Approved 3/4/88
Date

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS & BENEFITS.

The meeting was called to order by REP. VERNON L. WILLIAMS
Chairperson
at

9:00 AM a.m./p.m. on Tuesday, March 1, 1988, 19__ in room 313-S of the Capitol.

All members were present except: Reps. Borum and Long, who were excused.

Committee staff present: Alan Conroy, Richard Ryan, Gordon Self, Betty Lou Chidester

Conferees appearing before the committee: Prof. Felix Moos, K.U.
Charles Dodson, KAPE
Edward Flentje, Sec. of Administration
Allen Crim - State Employee - Parsons
Stan Finley, Kansas State University-Manhattan
Richard Brenner, KSU
Gary Hulett, Undersecretary Ks. Dept. Health and Environment

The Chairman called the committee to order and requested members of the committee to withhold questions until all had spoken.

Professor Felix Moos gave unstinting support to HB 2979 because it positively reflects their view (Prof. Grant Goodman, Acting President of the Kansas University Chapter of the American Association of University Professors, who was also present but did not speak) that remedial action is required to rectify what they believe to be an unconscionable violation of civil liberties, namely, the imposition of an involuntary head tax to support a voluntary activity. Hie testimony is attached and made a part of these minutes. (See Attachment #1)

Charles Dodson, KAPE, pointed out that the justification for the smokers' penalty and the participation charge are based on incorrectly analyzed data. Also, the smoker's penalty is in violation of the very nature of group health insurance and that if a wellness program is to be implemented, it should be voluntary and have shared costs features. Support for HB 2979 was given by the 5000 members of KAPE. His testimony is attached and made a part of these minutes. (See Attachment #2)

Allen Crim, State Employee working for SRS in Parson, speaking in favor of HB 2979 and against the smoker's tax, pointed out that many employees would favor the addition of an employee spokesperson to the HCC which would greatly increase the public oversight of the health insurance contract negotiation process. Also, that passage of HB 2979 would help ensure that state employee health care commission would provide the best insurance and health care plan for state employees and their dependents. His testimony is attached and made a part of these minutes. (See Attachment #3)

Stan Finley did not present written testimony but believes that the smokers' tax has created serious morale problems among state employees and heartily endorsed remarks made by former speakers in support of HB 2979.

Richard Brenner also presented no written testimony but reported that he is a smoker and has tried to quit on several occasions without success. He called the personnel office on Jan. 15, 1988, and was informed they had no information available concerning the wellness program. A call to the HCC brought the response that no plans had been made at that date to provide services to the employees. He remarked that it was a cart before the horse situation and endorsed support for HB 2979.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS & BENEFITS,

room 313-S, Statehouse, at 9:00 AM a.m./p.m. on Tuesday, March 1, 1988, 19__.

Chairman Williams reported he had correspondence from Judy Bales which would be entered into the record of these minutes. (See Attachment #4)

Dr. Flentje testified in opposition to HB 2979 remarking that if adopted, this bill would make health benefits more costly to most state employees and to state government, and make health benefits more costly for those state employees and their families who are least able to pay for health insurance. His written testimony and copy of letter from Surgeon General of the Public Health Service, Washington DC are attached and made a part of these minutes. (See Attachment # 5).

Dr. Flentje also responded to statements made by Richard Brenner by saying they had been working at breakneck speed to make available the services this current year as the smoking cessation program is not currently available.

Quite a bit of discussion ensued concerning Dr. Flentje's testimony with questions from members of the committee.

Secretary Hulett did not have time to make his presentation but his written testimony is attached and made a part of these minutes. (See Attachment #6)

The hearing on HB 2979 adjourned at 9:59 AM

Rep. Vern Williams

Please PRINT Name, Address, the organization you represent, and the Number of the Bill in which you are interested. Thank you.

3/1/89

NAME	ADDRESS	ORGANIZATION	BILL NO.
Pat Clark	Jud. Ctr	Atty Gen Off.	2979
Harold Pitts	Topeka	KRTA	
Joel Wright	Topeka	KCUL	
Beth Wilbur	Topeka	AAUP	
Allen Crum	Parsons	SRS	
Sam Yowell	Topeka	SRS	
Mike Kelly	Topeka	BC/BS	
Gary Taylor	Lawrence	Bd of Regents	2979
Milo Kratochvil	Topeka	KAPE	2979
Jon Josserand	Lawrence	University of KS	
Cindy Hacker	Topeka	Judicial	
M. Schreiner	Topeka		
Jack Brubaker	"	KDOT Ret'd.	
Robin Bradley	"	KOC	2979
Jack Hunn	"	KPERS	
Marshall Crowther	Lawrence	"	

KANSAS CONFERENCE
AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

THE UNIVERSITY OF KANSAS CHAPTER
American Association of University Professors
LAWRENCE, KANSAS 66044

Statement on House Bill No. 2979

to the Pensions, Investments and Benefits Committee

March 1, 1988

Thank you very much for the opportunity to appear before you this morning. I am Prof. Felix Moos, President of the Kansas Conference of the American Association of University Professors. With me is Prof. Grant Goodman, Acting President of the Kansas University Chapter of the American Association of University Professors.

