which created the Children and Youth Advisory Committee. The state recognized the need for a comprehensive, coordinated approach to primary prevention, perinatal care, childhood development and quality family life. Coordination of resources by agencies and organizations, available and accessible community services, constituency advocacy for needed programs, and research and evaluation are also the responsibilities of the fifteen member advisory committee.

In the past five years we have learned much about community based programs. New challenges we face, therefore, require we now move forward with a new zeal and vigor.

The Advisory Committee has determined that by adding a staff member it will be better able to advise the governor and legislature on the needs and the problems of children. As visionaries and planners, the Children and Youth Advisory Committee sees a direction for this staff person; directions presently we are not able to accomplish alone. These additional steps forward would be to:

1. Expand the systematic and coordinated collection of data about children and youth for the legislature and governor.
2. Promote public awareness of the trust fund and its responsibilities.
3. Establish a repository of exemplary projects that may be replicated throughout Kansas.
4. Develop a newsletter and annual report that ties together a network of information about Kansas children and youth.
5. Establish a coordinated effort for research and evaluation of trust fund projects, as well as training of each applicant in rudimentary social research.
6. Enhance the dissimination of technical assistance for applicants of trust fund monies.

Attachment IV
3/04/86 S. PH&W

Attachment IV

7. Promote volunteerism.
8. Maintain Kansas's national leadership role.

Kansas has become a national leader. Thirty-one states have followed with Children and Youth Trust Funds. But these states are investing more staff and monies to this commitment. For us to meet our potential, we must learn from our experiences which tell us there is need for a staff person. Let's not be a leader left behind, but a leader carrying the banner for children forward. Vote for Senate Bill 670.

3-4-86

SENATE BILL No. 671

Mr. Chairman, Members of the Committee, I am Walter W. Whalen. I am Vice President of The Pyramid Life Insurance Company in Mission, Kansas; I am Secretary-Treasurer of The Kansas Life Association; and I am Secretary of the National Association of Life Companies, a trade association of small to medium sized companies writing life and health insurance. I appreciate the opportunity of speaking to you today on behalf of Senate Bill 671.

A great number of years ago before I became involved in the insurance industry, I taught Political Philosophy and Government at the college level in Ohio. At that time, the various academic associations such as the American Historical Society, the American Political Science Society, and so on, were all attempting to get similar legislation introduced and passed in all states and the Federal government. It was thought at that time that such a measure would increase dramatically the efficiency of the various levels of government. Specifically, it was anticipated that such legislation would speed up the legislative process thus saving both time and money. As you know, the Federal government has adopted such legislation and the general accounting office now studies pending legislation to determine the social and fiscal impact. In addition, a number of states have adopted similar measures in order to make a legislative process more efficient. I have been told for example that the State of Washington has decreased the workload of the individual legislative members and the workload of the legislative committees drastically by enacting such legislation.

The Kansas Legislature itself requires regulatory bodies, specifically the Insurance Department, to prepare such a fiscal and social impact study before adopting regulations. This has increased the efficiency of the regulatory bodies. Hopefully, such a measure would also increase the efficiency and lighten the workload of the legislator if it were adopted at this level.

Requiring such a study to be made before legislation is introduced has in the other states resulted in the nonintroduction of a great deal of redundant legislation. Frequently, a legislator will submit a bill not realizing that the subject has already been covered in a different perhaps more far reaching bill. In addition, the study has encouraged cooperation between the legislator, the Legislative Research Department, and the industry. As a result, the specific wording of bills introduced has been improved. Especially in the insurance industry we find a number of technical words whose definition and specific application is not always that which is commonly accepted by others. It is essential when dealing with insurance that the terms used be specifically defined as they are in other insurance laws and regulations. Finally, by speeding up the legislative process and by clarifying the wording of proposed legislation a definite savings in both time and money can be realized by both the legislator and the regulated industry.

Attachment V
3/04/86 S. PH&W

Attachment V

Frankly, although the present bill specifically requires such a study be made with reference to mandated benefits, I personally would prefer that the bill apply to all legislation pertaining to insurance. However, I will concentrate here on its effect on mandating benefits in health insurance policies.

There is a great push in the United States to achieve what has been called the "risk free" society. Frankly, I do not feel that a risk free society is possible under any circumstances and I most especially feel that the enactment or the achieving of a risk free society is an impossible task that cannot be achieved through governmental intervention. Other witnesses have testified as to the explosion of mandated benefits in the recent past. They have suggested the tremendously increased cost of insurance as a result of this explosion of mandated benefits. There is I am told a law in physics which states that nothing can expand without something else contracting. That is definitely true from an economic sense in the insurance business. Every time mandated benefits cause an expansion of coverage they also cause an increase in premium rates. As premium rates increase, the number of those able to afford this increased coverage constricts. In other words, mandated benefits result in more and more benefits being available to fewer and fewer people because of the premium cost involved. Insurance companies exist to provide coverage to as many people as possible. It must be a volume operation. When the various legislatures take any action which eliminates potential insureds or which restricts the number of people able to buy and pay for insurance, the entire theory and system of insurance is put in jeopardy. Frankly gentlemen, the shortest and quickest way to drive an insurance company into insolvency is by requiring it to provide more and more benefits to fewer and fewer people. We must remember that insurance companies do not provide benefits. Insurance companies sell benefits. If there is no one able to buy them, the insurance company ceases to exist.

In addition, by mandating benefits within a policy, the legislature is forcing a large number of people to purchase insurance they do not want or perhaps cannot afford. The legislature is depriving them of the right of choice. The legislature is determining for them what they will buy or telling them that they may not buy if they do not want this specific coverage. If there is a need the insurance companies will provide it. If there is a need and a desire the insurance companies will develope products to satisfy the need and desire. The insurance industry is one of the most hight competitive industries in the world. The industry has complete confidence in the market place and does its upmost to satisfy the needs and requirements of the market place. Mandated benefits defeat the very purpose of a free market place.

