

Approved February 24, 1988
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

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

9:00 a.m./~~p.m.~~ on February 23, 1988 in room 529-S of the Capitol.

All members were present except:

Sen. Gannon - Excused

Committee staff present:

Bill Wolff, Legislative Research
Bill Edds, Revisor of Statutes

Conferees appearing before the committee:

Sen. Mike Johnston
Richard Mason, Kansas Trial Lawyers Association
Jerry Slaughter, Kansas Medical Society
Ron Todd, Kansas Insurance Department

The minutes of February 22 were approved.

The hearing began on SB 632 which would enact the health equity liability plan act. Sen. Mike Johnston, one of the authors of the bill, testified in support of it. (See Attachment I.) He noted that the need for the bill is due to problems he has heard from people in southeast Kansas in getting medical services, especially obstetrics. He told the committee that the bill is not perfect, but it is trying to deal with the problems that exist today.

The Chairman asked if references to physicians' services is found on lines 70-78. Sen. Johnston said, "Yes". The Chairman then inquired about "physicians who accept medically indigent patients". Sen. Johnston said this is in the bill because it was felt it would not be appropriate if the doctors did not take some Medicaid patients.

Sen. Werts had questions regarding subsections three and four as to the "availability of such service". He asked if this relates to population or geographical determination. Sen. Johnston said it is a little of both. The Commissioner would have to make a determination. With regard to the \$2 million threshold, Sen. Werts asked if Sen. Johnston had a feel for how many communities would be in need of this subsidy. Sen. Johnston said he doesn't think it would be needed very often. Sen. Johnston then answered questions from the Chairman as to how assistance applications work and how it affects the health stabilization fund.

Richard Mason, Kansas Trial Lawyers Association, followed with testimony in support of SB 632. He is in agreement with Sen. Johnston's testimony. He added that tort reform will not help doctors in this state, but this bill addresses the problem.

Sen. Kerr asked if SB 632 is not an admission that this system is not working. Mr. Mason answered that he thinks it means that malpractice is very expensive and this can cause problems, but it is not a failing in the civil justice system.

Jerry Slaughter, Kansas Medical Society, followed with testimony neither in support of SB 632 or in opposition to it. He said he can appreciate Sen. Johnston's approach, but, as he pointed out at yesterday's meeting, this is an attempt to subsidize the problem and not solve it. It could be problematic in the future--"Where does it end". Mr. Slaughter noted that Kansas has one of the best levels of provider participation in Medicaid. He feels that if you want to get at the problem, payment for services should be for what they are worth. He concluded that although he feels Sen. Johnston is sincere, he does not think the bill will solve the underlying problem.

Sen. Karr began a short discussion regarding the 1985-86 interim study and tort

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 FINANCIAL INSTITUTIONS AND INSURANCE,
room 529-S Statehouse, at 9:00 a.m. ~~xxx~~ on February 23, 1988.

reform enacted on surcharges with regard to the projected increase in premiums before the collateral resource law.

Ron Todd, Kansas Insurance Department, said the Department is neither pro or con on the bill. His intent is to remark on the administrative process of the bill. The fiscal note will be minimal, but Section 4 would require the hiring of another person. This could be done, but there might be a problem with the additional hearings on the regulations. He told the committee it might want to consider an amendment that if a physician gets assistance and then leaves the state or ceases practice for some other reason, a return of the unearned portion would be required. Also, with regard to the confidentiality in the bill, line 98, page 3, in the Department's view, the only confidentiality would be the gross revenues derived by the physician, otherwise it would be subject to the public records disclosure law. Finally, Mr. Todd said the effective date of "on publication in the Kansas Register" would be too early for them to be ready. He doubts they could be ready to go by July of '89.