I would like to preface my remarks by informing the Committee that neither Prof. Goodman nor I is a smoker, neither of us indulges in the use of controled substances, both of us enjoy an occasional glass of wine or a cocktail, and, unfortunately, Prof. Goodman is more obese and therefore more accident prone than am I.

We appear before you to give our unstinting support to House Bill No. 2979. We do this on several grounds which we will enumerate briefly in what follows. However, at the outset we wish to state that this bill positively reflects our view that remedial action is required to rectify what we believe to be an unconscionable violation of civil liberties, namely the imposition of an involuntary head tax to support a voluntary activity.

Both of us come before you as regular voluntary contributors to such pro-health organizations as the cancer fund, the heart fund, the lung fund

and the like. We are, of course, proud to be contributors to these causes, but we believe that luckily, at least as we sit here, neither of us suffers from any of these illnesses. Analogously it is perfectly possible that individual employees of the State of Kansas may wish either to contribute to or to participate in so-called "wellness" programs, and they should indeed have every opportunity to do so. However, the present arbitrarily imposed head tax of the Health Care Commission is contrary to all prior practice in these matters, and since, as your Chairman knows well, the HCC has refused to reconsider its decision, legislative remedial action is required. HB No. 2979 achieves that necessary solution.

It should also be noted by this Committee that in a year in which there has been a tragically unwarranted astronomic increase in health care costs for all state employees as a result of the HCC's hastily and almost secretively negotiated contract with Blue Cross-Blue Shield for 1988, the simultaneous imposition of the so-called "smokers' tax" by the HCC itself has created emotional and psychological havoc among all state employees. There never was any prior consultation with employees prior to this precipitous action, and its impact has been devastating despite what admittedly is not, in fact, an excessive monetary obligation. Nevertheless, the arbitrary action of the HCC in this instance has surely generated maximum ill will for minimum dollars.

Sadly our American society is becoming ever more fragmented into more and more antagonistic segments: those who smoke and those who do not; those who chew gum and those who do not; those who have smelly feet and those who do not etc. (Please address yourselves to the work of Berke breathed being passed among you). All in this room would probably agree that the larger the pool of individuals who pay for health insurance the lower the rates should be. Historically the actuarial principle of

insurance has been that all pay equally to realize benefits for those who truly need them. If this is no longer to be the case, then indeed the State of Kansas and its HCC need to determine, in addition to smokers and non-smokers, a veritable host of discrete groups within the pool of state employees based, for example, on such considerations as the air quality adjacent to each physical state employee both on the job and at home, the quality of the water imbibed by each state employee according to age, gender, personal habits and source of same, the proximity of state employees to unwell persons and the like. In short, the unwarranted smokers' tax could well be the first step in a salami-like ill-considered series of fiscal impositions on unfortunate state employees.

Clearly all of us in our daily existences are exposed to risks of one sort or another. Clearly, too, a happy, satisfied, healthy group of state employees will provide the most efficient work force for all Kansas taxpayers. Accordingly, we strongly support HB No. 2979 which would remove at least two of the most egregious features of the current state employees' health care program as determined by the Health Care Commission.

3/1/88
Page 4
Attachment #1

BLOOM COUNTY **By Berke Breathed**

KANSAS
ASSOCIATION OF
PUBLIC EMPLOYEES

Presentation of Charles Dodson
Kansas Association of Public Employees
to the
Committee on Pensions, Investments and Benefits

Mr. Chairman, members of the committee, thank you for this opportunity to speak in support of House Bill 2979.

One of the most unpopular decisions ever made by the Health Care Commission was to impose a penalty on any employee who uses tobacco in any form. The objections to this decision were not just voiced by smokers, but by non-smokers as well. In large measure, this objection is being expressed because this penalty is not in any form related to the costs of health insurance premiums for 1988. It is being expressed because it is discriminatory and is being forced on the employees. It was designed only for the purpose of raising $800,000 to develop a wellness program. The benefits from such a program may be worthwhile, but many employees have absolutely no choice in the matter. Rather, they have no choice but to pay the penalty, quit using tobacco in any form, tell a lie when they sign the affidavit, or cancel their insurance coverage.

There has been some misunderstanding about this penalty, and just who has to pay. One member of the Senate told a group of state workers that although he smoked cigars, he didn't inhale the smoke. Unfortunately, this is not an inhaling penalty, it is a tobacco use penalty. Anyone who uses tobacco in any form must pay the $120 per year penalty. As a matter of fact, if you go home in the evening and light up just one after dinner cigar, you will have to pay $120 for the privilege. Now if after dinner you were to light up a marijuana joint, you wouldn't have to pay. This is only a tobacco penalty.

If you were a cocaine addict, you wouldn't have to pay. You wouldn't even have to pay if you were a heroin addict. Neither would you have to pay if you were obese, in a highly stressful occupation, or someone whose lifestyle placed them at a high risk to contract AIDS.