We hear constantly today of cost containment specifically with reference to health care costs. Mandating benefits does nothing to control the cost of health care except drive it higher. As a result, a great number of people are denied insurance and are forced to fall back upon the state for even the most basic protection should they be struck by illness or accident. By insisting that people have a Cadillac, mandated benefits literally prohibits them from any transportation.

Finally, reading newspapers and listening to reports on radio and television concerning this current legislative session, we are struck by the repetition of the phrase "industrial development." It is evident that the government of the State of Kansas is embarking on a campaign to encourage domestic industry in an effort to broaden the number and types of industrial and commercial businesses within the State of Kansas. It is almost contradictory to find the government of one hand urging businesses to settle or remain in Kansas at the same time that the government is also passing legislation restricting more and more the activities of the commercial businesses in Kansas.

In conclusion, may I urge the Senate Committee to act favorably on Senate Bill 671. Legislation of this type can improve the efficiency of the legislative process. Legislation of this kind can reduce the cost of the legislative process. Legislation of this kind will encourage the development and retention of domestic insurers in the State of Kansas.

Once again thank you very much for the opportunity of supporting this bill.

3-4-86

TOTAL NUMBER OF STATES WITH MANDATED COVERAGES

#11

Category	Coverage	Number of States
PRACTITIONERS	NURSES	3
	Nurse Midwives	17
	Nurse Practitioners	8
	Nurse Anesthetists	2
	THERAPISTS	
	Physical	2
	Occupational	2
	Speech/hearing	3
	COUNSELORS	
	Psychologists	34
	Psychiatric Nurses	6
	Social Worker	10
	DENTISTS	23
	ORAL SURGEONS	2
	OPTOMETRISTS	22
	PODIATRISTS	16
	CHIROPRACTORS	26
	OSTEOPATHS	8
	OTHER	5
BENEFITS	ALCOHOLISM	38
	DRUG ABUSE	15
	MENTAL HEALTH	26
	BREAST RECONSTRUCTION	8
	MATERNITY	15
	PRESCRIPTION DRUGS	2
	CLEFT PALATE	2
	DIABETIC EDUCATION	3
	DIABETIC OUTPATIENT	2
	SECOND OPINION	3
	HOME HEALTH	15
	HOSPICE	5
	AMBULATORY SURGERY	9
	ANTI-ABORTION	6
	PUBLIC INSTITUTIONS	4
	OTHER HEALTH CENTERS	9
DEPENDENT COVERAGE	DEPENDENT STUDENTS	4
	ADOPTED CHILDREN	2
	NEWBORNS	45
	MENTALLY/PHYSICALLY HANDICAPPED	32
	NON-CUSTODIAL CHILDREN	2
CONVERSION/ CONTINUATION	CONVERSION PRIVILEGE	28
	SURVIVORS	14
	DIVORCED SPOUSE	23
	DISABLED EMPLOYEE	9
	CATASTROPHIC COVERAGE	3
	POOL	7
	MISCELLANEOUS:	32

1974 - 48 Mandates

1984 - 562 Mandates

Attachment VI
3/04/86 S. PH&W

Attachment VI

October 17, 1985

TO: Jack Roberts
cc: Don Lynn, Tom Miller, Joe Kun

FROM: Rita Beckner

SUBJECT: MANDATED COVERAGES

Attached are 1984 and 1985 copies of the Mandated Coverages Report. To these reports we have added, under part K, a comment referencing House Bill #2795.

Overall grand totals for the last three years are listed below for comparison. Basically, the differences in grand totals are due to decreases (1984) and increases (1985) in the number of subscribers per year.

The decrease in 1984 was less dramatic than the increase in 1985 because of increases in rates in 1984.

Year	Grand Total
1983	$67,737.363
1984	$66,442,434
1985	$75,204,190

RB:nh
Attachments

Blue Cross and Blue Shield of Kansas

State Mandated Health Coverage in Kansas
Previously Enacted, Proposed Now, Possible for Future

Claims Cost to Blue Cross and Blue Shield Subscribers
1984

			Overall Dollars	Per Contract Single	Per Contract Family	Comments
A.	Chiropractors (7/1/73)	(1) BS	$2,794,194	$0.41	$2.06	Coverage became effective 7/1/73.
B.	Dentists (7/1/73)	(1*)BS	954,231	0.25	0.61	Dentist services already covered under Blue Shield same as M.D. prior to being mandated.
C.	Optometrists (7/1/73)	(1) BS	524,958	0.05	0.41	Eye exams had been covered by M.D.'s under Major Medical prior to being mandated.
D.	Podiatrists (7/1/73)	(1*)BS	512,788	0.12	0.34	Podiatrists services already covered under Blue Shield same as M.D.'s prior to being mandated.
E.	Newborn	(1*)BS	394,438	----	0.34	Service was already covered prior to being mandated.
	Infants (Ill Baby Care)	(1*)BC	928,090	----	0.80	
	(7/1/74)	Total	1,322,528		1.14	
F.	Psychologists (Direct Reimbursement) (7/1/74)	(1*)BS	157,391	0.36	0.56	Service covered (if billed by M.D.) prior to being mandated.

(1) Mandated coverage enacted.
(2) Mandated coverage proposed but not enacted.
(3) Possible future coverages for mandating.

* Benefit covered prior to being mandated.