The Chairman asked if one individual could administer this, and Mr. Todd said, "Yes". Sen. Werts commented that it seems the burden will be on the Commissioner in determining what income is enough for a physician and asked if the Department is comfortable with this. Mr. Todd answered, "No". Sen. Karr commented that it could be the net income that should be considered in judging who is qualified, but this is not in the bill. The Chairman said he agrees with Mr. Todd that publication in the Kansas Register would make this in effect before it is administratively possible. Mr. Todd noted that they could work on regulations though.

There being no further time, the meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

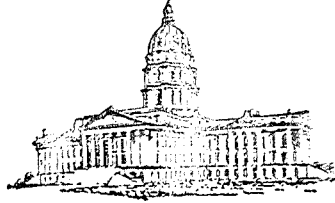
OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
2/23/88	Ron Smith	Topeka	Ks Bar
✓	Bob Arbuthnot	✓	KTLA
✓	Kuband Mason	"	"
✓	Norma Watt	"	Sen Johnston
✓	Jon Josseland	Lawrence	University of Kansas
✓	Bob I Jay	Topeka	Ks Ins Dept
✓	Ron Todd	"	" " "
✓	Chip Wheelen	"	KMS
	M. Hawer	"	Capital Bureau
✓	Chuck Stones	Topeka	Ks Bankers Assn
✓	Jim M... ..	"	" " "
✓	JERRY JOHNSTON	Topeka	Ks. NEPAH Society

State of Kansas

Senate Chamber

MICHAEL L. JOHNSTON
SENATE MINORITY LEADER
SENATOR, FOURTEENTH DISTRICT
LABETTE COUNTY AND PARTS OF
CRAWFORD, MONTGOMERY AND
NEOSHO COUNTIES
P.O. BOX A
PARSONS, KANSAS 67357-0040



COMMITTEE ASSIGNMENTS
MEMBER: ELECTIONS
GOVERNMENTAL ORGANIZATION
INTERSTATE COOPERATION
LEGISLATIVE BUDGET
LEGISLATIVE AND CONGRESSIONAL
APPORTIONMENT
LEGISLATIVE COORDINATING COUNCIL
WAYS AND MEANS

Office of Minority Leader

STATE CAPITOL
TOPEKA, KANSAS 66612-1565
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Senate Financial Institutions and Insurance Committee

Senate Bill 632 - Health Equity Liability Plan Act

February 23, 1988

Statement by Senator Michael L. Johnston

Thank you, Mr. Chairman and members of the Committee, for this opportunity to appear in support of Senate Bill 632.

This bill is intended to provide immediate relief for doctors whose premiums are forcing them to quit providing certain services because they can no longer offer those services on a sound business basis. The bill creates the Health Equity Liability Plan (HELP) which provides for a reduction of up to \$15,000 each year in the surcharge that a doctor pays into the Health Care Stabilization Fund.

Under this plan, a doctor would make application to the Commissioner of Insurance for a reduction of his or her surcharge to the fund. Specific requirements for eligibility for a reduction would be set by the Insurance Commissioner within the

Attachment I

following general guidelines set out in the bill:

1. the ratio of a physician's annual premium to gross revenue
2. acceptance of medicaid/medican and medically indigent patients
3. availability of medical services in the physician's service area

All information submitted in an application would be confidential. Applications must be submitted by May 15, and the Insurance Commissioner would notify each applicant on July 1 whether or not they are eligible, and if so, the amount of their reduction. The reduction may not exceed \$15,000, and the total amount reduced for all eligible physicians cannot exceed \$2 million. The Commissioner is authorized to prorate if the total amount of reductions for all eligible physicians exceeds \$2 million in any year.

The bill creates the Premium Impact Equity Payment Fund which will be funded by the state general fund to reimburse the Health Care Stabilization Fund for reductions granted under this program.

Many doctors have already quit providing certain services, most notably obstetrics, because of high insurance premiums. This bill is aimed at ensuring the availability of adequate medical services in all parts of the state. Unlike many approaches whose results are uncertain and may take years to materialize, the HELP act is designed to deal with the problem of availability of medical services today.

I urge your serious and favorable consideration of Senate Bill 632.