

Approved March 20, 1987
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by Sen. Neil H. Arasmith at
Chairperson

9:00 a.m./~~p.m.~~ on March 19, 1987 in room 529-S of the Capitol.

All members were present except:

Committee staff present:

Bill Wolff, Legislative Research
Bill Edds, Revisor of Statutes

Conferees appearing before the committee:

Ron Todd, Kansas Insurance Department
Robert E. Eisler, Prime Health of Kansas City (Vice President)
Jack Roberts, Blue Cross-Blue Shield

The minutes of March 18 were approved.

The hearing began on HB 2111 dealing with health maintenance organizations (HMOs) which had been introduced at the request of the Insurance Department. Ron Todd of the Insurance Department testified in support of the bill. He said it is noncontroversial, but it is an important change. (See Attachment I.)

The chairman asked if the Commissioner requires an additional examination, would it be by an independent review organization and if so, could a different one be used. Mr. Todd confirmed that the exam would be by an independent organization and not necessarily the same one used at the three year exam. Sen. Karr asked what would happen if the department felt there was not a review organization suitable, and Mr. Todd replied that they would have to use a stop gap measure until they could come to the legislature for a change, but he does not foresee this happening.

Sen. Kerr asked how complaints are dealt with today. Mr. Todd said they are handled the same as other complaints such as those regarding auto insurance. Sen. Kerr asked further if the review organizations would deal with individual complaints. Mr. Todd said they could use them if there have been any in the three year review. Sen. Kerr then asked if anything is needed in the bill to attack single complaints. The chairman said a special review would be inclined to occur when there has been a series of complaints against a HMO.

Sen. Werts questioned as to when subsection (e) would be required in relationship to subsection (a). Mr. Todd said (e) is there as a "catch all" to protect the HMO if it has already had an examination by a federal agency or another state agency that would meet Kansas needs, however, Kansas does not have to accept it.

Robert E. Eisler, Vice President of Prime Health of Kansas City, rose to help answer any questions the committee might have. Sen. Warren had asked what organizations are available to make the three year examinations. Mr. Eisler said the Joint Commission for Accreditation of Hospitals has been doing this for years and had attempted to do it for ambulatory care facilities (HMOs) but were not equipped to handle it well, but they did cooperate to put together the Association for Accreditation of Ambulatory Health Care (AAAC). A third organization is the National Committee for Quality Health Service which does a fine job.

Sen. Warren said it appears this may be a good law but questioned if it will get the job done. Mr. Eisler agreed that this is a concern. He said that in his experience in this area, it is difficult to define "good care". When he did evaluations, he had to rely on doctors' opinions, and then he had to find where the doctor was "coming from". Now they get someone who does not practice in this part of the country.

Sen. Strick said he feels three years is too long a period and that it should be every

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,

room 529-S, Statehouse, at 9:00 a.m./~~p.m.~~ on March 19, 1987.

one and a half years because it is possible that an organization could "go down the tubes" in three years. Mr. Eisler said he felt three years is a reasonable period of time. He explained that an examination involves a tremendous effort and expense. The last one he was involved with had a cost of \$8000 and also involved a lot of time from the staff. The three years is an attempt to find a middle ground that helps everybody.

Mr. Eisler said he would like to address the problem Sen. Kerr alluded to earlier. He said if it is a medical necessity problem, there is room for disagreement among physicians as to if a procedure is necessary; and in terms of the quality assurance mechanism set up in the bill, it won't deal with individual problems. But if there is a trend, it will be uncovered by the review process. The concluded the hearing.

Attention was turned to HB 2113 regarding group life insurance. Jack Roberts, Blue Cross-Blue Shield, testified in support of the bill. He described the bill as a small group life insurance availability act. He explained that in health insurance, a group can be formed with five employees, but for life, there must be ten; and this creates a problem for small employers. At present, the small employer must get this insurance from another state by trust arrangements which are not subject to Kansas insurance laws. If the company is domiciled in Kansas, it cannot offer them a program. The bill says that if the company can offer a health insurance program, it can offer a life insurance program. The bill would benefit the many small employers in Kansas, and any company could offer life insurance to them.

Sen. Karr asked why the language on page six, lines 198-200 is deleted. Mr. Roberts said it provides a conformance of statues and is old and confusing language. As to page two, lines 55-57, Mr. Roberts said it is in the health statutes and is kind of silent now in the life statutes and needed to be clarified as is done in these lines.

Sen. Burke asked for an explanation and the significance of the change of "may" to "shall" in several places in the bill. Staff explained that this is more of a clean-up, a revisory change, rather than substantive. It's common now to change "may" to "shall". Sen. Gordon questioned what "shall" means on lines 55-57. Mr. Roberts said it means they would be eligible, but it is not mandatory. This concluded the hearing.

Sen. Strick made a motion to report HB 2111 favorable for passage, Sen. Karr seconded, and the motion carried.

Sen. Strick made a motion to report HB 2113 favorable for passage, Sen. Karr seconded, and the motion carried.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
3-19-87	JACK ROBERTS	TOPEKA	BC-BS
"	RON Todd	"	Ins. Dept.
"	ROBERT E. FISLER, JR	8236 SANTA FE DR - OK	PRIME HEALTH
"	John Peterson	Topeka	Kaiser Permanente
"	LARRY MAGILL	"	I.I.A.K.
	L McCornish	"	Kaiser P/C Cos

Explanatory Memorandum for
House Bill No. 2111
(Legislative Proposal No. 8)

Current statutes relating to health maintenance organizations (K.S.A. 40-3211(b)) require the Commissioner to at least once every three years make an examination concerning the quality of health care services provided by HMO's and providers with whom such organizations have contracts. The statute provides that the Commissioner may request assistance of the Secretary of Health and Environment to assist in carrying out this function because the Commissioner of Insurance obviously is not in a position to evaluate the quality of health care delivered by any institution or provider. In response to requests, however, the Secretary of Health and Environment has advised that they do not have the funds or personnel necessary to assist with this task. Therefore, because we do have indications that some quality of care evaluation is needed, House Bill No. 2111 suggests that such evaluation be made a responsibility of the individual HMO's through a certification process and the services of an independent quality review organization acceptable to the Commissioner.

The bill needs an amendment in line 44 -- should be "quality review organization" as opposed to "quality organization review".

As indicated by this brief summary, the bill seeks to achieve a significant result in an effective but simple way.