Blue Cross and Blue Shield of Kansas

State Mandated Health Coverage in Kansas
Previously Enacted, Proposed Now, Possible for Future

Claims Cost to Blue Cross and Blue Shield Subscribers
1984

		Overall Dollars	Per Contract Single	Per Contract Family	Comments
G. Well Baby Care	(1*)BS	$ 464,045	$----	$0.40	Blue Shield coverage became effective 1/1/78; hospital services were covered prior to 1/1/78.
	(1*)BC	3,132,302	----	2.70	
	Total	3,596,347	----	3.10	
H. Obstetrical Benefits on Single Contracts	(1*)BS	650,926	0.66	----	This coverage has been available on an optional basis and rates have been approved and filed with the Insurance Department. The offering of this beneift was mandated for groups of 15 or more during 1979.
	(1*)BC	2,869,990	2.91	----	
	Total	3,520,916	3.57	----	
I. Remove OB Waiting Periods	(1) BS	1,933,372	0.29	1.42	The offering of this benefit, along with single OB coverage, was mandated for groups of 15 or more during 1979.
	(1) BC	3,088,299	0.52	2.22	
	Total	5,021,671	0.81	3.64	

(1) Mandated coverage enacted.
(2) Mandated coverage proposed but not enacted.
(3) Possible future coverages for mandating.

*Benefit covered prior to being mandated.

Blue Cross and Blue Shield of Kansas

State Mandated Health Coverage in Kansas
Previously Enacted, Proposed Now, Possible for Future

Claims Cost to Blue Cross and Blue Shield Subscribers
1984

		Overall Dollars	Per Contract Single	Per Contract Family	Comments
J. Inpatient Nervous and Mental, Chronic Alcoholism, and Drug Addiction covered same as for any other condition.	1. First 30 Days				
	(1*)BC	$6,614,119	$2.06	$3.95	House Bill 2693 requires the offering of the first 30 days of in-patient care limited to same as a daily round.
	(1*)BS (covered same as daily round)	4,996,824	1.42	3.10	
	(3) BS(psychiatric charges above daily round)	2,124,837	0.59	1.33	
	Total	13,735,780	4.07	8.38	
	2. 31 to 120 Days				
	(3*)BC	$1,573,768	0.49	0.94	
	(3*)BS(covered same as daily round	1,580,723	0.45	0.98	
	(3) BS(psychiatric charges above daily round)	684,497	0.20	0.42	
	Total	3,838,988	1.14	2.34	
K. Outpatient Psychiatric Services	(3) Basic rider (Full)	11,262,371	3.75	6.52	Assumes coverage at same level as basic coverage. House Bill 2693 requires the offering of a rider to basic which covers out-patient care for the first $100 in full, then 80% up to total payout of $500; the cost of this rider is $~~[illegible]~~ 897,983. House Bill 2795 requires the addition of $500 maximum Psychiatric Outpatient Services for all contracts; the cost of this rider is $4,850,067.

(1) Mandated coverage enacted.
(2) Mandated coverage proposed but not enacted.
(3) Possible future coverages for mandating.

*Benefit covered prior to being mandated.

State Mandated Health Coverage in Kansas
Previously Enacted, Proposed Now, Possible for Future

Claims Cost to Blue Cross and Blue Shield Subscribers
1984

		Overall Dollars	Per Contract Single	Per Contract Family	Comments
L. House Bill 2559 Assigned Risk Pool	(2)	--------	-----	-----	Since anyone can enroll in BC and BS at any time, the only affect this would have is related to our participation in a pool of bad risks.
M. House Bill 2270 Catastrophic coverage	(2)	**$11,233,200	$19.01	$56.07	Covers expense in excess of $5,000 per individual and $7,500 per family per 12-month period. This would primarily replace some of our present coverage. Assumes 5,000 single contracts and 15,000 family contractrs would enroll in this coverage.

(1) Mandated coverage enacted.
(2) Mandated coverage proposed but not enacted.
(3) Possible future coverages for mandating.

* Benefit covered prior to being mandated.
** A portion of these dollars would already be covered under Blue Cross and Blue Shield.

Blue Cross and Blue Shield of Kansas

State Mandated Health Coverage in Kansas
Previously Enacted, Proposed Now, Possible for Future

Claims Cost to Blue Cross and Blue Shield Subscribers
1984

			Overall Dollars	Per Contract Single	Per Contract Family	Comments
N.	Physical Therapists	(3) BS	$2,454,315	$0.63	$1.58	Initial monthly cost was provided by the Consulting Actuary.
		(3*)BC	367,189	0.09	0.24	
			2,821,504	0.72	1.82	
O.	Nurse Anesthetists	(3)	--------	----	----	Covered under current contracts.
P.	Naturopaths	(3)	UK	UK	UK	Estimate price is unknown without knowing more definitely the qualifications.
Q.	Acupuncture	(3)	--------	----	----	Unable to estimate a price without specified qualifications and treatment.
R.	Home Health Services and coverage in Hospices	(3)	$ 176,925	$0.05	$0.11	Assumes such services and facilities are available.
S.	Full coverage in State Mental Hospitals	(3) BC	3,213,666	1.00	1.92	To increase current coverage to Full for 365 days.
T.	Licensed clinical Social Workers billing without physician's referral	(1*)BS	57,817	0.08	0.25	Effective 7/1/82 Licensed Clinical Social Workers no longer need physician's referral to bill direct.

(1) Mandated coverage enacted.
(2) Mandated coverage proposed but not enacted.
(3) Possible future coverages for mandating.

* Benefit covered prior to being mandated.

State Mandated Health Coverage in Kansas
Previously Enacted, Proposed Now, Possible for Future

Claims Cost to Blue Cross and Blue Shield Subscribers 1984

			Overall Dollars	Per Contract Single	Per Contract Family	Comments
U.	Chronic Renal Disease Coverage for 1st 12 months	(1) BC	$ 451,500	$2,508.00	----	Coverage effective 10/1/81.
		(1) BS	123,500	683.00	----	
		Total	574,500	3,191.00	----	
V.	TEFRA - standard group coverage (excluding Medicare) for employed persons over age 65	(1) BC	638,945	72.69	----	Coverage effective 9/1/83 for employees age 65 to 69.
		(1) BS	483,714	55.03	----	
		Total	1,122,659	127.72	----	
	Grand Total		66,442,434			
	Grand Total that has been Mandated or may be Mandated that was not covered prior to being Mandated					
	Including Item M		41,187,793			
	Excluding Item M		29,954,593			

(1) Mandated coverage enacted.
(2) Mandated coverage proposed but not enacted.
(3) Possible future coverages for mandating.

