

Approved February 16, 1988
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by SENATOR AUGUST "GUS" BOGINA at
Chairperson

11:00 a.m./~~p.m.~~ February 10, 1988 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Research Department: Scott Rothe, Alan Conroy, Robin Hunn

Revisor's Office: Norman Furse

Committee Staff: Judy Bromich, Pam Parker

Conferees appearing before the committee:

Marshall Crowther, Executive Secretary, KPERS

E. A. Mosher, League of Municipalities

Craig Grant, KNEA

John Foster, Chief of Police, Lenexa

Senator Doyen moved, Senator Gaines seconded, the request by the Chairman to draft a bill that would separate the employers KPERS contribution into school and non-school on a statutory basis. The motion passed on a voice vote.

SB 521 - State health care benefits program, benefits self-funding, commission expanded.

Staff presented a brief overview of SB 521.

SB 463 - Retirant health care benefits program and

SB 464 - Groups health care benefits eligibility for retired local government employees.

The first conferee to appear was Marshall Crowther. He pointed out that SB 463 is a starting point and not a detailed, refined product. He noted the bill does not address any specific limitations with regard to cost and does not touch on the area of a pooling of experience or a jubsization of some type by one or more employers. If the thrust of the program is simply toward a pooling and widening of experience from the present type of retirant coverage presently aforded, he felt there are serious questions as to the feasibility of shifting administration and setting up a whole new vehicle for that kind of coverage rather than simply allowing access to the plan that is in place.

In regard to employer participation, Mr. Crowther stated it was not addressed in the bill. The present language leaves the issue of employer participation open ended and that is not a workable policy arrangement. He noted that this is not a KPERS bill which attempts to build an empire but he felt this was an area where KPERS has a proven area of expertise. Mr. Crowther noted that the potential of a catastrophic health insruance bill being passed in Congress could dramatically change the considerations of SB 463 and possibly the costs for what might be provided. He noted that there did not seem to be any immediate Congressional action anticipated. The issue of access to health care and its cost has been a constant concern to the KPERS membership. He warned, in the area of employer obligation, it is very difficult to rein back, either politically or legally, and the figures contained in the report submitted by Dr. Mackin show these can have important, far reaching cost implications.

Mr. Mosher appeared next. (Attachments 1 and 2) Following Mr. Mosher

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS,
room 123-S, Statehouse, at 11:00 a.m./~~p.m.~~ on February 10, 1988

Mr. Grant presented testimony (Attachment 3) and John Foster was the last to appear. Mr. Foster noted that the major problem uncovered as a result of a 1986 Legislative Post Audit was the availability of health insurance for retirees. No amount of increase in benefits will adjust the problem of the availability of health insurance. He stated that the Kansas Police Chief's Association and the Kansas Peace Officer's Association supports both SB 463 and SB 464. He and the associations he represents feel that SB 464 answers a critical problem, but they understand there are amendments needed.

The meeting was adjourned.



League of Kansas Municipalities

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL / 112 WEST SEVENTH ST., TOPEKA, KANSAS 66603/AREA 913-354-9565

RE: SB 463--Retirant Health Care Benefits Program
TO: Senate Committee on Ways and Means
FROM: E.A. Mosher, Executive Director
DATE: February 10, 1988

By action of its Public Personnel Committee, the League opposes SB 463. There are a number of provisions in the bill that one can argue about. For example, we are surprised as to the amount of authority delegated to the KPERS board, including a decision as to how much is paid by the employer and by the employee. However, our fundamental objection is a bottom line consideration --we simply don't think Kansas local governments, even with sharing by current employees, can afford to add another 2.85 percent of covered payroll for KPERS members and 5.14 percent for KP&F members.

We are aware of the growing concern of retirants, as well as others, as to meeting their health care costs of the future. We are aware that this is a statewide problem, and a national problem, and is not confined to the retirants of KPERS. And we are concerned about what the final public costs may be, even if we start out with a modest program.

Finally, while acknowledging the concerns about health care, we suggest an increase in the benefit levels for KPERS participants, past and present, deserves priority over a new KPERS health care program, at this time. As we have previously reported to you, the League is on record in support of an increase in the benefits level under KPERS. In part, this is a matter of fairness. I personally don't think we can long continue the practice of making employees contribute 4 percent of salary, with the employer contributing only about 1 percent for participating service benefits. Our point is that a benefit increase, such as from 1.4 to 1.5 percent of salary, with some increases for retirants, would at least help permit retired employees to meet health care obligations. The Public Personnel Committee of the League thinks this is a better approach, at this time, than launching off into an unchartered course of health care cost obligations, at least until we better understand the national response to this concern.

