Approved MARCH 29, 1988
Date

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by REPRESENTATIVE DALE SPRAGUE at
Chairperson

3:30 XX m./p.m. on MARCH 24, 19 88 in room 531-N of the Capitol.

All members were present except:
Representative Brady, excused
Representative Harper
Representative Turnquist
Committee staff present:
Emaline Correll, Research Department
Chris Courtwright, Research Department
Bill Edds, Revisor of Statutes Office
Nancy Wolff, Secretary

Conferees appearing before the committee:
Glen Cogswell, Alliance of American Insurors
Roger Palmer, Blue Cross - Blue Shield
Dick Brock, Kansas Insurance Department

The meeting was called to order by the Vice Chairman.

Representative Beauchamp made a motion that the minutes of the meeting of March 17, 1988 be approved and Representative Gross seconded the motion. The motion carried.

Hearings were held on House Bill 3080 which was requested by the Alliance of American Insurors. This bill relates to uninsured and underinsured motorists coverage.

Glen Cogswell, representing the Alliance of American Insurors, testified as a proponent of House Bill 3080 and stated that the original intent of the bill was a mandatory offer of uninsured and underinsured motorists.

There being no opponents to House Bill 3080, the hearings were closed.

The committee then turned its attention to House Bill 2485 which would cause fradulent claims for health insurance to be classed as a Class C felony for criminal prosecution.

Roger D. Palmer, Corporate Finance Investigator for Blue Cross and Blue Shield of Kansas testified in support of House Bill 2485. (Exhibit I)

There being no opponents to the bill, the hearings were closed.

The committee then turned their attention to Senate Bill 539 which related toi coverage for group sickness and accident insurance. The bill would prohibit any policy providing benefits to any member of a single employer group from containing any provision preventing any employee from insurance coverage with some exception. An employee or dependent who does not enroll by the end of an open enrollment period may be subject to a waiting period for any pre-existing condition and any hospitalization in progress on the date of enrollment need not be covered.

Representative Gross made a motion that SB 539 be passed favorably and placed on the consent calendar. Representative Cribbs seconded the motion and it passed favorably.

The committee then discussed SB 642 which would amend a section of the insurance holding company statutes. The bill would allow an insurer to pay an extraordinary dividend, with the approval of the Commissioner of Insurance, out of any funds, other than surplus profits, arising from the insurer's business. Current law provides that dividends may only be paid out of the surplus profits of the insurance company.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE,

room 531-N, Statehouse, at 3:30 XXX a.m./p.m. on MARCH 24, 19 88

Representative Shauf made a motion that SB 642 be reported favorably and placed on the consent calendar. Representative Sawyer seconded the motion and it passed favorably.

The meeting was adjourned at 4:30 p.m.

VISITORS TO HOUSE INSURANCE COMMITTEE

DATE: 3-24-88

NAME	REPRESENTING
Bill Sneed	Am Inv. Life Ins Co.
Roger Palmer	Blue Cross & Blue Shield
Douglas George	Blue Cross & Blue Shield of KS
JACK ROBERTS	" "
Glenn Cogswell	Alliance of Am. Insurers
Dick Scott	State Farm Ins. Co.
L M CORNISH	Ks Assoc of Prop & Cas Ins Cos.
Lee WRIGHT	Farmers Ins. Group
Dick Brock	Ins Dept

ROGER D. PALMER

CORPORATE FINANCIAL INVESTIGATOR

BLUE CROSS AND BLUE SHIELD OF KANSAS

TESTIMONY IN SUPPORT OF HOUSE BILL 2485

The Problem:

* Cost of health care has skyrocketed in the last ten years
* More opportunity and incentive for fraud
* Total cost of health care 425 Billion in 1986
* Total cost of fraud is 6% or $25 Billion
* Ultimately, society must pay for fraud.

The Solution:

* Prosecution, Publicity, Deterrent
* Key is prosecution, and one trend is toward advocating stiff criminal penalties, instead of "just get the money back"
* Key to prosecution, is having the necessary law in place to expedite prosecution. Leaves no "gray area" or room to question
* According to a National Press Release by Blue Cross and Blue Shield, these methods have resulted in a $51 million savings over two years
* Release also stated three states had enacted legislation providing harsh penalties for attempting to defraud health insurers
* Today seven states (WA, MI, OH, GA, CA, NJ, OK) have such legislation
* Seven other (CT, IL, KY, LA, NE, SC, KS) have such proposed. Many others are researching this possibility.

EXHIBIT I

Until recently, insurance companies might have been happy simply to cut their own losses from fraud. Private insurance carriers traditionally have been less effective in prosecuting fraud than public programs such as Medicare and Medicaid, which enjoy statutory support, draw on federal investigative resources, and can punish a provider for abusive situations without having to obtain a criminal conviction. In addition, private carriers were reluctant to challenge many cases. (James L. Garcia, Aetna Life Insurance Co.)

We cannot publicize what we do not prosecute, and, obviously, without publicity there can be no deterrent. Therefore, it is my opinion that House Bill 2485 is a necessity for today's health care system, and those who combat the numerous attempts to defraud it.

FROM: Blue Cross and Blue Shield Association
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Washington, D.C. 20006

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(202) 783-6257

FOR IMMEDIATE RELEASE

December 10, 1986

ANTI-FRAUD CAMPAIGNS YIELD $51 MILLION SAVINGS FOR BLUE CROSS AND BLUE SHIELD PLANS

(WASHINGTON)--Sophisticated tracking and aggressive criminal prosecutions have helped Blue Cross and Blue Shield Plans to save more than $51 million in just the past two years.

Reporting at a Washington, D.C., press conference, the directors of seven anti-fraud units described some of the 467 cases brought to prosecution over the two-year period. The trend, they note, is more and more toward advocating stiff criminal penalties upon conviction instead of just negotiated settlements or monetary recoveries.

Three Blue Cross and Blue Shield Plans have so far helped to enact legislation providing stiff felony penalties for attempting to defraud health insurers. The Michigan Plan helped design the Health Care False Claims Act of 1984 enacted in Michigan. Two other Plans, Blue Cross and Blue Shield of Northern Ohio and Blue Cross of Washington and Alaska have helped to get similar legislation enacted in their states; other Plans are working with their legislatures, using the Michigan law as a model. The Michigan law provides penalties ranging from 10 years in prison with fines up to $50,000 per count for attempting to defraud a third party health insurer.