* Benefit covered prior to being mandated.

Exhibit A

1983 BLUE SHIELD CHIROPRACTOR

Rate Evaluation
(Includes State Employee Group)

Type Benefit	1983 Incurred As Paid Thru 3-31-84		Unpaid Factors	Estimated Incurred	
	Single	Family		Single	Family
Basic	$191,410.37	$ 440,726.14	1.026	$ 196,387.04	$ 452,185.02
X-Ray	56,689.76	90,622.47	1.026	58,163.69	92,978.65
Lab	1,933.90	2,955.08	1.026	1,984.18	3,031.91
Supplemental Accident	628.80	3,407.77	1.026	645.15	3,496.37
Miscellaneous*	59,355.75	273,749.03	1.026	60,899.00	280,866.50
Major Medical	303,900.85	436,239.07	1.610	489,280.37	702,344.90
Large First-Dollar Major Medical	283,050.26	913,450.77	1.250	353,812.83	1,141,813.46
National Joint Major Medical	16,840.33	66,779.79	1.487	25,041.57	99,301.55
Plan 65 and Disabled	24,617.31	00.00	1.022	25,158.89	00.00
Total	$938,427.33	$2,227,930.12		$1,211,372.72	$2,776,018.36

	Si	Fa
1. 1983 Contract Months	3,188,806	1,461,865
2. 1983 Estimated Pure Premium (Total estimated Incurred ÷ Contract Months)	$ 0.38	$ 1.90
3. 1984 Projected Pure Premium (Trends = 1.086)	$ 0.41	$ 2.06

Exhibit B

Mandated Coverages (Dentists)

		Single	Family
1.	1984 rates for full prevailing Blue Shield plus out-patient X-ray	$24.54	$58.86
2.	Percent of rate applicable to dental coverage (from special study)	1.03%	1.03%
3.	Monthly rate applicable to dental coverage under basic (Line 1 x Line 2)	0.253	0.606
4.	Rounded 1984 pure premium for basic dental	$ 0.25	$ 0.61

Exhibit C

1983 BLUE SHIELD OPTOMETRISTS

Rate Evaluation
(Includes State Employee Group)

Type Benefit	1983 Incurred As Paid Thru 3-31-84		Unpaid Factors	Estimated Incurred	
	Single	Family		Single	Family
Basic	$ 12,459.44	$ 20,337.34	1.026	$ 12,783.39	$ 20,866.11
X-Ray	3,346.00	3,832.20	1.026	3,433.00	3,931.84
Lab	124.45	208.00	1.026	127.69	213.41
Supplemental Accident	00.00	00.00	1.026	00.00	00.00
Miscellaneous*	6,145.18	267,806.36	1.026	6,304.95	274,769.33
Major Medical	58,850.58	80,820.26	1.610	94,749.43	130,120.62
First-Dollar Major Medical	23,783.17	94,530.49	1.250	29,728.96	118,163.11
National Joint Major Medical	4,974,58	7,832.20	1.487	7,397.20	11,646.48
Plan 65 and Disabled	10,186.47	00.00	1.022	10,410.57	00.00
Total	$119,869.87	$ 475,366.85		$ 164,935.19	$ 559,710.90

	Si	Fa
1. 1983 Contract Months	3,188,806	1,461,865
2. 1983 Estimated Pure Premium (Total estimated Incurred ÷ Contract Months)	$ 0.05	$ 0.38
3. 1984 Projected Pure Premium (trends = 1.086)	$ 0.05	$ 0.41

Exhibit D

1983 BLUE SHIELD PODIATRISTS

Rate Evaluation
(Includes State Employee Group)

Type Benefit	1983 Incurred As Paid Thru 3-31-84 Single	Family	Unpaid Factors	Estimated Incurred Single	Family
Basic	$130,634.63	$ 160,615.37	1.026	$ 134,031.13	$ 164,791.37
X-Ray	22,048.12	26,749.42	1.026	22,621.37	27,444.90
Lab	1,155.65	1,623.38	1.026	1,185.70	1,665.59
Supplemental Accident	00.00	00.00	1.026	00.00	00.00
Miscellaneous*	35,593.22	100,345.85	1.026	36,518.64	102,954.84
Major Medical	6,779.28	9,432.40	1.610	10,914.64	15,186.16
Large First-Dollar Major Medical	42,101.80	105,663.05	1.250	52,627.25	132,078.81
National Joint Major Medical	1,263.80	5,664.96	1.487	1,879.27	8,423.80
Plan 65, MER, ˙sabled	100,658.48	00.00	1.022	102,872.97	00.00
Total	$340,234.98	$ 410,094.43		$ 362,650.97	$ 452,545.47

	Si	Fa
1. 1983 Contract Months	3,188,806	1,461,865
2. 1983 Estimated Pure Premium (Total estimated Incurred ÷ Contract Months)	$ 0.11	$ 0.31
3. 1984 Projected Pure Premium (trends = 1.086)	$ 0.12	$ 0.34

Exhibit E

Mandated Coverages (Newborn Infants - Ill Baby Care)

I. The Plans' consulting actuary assisted the Plan staff in preparing the cost estimate for ill baby care.

A. Blue Cross 1974 costs = $0.28; projected to 1984 = $0.80

B. Blue Shield 1974 costs = $0.10; projected to 1985 = $0.34

Comments: This expense is already reflected in the Blue Cross and Blue Shield experience as this has been a covered benefit for many years.