This bill would not restrict the ability of the HCC to develop a wellness program. It would only direct that it be voluntary and the state should share in the cost.

Attachment #2 Page 1 3/1/88

400 West 8th Ave. Suite #306 Topeka, Kansas 66603 913-235-0262

The cost components and rationale for the decisions of the HCC, as they related to the health insurance contract for state workers in 1988, have been very carefully explained by the Health Care Commission.

On November 17, 1987 the Chairman of the HCC sent a twenty page memorandum to all members of the Kansas Legislature. This memo outlined the processes and reasons behind the adoption of the 1988 contract.

On page 7 of that report, attempts are made to justify the implementation of the smoker's penalty and participation charges by stating that "the "utilization patterns provided to the commission by the carrier show that: (1) hospital bills for the state employees group were 23 percent higher than similar groups statewide and 14 percent higher than the national average; (2) hospital admissions were 8 percent higher than similar groups in Kansas and 20 percent higher than the national average; (3) hospital charges per day were 28 percent higher than similar groups statewide and 23 percent higher than the national average; and (4) outpatient charges were 32 percent higher than similar groups statewide and 32 percent higher than the national average.

All the way through this report and in subsequent reports to the Special Committee on Ways and Means, this same information was used as justification for the smokers' penalty, participation charges, rate increases and benefit reductions.

We believe that the data presented does not justify the actions of the Commission. We would contend that the information was misleading and that it was designed by the carrier to present a picture that caused the Commission to take the actions that have led to this committee hearing.

The only comparisons of any consequence are year-to-year comparisons within the group plan for state employees. If you will bear with me we can work through these tables. We believe this is extremely important when considering any part of the health insurance program. Contained in their "Annual Report on the State Health Benefits Program", dated January 12, 1988, there is a letter from Mr. Daniel L. Imming, a consulting actuary from the Martin E. Segal Company. On pages three and four of that letter are several tables. (Tables 1 and 2 attached)

It is important to remember that it was data similar to this that was used by the HCC to implement the participation charges and the smokers' penalties. It is also important to note that they don't tell us anything that is relevant to the state insurance program.

What we can do is use the data to give us some relevant information. We have done that, and the results are found on the

attached graph. This shows that the average admission charge for every 1000 subscribers in the state group has fallen by 17.2% since 1984. It tells us that the average charge for hospital days for every 1000 subscribers has fallen by 6.45% since 1984. These are major cost items.

For Blue Shield using 1985 and 1986 data we can see that average charges per month have fallen by 10.1%. Premiums for single coverage have increased by 9.17%. Family coverage increased by 16.7%. These premium increases do not include the 40 to 50 percent increases for 1988. By including benefit reductions and premium increases, the same policy we had in 1984 would be 60 to 70% more expensive in 1988. Yet costs have fallen in many major cost items.

Now, what does all this information have to do with HB 2979? If the justification for the smokers' penalty and the participation charge are based on incorrectly analized data, then the basic foundations are invalid and the resulting conclusions are flawed. We believe that the HCC had to act in an information vacuum that caused them to make decisions which should not have been made. We believe they should have known this and demanded relevant information which would have allowed them to make sound decisions. It is possible that if there were restrictions placed on their authority, such as those in HB 2979, then perhaps, just perhaps, we could have avoided huge insurance premium increases this year.

The chairman of this committee has repeatly expressed the inequities of the system of charges. The five thousand state employee members of our organization agree with him and would beg you to give favorable consideration to HB 2979.

We do not think that the participation charges were warranted, we believe that the smoker's penalty is in violation of the very nature of group health insurance, we believe that if a wellness program is to be implemented, it should be voluntary and have shared costs features. We hope that you will agree that if these type of changes were necessary they should never have occurred in 1988 when other drastic changes were being made to the State Employees Health Care Plan.

Thank you for listening to me, I will be happy to attempt to answer any questions.

HEALTH CARE PLANS SUMMARY

The average charge per patient continues to develop at a higher level for the State Group than for BC-BS statewide or national norms. A comparison of the State Employee Group with all Blue Cross patients indicates that there is an increasing number of high cost cases occurring within the State Group. Specifically, the State Employer case mix thus far in 1987 is 12.3% above the norm compared to 8.9% in 1986.

Table 1

Comparison of Average Charges

Average Charge per Admission	State Group	Statewide	National
1-1-84/12-31-84	$2,427	$2,280	$2,878
1-1-85/12-31-85	2,798	2,568	2,732
1-1-86/12-31-86	3,392	2,755	2,979
1-1-87/05-31-87	3,473	3,007	*
Average Charge Per Patient Day			
1-1-84/12-31-84	$ 400	$ 389	$ 438
1-1-85/12-31-85	524	451	459
1-1-86/12-31-86	614	478	500
1-1-87/05-31-87	661	500	*

* Not Available

The number of admissions per 1,000 and days per 1,000 continues to decline as evidenced in Table 2. The State Group's experience for the first five months of 1987 developed at more favorable levels than BC-BS on a statewide basis. Average length of stay increased which should be expected with a lower number of admissions per 1,000. This is a result of reducing unnecessary hospital admissions and more treatment on an outpatient basis as indicated in Table 2.