ATTACHMENT 1
SWAM 2-10-88



League of Kansas Municipalities

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL / 112 WEST SEVENTH ST., TOPEKA, KANSAS 66603 / AREA 913-354-9565

RE: SB 464--Group Health Care Benefits for Retired Local Employees
TO: Senate Committee on Ways and Means
FROM: E.A. Mosher, Executive Director
DATE: February 10, 1988

The League opposes SB 464. By city convention action, we oppose, as a matter of principle, any bill which attempts to mandate further obligations or fiscal responsibilities on cities. By action of our Public Personnel Committee, we oppose the mandatory provisions of SB 464.

Attached to this statement are some recommended amendments, which we propose if the Committee is inclined to recommend a bill. In general, the amendments are intended to restrain the fiscal impact of the mandatory provisions.

Frankly, we do not have good information as to how much the bill would cost local governments, or the contributions of employees. On the assumption that employees not in good health are more likely to retire prior to 65 than others, we believe there will be some added costs. Our amendment proposes that former employees may be charged not to exceed 125 percent of the cost to existing employees. We have a report from one city, the City of McPherson, which does now permit former employees to stay under the city's group program. For a recent 12 month period, the utilization rate for these retired employees was higher than the general group; benefits paid to retired employees exceeded the insurance premiums paid by 60 percent. Our proposed amendment to set the former employees' contribution at a maximum of 125 percent is admittedly arbitrary, but so is 102 percent, notwithstanding the COBRA provision.

ATTACHMENT 2
SWAM 2-10-88

SENATE BILL No. 464

By Special Committee on Ways and Means

Re Proposal No. 36

12-16

0018 AN ACT concerning group health care benefits for retired em-
0019 ployees of local governments; providing for the availability of
0020 coverage under certain employee group health care benefit
0021 plans; prescribing certain limitations.

0022 *Be it enacted by the Legislature of the State of Kansas:*

0023 Section 1. (a) Each local government which provides an em-
0024 ployer-sponsored group health care benefits plan for the em-
0025 ployees of the local government shall make coverage under such
0026 group health care benefits program available to retired former
0027 employees and their dependents as provided by this section.

0028 Coverage under the employee group health care benefits plan
0029 may cease to be made available upon (1) the retired employee
0030 attaining age 65, (2) the retired employee failing to make re-
0031 quired premium payments on a timely basis, or (3) the retired
0032 employee becoming covered ~~under another group health care~~
0033 ~~benefits plan.~~

, upon written application filed with the clerk or secretary thereof within 30 days following retirement of the employee,

or becoming eligible to be covered under a plan of another employer.

0034 (b) Each local government shall make such coverage avail-
0035 able to all persons who were employed by the local government
0036 and who retired from such employment after ~~June 30, 1988,~~ and
0037 may make such coverage available to other retired employees
0038 and their dependents. Each such retired employee who elects to
0039 continue such coverage may be required to contribute to the
0040 employee group health benefits plan, but not more than ~~102%~~ of

on a full time basis for not less than 10 years
December 31,

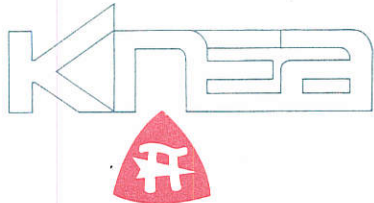
0041 the premium cost for other similarly situated employees. The
0042 local government may pay for all or part of the cost of continuing
0043 the employee group health care benefits plan coverage for such
0044 retired former employees and their dependents.

[125%

0045 (c) As used in this section, "local government" means any
0046 county, city, township, special district or any instrumentality of
0047 any one or several of such governmental entities.

"Retired" means any full time employee who has withdrawn from local government employment because of age or disability.

0048 Sec. 2. This act shall take effect and be in force from and
0049 after its publication in the statute book.



Craig Grant Testimony Before The
Senate Ways & Means Committee
Wednesday, February 10, 1988

Thank you, Mr. Chairman. Members of the Senate Ways & Means Committee, my name is Craig Grant and I represent the 22,000 members of Kansas-NEA. I appreciate this opportunity to visit with the committee about SB 463.

Hopefully, SB 463 will be the start of the final leg of a long journey which has been going on for many years. By the establishment of a retirant health care benefit program, teachers and non-teachers alike will have an answer to an overriding concern which they have expressed. That concern is that a person will be covered with adequate medical insurance to supplement medicare so that any savings accumulated for retirement will not be depleted by the ever-rising cost of medical care. That anxiety is being heightened by the recurring television ads which show terrible case scenarios when someone does not have a certain type of medicare supplement insurance.

Kansas-NEA believes that SB 463 will assist the retirants of this state greatly, both actually and psychologically. Our goal someday is for the state to fund this benefit, but the state picking up a portion of this benefit would certainly be of benefit. Just the establishment of a retirant health care system should lower the cost significantly with a group plan rather than having to buy it individually.

Kansas-NEA would urge that the committee report SB 463 favorably for passage and would consider funding for the program to keep the cost of insurance down for the retirees in this state who have devoted a great deal of service to this state. Thank you for listening to our concerns.