Exhibit F

Mandated Coverages (Psychologists)

1.	Estimated 1984 cost to pay UCR benefits to psychologists versus statewide average under the basic psychiatric rider	$0.36	$0.56

Exhibit G

Mandated Coverages (Well Baby Care)

1.	Average estimated hospital charge for well baby care in 1984 at $119 per day for four days	$476.00
2.	Number of deliveries per contract month	0.0057
3.	Cost for well baby care in hospital (Line #2 X Line #1)	$2.70
4.	Average estimated physician's charge for well baby care projected to 1984	70.00
5.	Cost for well baby care for physician's services (0.0057 X $70.00)	0.40

Exhibit H

Mandated Coverages (Obstetrical Benefits on Single Contracts)

Cost for full coverage as filed with the Insurance Department:

		1984*
Blue Cross	=	$2.91
Blue Shield	=	$0.66

*With waiting period.

Exhibit I

Mandated coverages (Removal of OB Waiting Periods from OB Benefits)

Cost for removal of OB Waiting Periods as filed with the Insurance Department

	Single	Family*
Blue Cross	$0.52	$2.22
Blue Shield	$0.29	$1.42

*(all covered females including dependent daughter.)

Exhibit J

Mandated Coverages Inpatient Nervous and Mental, Chronic Alcoholism and Drug Addiction (Coverage Same as for Any Other Condition)

		Single	Family
Blue Cross			
1.	Projected Blue Cross claims expense per contract month for 30 days nervous and mental, drug addiction, and chronic alcoholism (from special nervous and mental study)	$2.06	$3.95
2.	Projected Blue Cross claims expense per contract month for 60 days at full payment plus 60 days at 50% payment for nervous and mental, drug addiction and chronic alcoholism (from special nervous and mental study)	2.55	4.89
3.	Extension of days from 30 to 120 for Blue Cross (Line #2 - Line #1)	0.49	0.94
4.	Percent 30 days nervous and mental, chronic alcoholism and drug addiction expense is of 120 days nervous and mental, chronic alcoholism and drug addiction (Based on 120 days paid at 100%)	75.9%	76.0%
Blue Shield			
5.	Estimated additional Blue Shield claims expense for 60 days at full payment plus 60 days at 50% payment for nervous and mental, chronic alcoholism and drug addiction based on projected claims expense of 1984 filed rate	$1.87	$4.08
6.	Estimated 1984 Blue Shield expense for 30 nervous and mental, chronic alcoholism and drug addiction visits limited to range maximum for medical visits. Assumes percent to decrease visits from 120 to 30 in Blue Shield is equal to Blue Cross decrease in days (Line #4 X Line #5)	1.42	3.10
7.	Extension of days from 30 to 120 for Blue Shield (Line #5 - Line #6)	0.45	0.98
8.	Psychiatric charges above daily round for 30 days based on 1984 filed rate	0.59	1.33
9.	Psychiatric charges above daily round for 30 to 120 days based on 1984 filed rate	0.20	0.42

Exhibit K

Mandated Coverages (Outpatient Psychiatric Services)

		Single	Family
1.	Estimated 1984 additional cost to cover outpatient nervous and mental, chronic alcoholism and drug addiction at the same level as basic Blue Shield benefits	$3.75	$6.52

Exhibit L

Mandated Coverages (Assigned Risk Pool, House Bill 2559)

This bill may add very little additional expense since any Subscriber can enroll in Blue Cross and Blue Shield currently, regardless of his health status.

If this program should require the removal of all ridered health statement, then the expense of the direct enrolled may approach the expense of the non-group convversions.

Exhibit M

Mandated Coverages (Catastrophic Coverage, Housebill #2270)

1. Percent of covered benefits in excess of $5,000 per individual or $7,500 per family per contract period of 12 months with a three-month carryover provision.

2. Estimated cost per contract month in 1984:

Single	=	$19.01
Family	=	$56.07

Comment: These rates are approximately 50% higher than group rates due to the potential adverse selection.

Exhibit N

Mandated Coverages (Physical Therapists)

		Single	Family
1.	Rates provided by our consulting actuary to cover out-patient physical therapy projected to 1984	$0.63	$1.58
2.	Rates approved and filed for in-patient physical therapy projected to 1984	0.09	0.24

Exhibit O

Mandated Coverages (Nurse Anesthetists)

Assumes little additional cost since benefit is currently available when billed by a physician.

Exhibit P

Mandated Coverages (Naturopath)

Until such time as it is more definite who will qualify as a naturopath, we are unable to price this benefit.

Exhibit Q

Mandated Coverages (Acupuncture)

Too few physicians trained in Acupuncture to inpact on the overall experience enough to justify an additional rate increment.

Exhibit R

Mandated Coverages (Home Health Services and Hospices)

	Single	Family
Estimated cost per contract month in 1984. Based on Home Health Agency experiments.	$0.05	$0.11

Exhibit S

Mandated Coverages (Full Coverage in State Mental Hospitals)

		Single	Family
1.	Current rate filed with Insurance Department for full payment of charges for first 60 days and 50% payment of charges for remaining 305 days	$1.28	$2.47
2.	Current rate filed with Insurance Department for full payment of charges for first 60 days only	0.28	0.55
3.	Additional rate needed to increase coverage of remaining 305 days to full	1.00	1.92
4.	Rate needed for full coverage for 365 days (Line #1 + #3)	2.28	4.39

Exhibit T

Mandated Coverages (Licensed Clinical Social Workers
Billing Without Physician's Referral)

1.	Percent increase in Social Workers services attributable to removal of physician's referral restriction (from special study of 10/83)	15%
2.	Projected Social Workers Services for 1984	15,229
3.	Projected cost per service for Social Workers for 1984	$25.31
4.	Projected 1984 increase in cost for Social Workers services due to Mandate (Line #2 X Line #1 X Line #3)	$57,816.90

Exhibit U

Mandated Coverages (Chronic Renal Disease, First 12 Months of Treatment)

		Blue Cross	Blue Shield
1.	Estimated new dialysis patients during a 12 month period	37	37
2.	% of population enrolled under Blue Cross and Blue Shield (under age 65)	39.9%	39.9%
3.	Potential Blue Cross and Blue Shield subscribers with renal disease in first 12 months of treatment (Line #1 X Line #2)	15	15
4.	Estimated annual charge for hospital maintenance dialysis	$30,100	$8,200
5.	Total charge to Blue Cross and Blue Shield for dialysis (Line #3 X Line #4)	$451,500	$123,000