ATTACHMENT # 2 Page 4 3/1/88

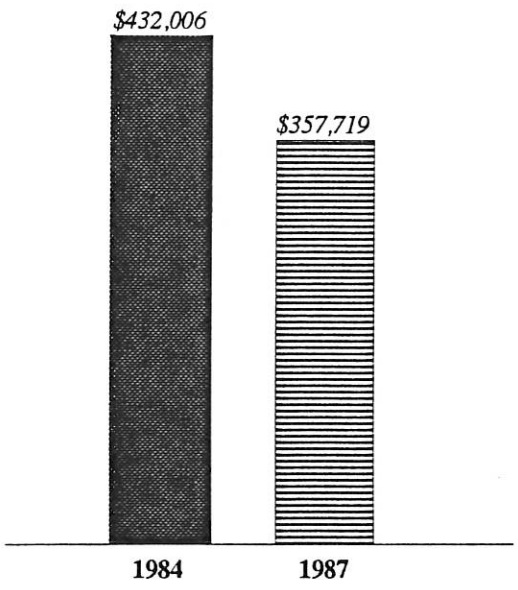
Table 2

Admissions and Days per 1,000 Subscribers Annually

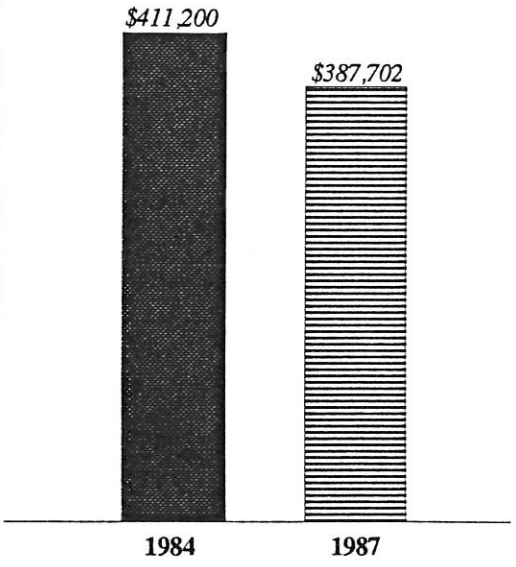
Admissions Per 1,000	State Group	Statewide	National
8-1-83/7-31-84	178	152	110
8-1-84/7-31-85	164	126	100
1-1-85/12-31-85	126	114	94
1-1-86/12-31-86	112	104	93
1-1-87/05-31-87	103	104	*
Days Per 1,000			
8-1-83/07-31-84	1,028	858	685
8-1-84/07-31-85	868	713	602
1-1-85/12-31-85	672	648	558
1-1-86/12-31-86	625	599	554
1-1-87/05-31/87	582	620	*
Average Length of Stay			
8-1-83/07-31-84	5.78 days	5.64 days	6.22 days
8-1-84/07-31-85	5.29 days	5.65 days	6.02 days
1-1-85/12-31-85	5.33 days	5.69 days	5.95 days
1-1-86/12-31-86	5.53 days	5.76 days	5.96 days
1-1-87/05-31/87	5.65 days	5.96 days	*
Outpatient Claims per 1,000			
8-1-83/07-31-84	550	423	381
8-1-84/07-31-85	558	337	374
1-1-85/12-31-85	576	372	403
1-1-86/12-31-86	572	433	432
1-1-87/05-31-87	590	449	*

The State Group has experienced substantial decreases in hospital admissions and days per 1,000 since the 1983-84 policy year. Hospital admissions per 1,000 have decreased 42.1% since that year. The number of days has dropped 43.4% while the average length of stay increased in both 1986 and the first five months of 1987. Although the number of days has decreased, the average charge per confinement continues to increase. This also should be expected due to only sicker individuals being admitted to the hospital with less acute cases being treated on an outpatient basis.