Exhibit V

Mandated Coverages (Standard Group Coverage for Employees Age 65 to 69)

		Blue Cross	Blue Shield
1.	Current average rate for coverage of employees under age 65	$48.46	$36.69
2.	% increase in rate for persons over age 65 (provided by consulting actuary)	250%	250%
3.	Estimated average rate for employees over age 65 (Line #1 X Line #2)	$121.15	$91.72
4.	Additional cost per contract month (Line #3 - Line #1)	$72.69	$55.03
5.	Estimated contract months for 1984	8,790	8,790
6.	Estimated 1984 additional costs (Line #5 X Line #4)	$638,945.00	$483,714.00

BCA TELECOMMUNICATIONS MTT RECEIVED MESSAGE/DATA AND ERROR REPORT

GENERAL ADM FROM BCA CYCLE # CARD #

#9

(WARNS LAWMAKERS ON MANDATED BENEFITS)

(MINNEAPOLIS) -- GOVERNMENT MANDATED BENEFITS ACCOUNT FOR ONE OF THE BIGGEST PROBLEMS IN LIMITING HEALTH CARE COSTS, ACCORDING TO THE HEAD OF A MINNESOTA COALITION STRIVING TO KEEP HEALTH COSTS DOWN, THE SEPTEMBER 1 NATIONAL UNDERWRITER REPORTED.

SPEAKING AT A SEMINAR SPONSORED BY THE CONFERENCE OF INSURANCE LEGISLATORS, HARRY L. SUTTON, WHO HEADS THE COALITION ON HEALTH CARE COSTS, SAID THAT ''IF ALL LEGISLATORS WOULD STOP TRYING TO LEGISLATE MANDATED BENEFITS, IT WOULD CUT COSTS ENORMOUSLY.''

SUTTON SAID LEGISLATORS SHOULD BE CAUTIOUS ABOUT THE BENEFITS THEY MANDATE, ADDING THAT THEY SHOULD NOT ALLOW ''INDIVIDUAL LOBBYING GROUPS (TO) CONVINCE YOU THAT THE LEGISLATION YOU PASS WILL CUT COSTS.''

ACKNOWLEDGING THAT SOME OF THE PROBLEMS ADDRESSED BY MANDATED BENEFITS ARE SEVERE AND REAL, SUTTON SAID THAT EXPANSION OF COVERAGE ''AD NAUSEUM'' ALSO WILL EXPAND UTILIZATION, INCREASE THE NUMBER OF PROVIDERS AND EVENTUALY INCREASE COSTS, THE ARTICLE REPORTED.

THE UNDERWRITER SAID SUTTON NOTED THAT THE MORE BENEFITS ARE MANDATED, THE MORE EMPLOYERS SEEK TO SELF-INSURE BECAUSE STATE LAWS THAT AFFECT INSURANCE COMPANIES DO NOT AFFECT THOSE SELF-INSURING. MANY SMALLER COMPANIES ARE NOW GOING TO SELF-INSURED ROUTE, THE COALITION LEADER SAID, AND SOME LARGER EMPLOYERS AT THE SAME TIME ARE BREAKING THE TRADITION THAT THE BENEFITS THEY OFFER EMPLOYEES WILL AGREE WITH STATE REQUIREMENTS.

SUTTON SAID THIS COULD HAVE MARKETPLACE IMPLICATIONS, ADDING THAT THE ''HEAVY BURDENS'' PLACED ON CARRIERS ''WILL FORCE PREMIUM RATES FOR SMALL COMPANIES WAY UP, WHILE THE LARGE EMPLOYERS ARE LOOKING FOR WAYS TO CUT BACK,'' THE UNDERWRITER REPORTED.

LEGISLATORS WARNED ON HIDDEN DANGERS IN MANDATORY BENEFIT LAWS

By LOIS J. LYONS

LITTLE ROCK, Ark.—No matter how innocuous they seem when they are passed, laws mandating certain health care benefits often counteract cost containment efforts—even when they are presented as cost effective. In addition, the increase in mandated benefits is causing an increase in self-funded plans which escape state regulation.

More such laws are being passed in the states every day, but their effect on cost containment and regulation is seldom perceived at the time of passage.

Costs revealed

The hidden costs of legislatively mandated benefits were revealed at the annual meeting of the Conference of Insurance Legislators here, by a state legislative employee and by two members of Blue Cross/Blue Shield Associations.

Each of the speakers warned COIL members not to pass mandated benefits laws without severe scrutiny of their ultimate cost to the overall group.

John B. Welsh Jr. of the office of program research of the Washington State house of representatives, said most of the mandated coverage proposals are being pushed by provider groups to increase their clientele and to assure a steady flow of fees.

"The third-party reimbursement system has been identified as the biggest culprit of the health care cost spiral," he said. "The patient is insulated from the true costs and the provider is given an economic incentive to maximize services regardless of cost benefits.

"This is the equivalent of a patient being offered an a la carte menu with the provider acting as his waiter and encouraging his appetite while the bill is being paid by someone else."

Linda Lanam of Blue Cross/Blue Shield of Washington, D.C., pointed to another reason to hold the reins on mandated benefits. She said that an increasing percentage of the health care marketplace is moving out of insurance and into the self funded marketplace—which means that the impact of mandated benefits lies only on the insured segment.

She warned that this movement into self funded plans also takes away state legislators and regulators' control for that portion of the benefits marketplace by taking it out of the state insurance regulatory system mechanism completely.

Dr. James M. Young, vice president of Blue Cross/Blue Shield of Massachusetts demonstrated how mandated benefits for psychological and psychiatric care in his state increased dramatically the use of such services and thereby the overall cost of health care in the state.

Cites reasons

Mr. Welsh pointed out some of the reasons for the increase in mandated coverage proposals are the expanding definition of what health care is with health care becoming increasingly technological and new treatments and services appearing yearly; anti-physician sentiment, especially by non-mainstream providers, the expansion of the types of practitioners in the market, changing values and expectations of society, and incomplete coverages.

The proposals, he said, fall into certain categories—those that provide coverage for a very limited number of people; broad base coverages, such as alcoholism treatment, those that attempt to use the insurance delivery system to address a social problem such as mandates to bring more people into the coverage program who would otherwise not be in it; and those that bring in a new provider service, where a health care profession tries to use the insurance mechanism as a marketing stimulus.

Mr. Welsh advised legislators to review mandate proposals to be sure they are truly in the public interest. Analysis, he said, should be as objective as possible, especially in the legislative forum "where too often politics is the art of the possible."

Ms. Lanam explained how state regulation is affected by mandated health benefits laws. She said that ERISA creates a preemption from state regulation of employee benefit welfare plans. State insurance laws affect only that portion of employee benefits that are fully insured, she said, and the self funded portion is growing. She also noted that "no state insurance laws and almost no federal laws apply to the self funded benefits."

She said it may be necessary to consider allowing ERISA to pre-empt state regulation on the issue of benefit design (but not solvency regulation, market conduct or unfair trade practices enforcement) in order to enable the insured community to compete in the self insured marketplace and to bring that portion of the marketplace under appropriate state regulation.

She asked the legislators to look at the issue of mandated benefits not just as individual pieces of legislation, and not just as provider driven issues or public issues, but to decide whether they are the appropriate role for the state legislature and state regulator.

Ms. Lanam also agreed with Mr. Welsh that mandated benefit proposals are increasingly provider driven. "They are affected not by public or consumer interest but all too often by the desire of providers to assure their payment through inclusion in the insurance coverage process," she said.

In addition, she said, many arguments on behalf of these proposals are "encased in the currently popular health care cost containment rhetoric."

State legislators, she advised, must look at the best interest of citizens and not just special interest groups.

According to Dr. Young, Massachusetts was confronted with the detrimental effects of mandatory benefits when the state decided to deinstitutionalize mental patients and at the same time, passed mandated benefits legislation to facilitate it. "Some of the results of this legislation were not foreseen," Dr. Young said.

The mandate for mental health care was passed in December 1973 and applied to all contracts issued in the state after January 1976. The annual dollar amount required was $500 over a 12-month period for each individual insured. He pointed out that in Massachusetts the law requires Blue Cross and Blue Shield to be a non profit insurance company that can insure only for health insurance and no one is denied such insurance. He said some 3.5 million of the state's 6 million residents are covered by the Blues.

Dr. Young showed how the use of psychological services in Massachusetts has grown since the mandate, with the implication that in many cases it is over-used and unnecessary and has raised the cost of health care for the entire group.

He said that since mental illness needs the participation of the patient and the therapist in order for the patient to show progress, "there is a significant advantage if there is a participation in a co-insurance plan, as well.

"At the present time," he said, "a co-insurance of about 30 percent would be ideal."

He advised the legislators to not mandate coverages but instead to mandate their offering. "This is a time of free choice. Don't bend to the individual special interest groups. Resist them. Do what is best for the overall group. We will be far better off if you do." ◆

NATIONAL UNDERWRITER (Life & Health Insurance Edition)
11/24/84

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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 14, 1986

- 0 -

(MORE EMPLOYERS SELF-FUNDING HEALTH CARE PROGRAMS)

(CHICAGO) -- MORE EMPLOYERS ''THAN EVER'' ARE SELF-INSURING THEIR GROUP HEALTH CARE PROGRAMS, ACCORDING TO BUSINESS INSURANCE.

SELF-FUNDING ''HAS ATTAINED A COMMANDING, INTEGRAL PLACE IN THE FUNDING OF HEALTH CARE PLANS,'' SAID JAMES H. BRENNAN, A VICE PRESIDENT WITH THE NEW YORK CONSULTING FIRM OF TOWERS, PERRIN, FORSTER & CROSBY.

ACCORDING TO STATISTICS FROM TPF&C, ABOUT 62 PERCENT OF LARGE EMPLOYERS SELF-INSURED IN 1985, UP FROM 54 PERCENT IN '83. BUT HEALTH CARE EXPERTS SEE THE PROPORTION OF THESE EMPLOYERS INCREASING TO POSSIBLY 67 PERCENT THIS YEAR. THE WYATT CO. REPORTED THAT 75 PERCENT OF EMPLOYERS WITH BETWEEN 7,500 AND 10;000 EMPLOYEES SELF-INSURED IN 1984, UP FROM 25 PERCENT IN 1980, THE ARTICLE SAID.

SOME EMPLOYERS' SELF-FUNDING HEALTH PLANS ALSO ARE NOW BRINGING CLAIMS ADMINISTRATION IN-HOUSE WHILE OTHERS ARE BEGINNING TO NEGOTIATE CHARGES DIRECTLY

WITH HEALTH CARE PROVIDERS, THE ARTICLE SAID.

MEANWHILE, BUSINESS INSURANCE REPORTED, CONSULTANTS AND THIRD PARTY CLAIMS ADMINISTRATORS SAY THE ''REAL ACTION'' IN SELF-FUNDING IN RECENT YEARS HAS BEEN AMONG SMALL EMPLOYERS, THOSE WITH FEWER THAN 500 WORKERS. ACCORDING TO WYATT, 55 PERCENT OF EMPLOYERS WITH FEWER THAN 500 EMPLOYEES WERE SELF-FUNDING THEIR MEDICAL PLANS IN 1984, UP FROM 42 PERCENT IN 1982.