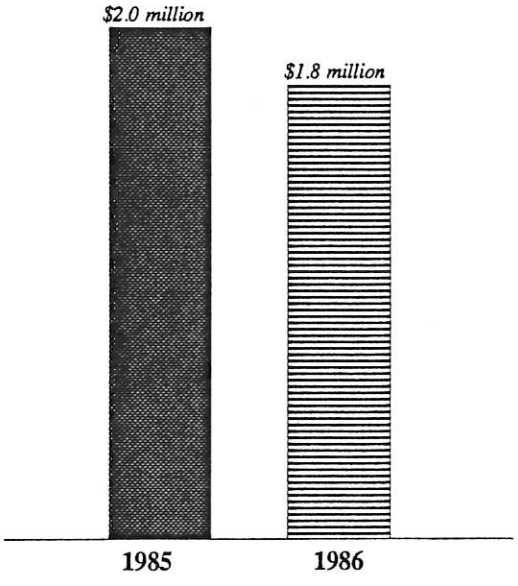
Attachment # 2 Page 5 3/1/88



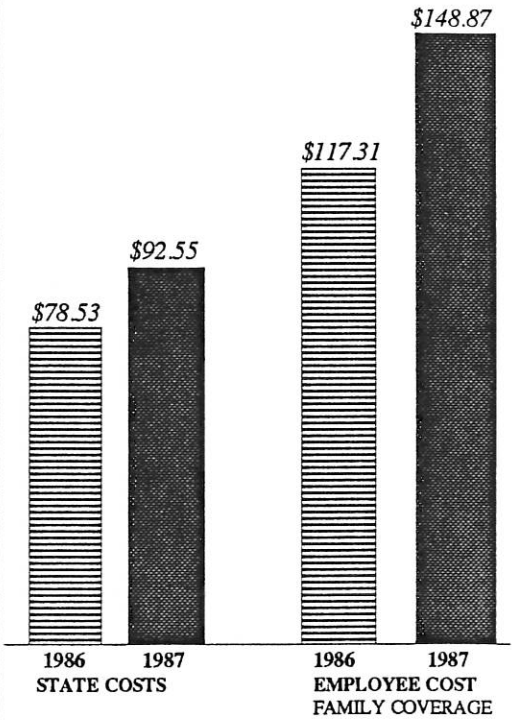
Average Admission Charge
for every 1,000 subscribers



Average Charge for Total Hospital Days
for every 1,000 subscribers



Average Monthly
Blue Shield charges



Average Monthly Premium

ATTACHMENT #2 Page 6 3/1/83

Presentation of Allen Crim to the House Committee on Pensions, Investments and Benefits

March 1, 1988

Mr. Chairman, members of the committee, thank you for allowing me to appear today to speak in favor of House Bill 2979.

My name is Allen Crim. I work for Social and Rehabilitation Services in Parsons. I came to Topeka today to speak in favor of this bill because it would address many of the unfair charges that were built into the 1988 health plan for state employees.

The idea of charging people differing premium rates based on their income might make sense in taxation of income. But when applied to insurance premiums, this rate structure sends the message that the more you earn, the higher risk you are to the insurance company.

I also feel strongly that programs that are offered in addition to the insurance plan should be truly voluntary. That would, of course, include the funding for any of these programs. I might point out here that I do not smoke tobacco. However, I feel that the $10 monthly surcharge for those that do, is very unfair. Use of such a surcharge to fund auxillary programs, such as wellness, opens the door to many more such surcharges and penalties on those who wish to participate in the state insurance plan.

I feel that passage of this bill would help ensure that state employee health care commission concentrates providing the best insurance and health care plan possible to state employees and their dependents. In addition, I, along with other employees, would favor the addition of an employee spokesperson to the HCC. This would greatly increase the public oversight of the health insurance contract negotiation process.

Attachment #3

3/1/88

2-26-88

Very Good!!

Rep Vern Williams
State Capitol
Room 431-North
Topeka, Kansas 66612

Re: SB 516

Dear Rep Williams:

Attached are copies of correspondence concerning surcharges on the State Health Insurance Plan. I expressed my strong feelings on the matter to Insurance Commissioner, Fletcher Bell, last October and received his response in November. It is my hope that you will review this material prior to consideration of Senate Bill 516 on March 1st.

It would also be interesting to review the usage of sick leave days by State employees, comparing usage by persons who have signed the non tobacco use affidavit against usage by those who did not sign.

Now that we are aware of the high costs of treating AIDS victims and the risks of contracting the disease through intravenous drug usage and homosexual activity, it appears that those lifestyle practices should also be considered for surcharges if, indeed, surcharges are to be imposed for any reason.

We might go so far as to require complete health assessments of each insured and base charges accordingly. That would surely be more equitable than the current surcharge.

Sincerely,

Judy Bales

ATTACHMENT #4 Page 1

3/1/88

10-9-87

Fletcher Bell, Commissioner
Kansas Insurance Dept.
420 SW 9th
Topeka, Ks. 66612

Dear Commissioner Bell:

As an employee of the State of Kansas and a long term subscriber of the State's Blue Cross / Blue Shield family plan, I have several concerns about the new contract which is to become effective January 1, 1988.

1. The assessment of additional charges for policyholders who use tobacco.

   My Concerns:

   A. Is it not discriminatory to select one lifestyle practice for assessment and disregard all others! What about obesity, consumption of red meats, failure to exercise, abuse of alcohol, etc.

   B. Why is this extra cost assessed based solely on the habits of the policy holder when family members covered under the contract present equal risks?

C. Why is the assessment rate equal regardless of the extent of the usage? Does the person who smokes three cigarettes a day present the same risk as the two pack a day smoker?

2. The assessment of costs based on an individual policy holder's annual income. I know of no other goods or services sold commercially for which a cost is determined by the purchaser's income.

I ask that you review this contract and examine the obviously discriminatory clauses. Your written response to my concerns would be appreciated.

Sincerely,
Judy Bales
PO Box 27
Sawyer, Ks 67134

FLETCHER BELL

COMMISSIONER OF INSURANCE

November 30, 1987

Ms. Judy Bales
P. O. Box 27
Sawyer, Kansas 67134

Dear Ms. Bales:

Thank you for your letter regarding the state health insurance program. The fact that increasing costs have created the need to reduce benefits under the state health plan to simply hold premium increases to a minimum makes it unlikely that any reasons or explanations will make you feel any better. Nevertheless, you have asked legitimate questions and you deserve answers which I will attempt to provide.

First, it probably is discriminatory to select one lifestyle practice for assessment while disregarding others. The question, however, is whether it is unfairly discriminatory and experience thus far shows it is not. A non-smoking discount or smoker's surcharge has been a part of the rating procedures of life, health and even automobile insurance products sold by many companies for a number of years. There may well be other lifestyle practices that have an impact on insurance morbidity and mortality but smoking is widely recognized as a significant risk.

Under the state contract, there are only two risk classifications; single and family. Applying the non-smoker's discount to the single premium effects only one person whereas any attempt to apply it to the dependent's portion of the premium would be very difficult or unfair because both smokers and non-smokers will often be included in the dependent's coverage.

Any attempt to vary the discount depending upon the number of cigarettes smoked in a day would present impossible administrative difficulties. In addition, the commentary I have seen on the subject simply focuses on smoking as a health hazard as opposed to grading it on the basis of the number of cigarettes smoked per day.

There are numerous insurance products sold which use payroll, sales receipts or some other component of income as the basis for premium determination. Workers' compensation insurance is

one example which is closely related to health insurance because a significant portion of workers' compensation benefits are medical expenses.

I realize nothing I have said will change your opinion but I hope you will at least have a little better understanding regarding the points that were obviously of concern to you.

Sincerely,

Fletcher Bell
Commissioner of Insurance

FB:mmk

Testimony on HB 2979
H. Edward Flentje, Chair
State Employees Health Care Commission
March 1, 1988

On behalf of the State Employees Health Care Commission, I want to register the Commission's opposition to H.B. 2979. If adopted, this bill would make health benefits more costly to most state employees and to state government; it would make health benefits more costly for those state employees and their families who are least able to pay for health insurance; it would encourage rather than discourage smoking and tobacco use among state employees; and it would attempt to limit the Commission's ability to provide preventive health care for state employees and their families. Let me review these points briefly.

1. The State Employees Health Care Commission recommended that state government's contribution to health benefits for state employees be increased from $38.4 million in FY 1988 to $45.5 million in FY 1989, an increase of 18.5 percent. Governor Hayden supported this recommendation. The costs of H.B. 2979 would exceed the Governor's budget recommendation by at least $2.6 million in FY 1989 plus $.4 million more in the current fiscal year and possibly much more as a result of the wellness provision. These added costs would have to be underwritten by higher premiums for most state employees or by state government.

2. Nearly 18,000 state employees who are eligible for health benefits earn less than $17,000 per year. H.B. 2979 would force these employees to pay $1.6 million in higher premiums for their families (i.e., higher than the $173.06 per month currently charged) or require state taxpayers to pick up this cost.

3. The U.S. Surgeon General has concluded: "Cigarette smoking is the single most important preventable environmental factor contributing to illness, disability, and death in the United States." H.B. 2979 would prohibit a premium discount for nonsmokers and require the roughly 28,000 state employees who do not smoke to subsidize completely the extraordinary health care costs of the 7,000 state employees who do smoke. This subsidy would further encourage smoking among state employees.

4. In negotiating a health benefits plan for 1988, the State Employees Health Care Commission faced a situation in which the claims experience of the state employees group substantially exceeded premiums paid. In part, this situation may be explained by utilization in the traditional insurance option: 1) hospital bills for the state employees group were 23 percent higher than similar groups statewide and 14 percent higher than the national average; 2) hospital admissions were 8 percent higher than similar groups in Kansas and 20 percent higher than the national average; 3) hospital charges per day were 28 percent higher than similar groups statewide and 23 percent higher than the national average; and 4) outpatient charges were 32 percent higher than similar groups statewide and 32 percent higher than the national average.

In response to this situation, the Commission has contracted for two preventive health services for state employees: health-risk appraisals and an employee assistance program. These services are designed to help employees avoid preventable and high-cost medical treatment and hospitalization. *for announced*

H.B. 2979 seeks to limit the Commission's ability to provide preventive health services by requiring employees to pay one-half of the costs of certain "wellness programs." The Commission feels this limitation restricts our ability to hold down health care costs for the state employees group and for this reason opposes it.

In sum, H.B. 2979 in our opinion sends the wrong message to 18,000 state employees who are least able to afford higher health insurance premiums, to 28,000 state employees who do not smoke, and to thousands of state taxpayers who would likely have to pay for the costs of H.B. 2979.

DEPARTMENT OF HEALTH & HUMAN SERVICES

The Surgeon General of the
Public Health Service
Washington DC 20201

Mr. H. Edward Flenje
Chairman, State Employees
Health Care Commission
State of Kansas
State Capitol, Room 263E
Topeka, Kansas 66612

Dear Mr. Flenje:

Thank you for your recent telephone call requesting information regarding the economic and health-care costs of smoking.