''ONE MAJOR REASON THAT SMALLER EMPLOYERS ARE JOINING THE RANKS OF THE SELF-FUNDED IS THAT INSURERS ARE MORE WILLING TO PROVIDE THEM WITH STOP-LOSS COVERAGES THAT PROTECT A COMPANY FROM EXPOSURE TO BIG, INDIVIDUAL CLAIMS OR TOTAL CLAIMS ABOVE A CERTAIN LEVEL,'' THE ARTICLE SAID.

BILL WOULD ENCOURAGE HEALTH INSURANCE POOLS

By STEVEN BROSTOFF

WASHINGTON—Legislation to establish state health insurance pools for those with chronic health problems but no health insurance has been introduced in the United States Senate.

Sponsored by Sen. John Heinz (R.-Penn.), the legislation is a companion to a similar bill introduced into the House in March (See NU, April 6) by Rep. Barbara B. Kennelly (D.-Conn.). Called the "Health Insurance Availability Act of 1985," the legislation aims to provide protection to those individuals with pre-existing illnesses or impairments who are considered by insurers to be too risky for individual coverage.

The legislation is supported by Health Insurance Association of America, the leading trade association for health insurance companies. A representative of HIAA said the association supports the bill because it would apply to all health insurance plans, including Health Maintenance Organizations and self- insured businesses, and not just private insurance companies.

Under the proposed legislation, health insurance plans that fail to participate in a state health insurance pool would be subject to a special 10 percent excise tax. The individual states would have jurisdiction over the design and operation of the pools subject to several requirements.

These would include a limitation on the deductible of $2,500, a limitation on co-payment of 20 percent, a limitation on the out-of- pocket expense of the insured of $3,500 and a limitation on the premium to twice that of the average comparable individual health policy in the state.

Necessary legislation

In remarks to the Senate, Sen. Heinz said this legislation, which amends the tax code, is necessary because the Employee Retirement Income Security Act (ERISA) in effect prevents states from adopting legislation on their own which would require all health care plans to participate in pools.

Currently, health insurance pools exist in eight states, according to HIAA, including Connecticut, Rhode Island, Indiana, Minnesota, North Dakota, Wisconsin, Florida and Nebraska. However, Sen. Heinz said, because ERISA precludes states from regulating employee benefit plans, states cannot require that large self-insured employers participate in pools.

"Besides this being unfair competitively, this means that economically, the burden of any pool losses will be passed on to small businesses and individual policyholders while big businesses, now virtually all self-insured, are exempt," the senator said.

Sen. Heinz said that his legislation would eliminate this inequity and enable all states to create risk pools that would all insurers and self insureds on the same basis.

The senator added that he would have preferred amending ERISA itself to allow states greater flexibility to regulate self-insured employers. However, Sen. Heinz said, there is little political chance of enacting such legislation.

The coverage, he said, will not be cheap and it will not resolve the health care problems of the poor.

"It does, however, make available a group insurance plan for those middle-class Americans who want protection from catastrophic medical bills, who are willing and able to pay for it, but who cannot obtain coverage on the open market due to their health problems," he said. ◆

WHY SELF-INSURE?

1. ELIMINATE PREMIUM TAX

2. INCREASE CASH FLOW

3. AVOID MANDATED BENEFITS AND/OR REGULATION

YOUR PRIMARY IMPACT WOULD BE ON EMPLOYEE GROUPS

	# of Groups	# of Contracts	# of Subscribers
Less than 10 Contracts	11,990	29,121	70,069
10 - 24	1,160	18,694	45,726
25 - 99	903	44,853	105,904
TOTALS	14,053	92,668	221,699

AND, IN ADDITION . . . . . .

Farm	5,689	13,918
Non-Group	10,087	19,855
Plan 65	151,811	151,811
	167,587	185,584

(As of 7-1-85)

Following are some of the bills before the Kansas Legislature which would <u>mandate</u> increased costs on persons carrying traditional insurance coverage.

In most cases, they would not impact, or affect, persons in union-labor negotiated contracts, Federal Employees, Preferred Provider Organizations, HMO's, National Accounts, and Self Insured (almost half the large firms in the U.S. are self insured). They will basically impact small firms and individuals throughout the state as these people have no "escape mechanism".

- HB 2167 - Sub SB 121 - Assigned Risk Pool - Has been a loser in every state.
- HB 2170 - Mandate Alcoholism and Drug Abuse (over 6 million).
- HB 2290 - Notice of Cancellation by Certified Mail.
- HB 2362 - Medicare Supplement for Retirant in State Group.
- HB 2302 - Continuation Conversion by Out-of-State Companies.
- HB 2448 - Insurors Primary to Medicaid.
- HB 2600 - Increase Premium Tax (increase of $3,500,000).
- HB 2737 - Mandate Nervous (over $6,000,000) and Mental, Drug Abuse and Alcoholism.
- HB 2812 - Emotionally Handicapped in Boarding Homes.
- SCR 1621 - Insulin Pumps and Diabetic Self Management - 2.5 million for every 5% of diabetic population.
- HB 3024 - Increase in Premium Tax - (Over $2,000,000).
- HB 3064 - Mandates Payment for "Long Term" Care.

<u>Federal Level</u>

- Maternity Benefits - Mandated $8,500,000 Payment of Maternity for Single Contracts and Removal of Maternity Waiting Periods.
- Insurers Primary to Medicare on End Stage Renal Dialysis - $575,000.
- Working Aged Over 65 - Insurers Primary to Medicare - $1,122,000.
- Insurers Primary in VA Facilities - $395,000,000.
- Insurers Primary in Military Facilities.
- Continuation of Group Coverage for 18 Months for a Terminated Employee (Regardless of Reason for Termination) - Continuation for 30 Months for Widowed, Divorced and Dependents.
- Increase of Part B Premium and "Indexing" the Deductible.
- Catastrophic Coverage Under Medicare (a $12 to $13 monthly increase for Medicare Beneficiaries).
- Taxation of Blue Cross and Blue Shield - (over $6,000,000).
- Pre-Funding of Retirees Health Benefits.
- Increased Co-Insurance on Home Health (1% of Part A Deductible).