I am extremely concerned about the devastating financial burden that smoking-related disease imposes on our country annually. Many studies have addressed the health-care costs relating to smoking. In 1985, the Office of Technology Assessment (OTA) estimated the total smoking-related health-care costs to be $22 billion. In addition, OTA estimated that the lost productivity costs due to smoking-related diseases amounted to $43 billion. The total health-care and lost productivity costs totaled $65 billion, including Medicare and Medicaid costs. I am enclosing a copy of the OTA material for your reference.

Studies have been conducted which outline the costs incurred to employers for employees who smoke. One study in particular reviewed the annual excess insurance costs, absenteeism, loss of productivity, and the involuntary smoke exposure impact for nonsmokers. The average estimated cost to employers was about $500 per smoking employee, according to data from this review. Enclosed is the published article describing this study.

In addition, estimates are available on smoking-attributable costs for the State of Kansas. The direct and indirect health-care costs and lost productivity for your State totaled over $529 million in 1985 for both sexes 20 years of age and older. This estimate was derived using software developed by the Minnesota Department of Health. Data used in the development of this estimate were provided by the Division of Vital Statistics, Kansas State Health Department, and by the Office on Smoking and Health, Center for Health Promotion and Education, Centers for Disease Control.

I hope that this information will be of assistance to you. I appreciate your interest in the smoking problem.

Sincerely yours,

C. Everett Koop, M.D.
Surgeon General

Enclosures

ATTACHMENT #5 Page 2 3/1/88

TATE OF KANSAS

DEPARTMENT OF HEALTH AND ENVIRONMENT
Forbes Field
Topeka, Kansas 66620-0001
Phone (913) 296-1500

Mike Hayden, *Governor*

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TESTIMONY PRESENTED TO

THE HOUSE PENSIONS, INVESTMENTS AND BENEFITS COMMITTEE

BY

KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT

House Bill No. 2979

In the early years of this century, Kansas was nationally recognized as an innovator and leader in public health legislation and action. It is time for us to set a new course for public health programs in Kansas. If we want to gain control of rising health care costs -- if we want to reverse that upward trend, then a positive, direct attack must be made against the causes of the increasing rates. We have information about the kinds of uses made of the state employees health insurance coverage, and we have statistical information about what are the biggest cost items. We have data showing the most typical medical needs of state employees, and of other persons in general. The next step is action, and action has been taken -- necessary action -- to zero in on health care costs.

We must involve all state employees if we want to reduce the costs of health insurance. As individuals, we must become responsible for our own actions and lifestyle. We cannot expect that people who care about their health will continue to pay the costs for those who choose to abuse their health.

In the early 1970s, more and more people began to get serious about self-care and staying well with education, exercise, proper diet, good mental attitudes and cutting out of tobacco and other abusive substances. That emphasis continues for many persons today. However, if there is no personal or financial incentive, if the employer can afford it and just continues to pay the entire cost of health insurance no matter how high it gets, the employees may continue to take their health and lifestyle for granted. I believe most state employees would rather see more dollars in their pay checks rather than more dollars every year going to pay health insurance costs.

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The State of Kansas must begin to develop a statewide state employee health promotion program which has the potential to bring the costs of health insurance down. We support the statewide offering of an employee assistance program and health risk appraisals and screening tests for state employees. The health risk appraisal program offers a tremendous opportunity to gather baseline data on the health risks specific to state employees and a means of assessing the type of interventions (wellness) programs which should be provided to them. Passage of House Bill 2979 would jeopardize the implementation of the state employees health promotion program.

Presented by:

Stanley C. Grant, Ph.D.
Secretary

March 1, 1988

SUPPLEMENTAL

Written Testimony Prepared for the
House Pensions, Investmentes and Benefits Committee

by

The Kansas Department of Health and Environment
Stanley C. Grant, Ph.D., Secretary

HOUSE BILL 2979

It has been nearly a quarter of a century since the first Surgeon General's report, SMOKING AND HEALTH, was released. No data collected since then, no scientific research has been forthcoming to refute the findings of that report. Today, there is no doubt that smoking is truly "slow-motion suicide".

Mortality rates for smokers are from 70 to 270 percent higher than nonsmokers depending on dosage and age bracket, according to the U.S. Department of Health and Human Resources. Heavy smokers use the nation's health care system at least 50 percent more than do nonsmokers. Persons who are twenty-five years old and smoke 2-packs of cigarettes a day have life expectancies 8.3 years shorter than do their non-smoking contemporaries. Larynx cancer in all smokers (including pipe and cigar) is 2.9 to 17.7 times that of nonsmokers. Cigarette smokers have 3 to 10 times as many oral cancers as nonsmokers. Cigarettes, pipes and cigars increase the risk of dying of esophageal cancer about 2 to 9 times. Cigarette smokers have 7 to 10 times the risk of bladder cancer as nonsmokers, and 2 to 5 times the risk of dying of pancreatic cancer. The excess mortality of cigarette smokers is proportionately greater at ages 45-54 than at younger or older ages. A smoker doubles his risk of dying before age 65.

SMOKING AND CARDIOVASCULAR DISEASE

Studies of more than two million individuals show that cigarette smoking increases the risk of sudden cardiac deaths and atherosclerosis (lesions, plaques and occlusions of arteries, heart and other organs). Stopping smoking sharply decreases the risk of heart attacks and other circulatory diseases. This begins to happen within one year after stopping and after 10 years the ex-smoker's risk is almost the same as that of a person who never smoked. Coronary artery disease is one of the leading medical care costs of state employees.

Luce and Schwedtzer, reporting in the New England Journal of Medicine (March 9, 1978) estimated that, on the average, smokers require an additional $230 per person per year for medical care alone, and cost employers an additional $765 per person per year for discounted lost earnings due to morbidity and premature mortality. As they point out it may be some time before the full $995 per employee filters down to the company, but it represents a realistic target in long-range policy projections. (NOTE: These are January, 1981 dollars.)

Lost earnings are not the only costs associated with higher rates of mortality and disability. Economist Marvin Kristen, of the American Health Foundation,

estimates that smokers cost an extra $45.00 per year per smoker for accidental injury and related workers' compensation costs. His calculations were based on studies showing that smokers have twice the accident rate of nonsmokers due to carelessness caused by attention loss, eye irritation, coughing and hand interference.

Dr. William L. Weis, of the Albers School of Business, at Seattle, Washington, in his article, "Can You Afford to Hire Smokers" published in Personnel Administration, May, 1981, presents the following estimated annual cost to employers of an employee who smokes.

Additional Annual Cost of Employing Smokers
and Allowing Smoking at the Work Place

Cost Sources	Annual Cost per smoker
Absenteeism	$ 220 a
Medical Care	230 b
Morbidity and Early Mortality (discounted lost earnings)	765 b
Insurance (excluding health)	90 c
On-the-Job Time Lost	1820 a
Property Damage and Depreciation	500 d
Maintenance	500 d
Involuntary Smoking	486 e
Total Cost per Smoker per Year	$4611

All costs are in January 1981 dollars.

a) Assumes that total personnel cost to employer, including fringes and payroll taxes, equals $20,000 per employee.
b) Based on Luce and Schweitzer (1978) adjusted for 1981 dollars.
c) Based on Kristein (1980) adjusted for 1981 dollars.
d) Based on interviews by author.
e) Based on White and Froeb (1980), Wynder and Stellman (1977), and Luce and Schweiter (1978).

Smoking is only one element of "wellness". It is used as an example because it is easily isolated as a cause of illness and early mortality and has the

potential for such devastating effects upon human life and health. However, other factors such as high blood pressure, poor eating habits, drug and alcohol abuse, lack of exercise, high stress levels, obesity, and an accident mentality which leads to risk taking behaviors, ie, refusal to wear seat belts, speeding, etc, are also important in determining whether an individual enjoys a high level of wellness.

Because of the all-encompassing impact high level wellness has upon an individual - capacity to enjoy life, work productivity, social and cultural involvement, family life - it is an element that the individual and, secondarily, the employer, cannot afford to ignore.

Since the Chrysler Corporation announced in 1981 that for every new car it sold, $220 went for employee health benefits and these benefits cost the company nearly as much as the steel to build the car, business and industry has sought ways to assist employees in becoming knowledgeable about and motivated to improve and maintain their level of wellness. Since then, countless worksite health promotion programs have documented the economic benefits of on-site wellness programs. The Detroit HMO, working with Chrysler on an employee wellness program which emphasized efforts to reduce cardiovascular disease risks, estimated the program could prevent at least one heart attack per year among 500 employees in the pilot program and reduce the number of strokes by 28 percent. This would amount to an annual saving of $11,400 in hospital, physician and major medical expenses, alone. In contrast, costs for the intervention program totaled only $6700 per year.

It is evident that employee wellness programs are not inexpensive. But, nowhere is it more evident that it takes money to save money. Not only does the employer save on direct health care expenditures, but the company also gains in less absenteeism, higher worker productivity, higher employee morale, and decreased management losses caused by the premature mortality of young, promising employees. Achieving and maintaining the behavior change necessary to guarantee a high level of wellness is time consuming and such changes must be carefully nurtured and supported. Simply telling an individual that they should stop smoking, fasten their seat belt or lose weight is a waste of time unless supported by interventions designed to nurture such changes.

At Thomas McKeown states in his treatise, THE ROLE OF MEDICINE: DREAM, MIRAGE OR NEMESIS?, "The requirements of health can be stated simply. Those fortunate enough to be born free of significant congenital disease or disability will remain well if three basic needs are met: they must be adequately fed; they must be protected from a wide range of hazards in the environment; and they must not depart radically from the pattern of personal behavior under which man evolved, for example, by smoking, overeating or sedentary living."

The Department of Health and Environment does not support H.B. 2979 because it would eliminate the planned program for state employee health promotion.