

Approved February 28, 1989
Date

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Dale Sprague at
Chairperson

~~3:30 a.m.~~ XX p.m. on February 21, 1989 in room 331-n of the Capitol.

All members were present except:

Representative Marvin Littlejohn
Representative Michael Sawyer

Committee staff present:

Chris Courtwright, Research Department
Bill Edds, Revisor of Statutes
Patti Kruggel, Committee Secretary

Conferees appearing before the committee:

Others present: see attached list.

The Vice-Chairman called the meeting to order at 3:30 p.m. and began hearings on HB 2045.

HB 2045-- An Act relating to health insurance; requiring certain policies to offer family coverage options; amending K.S.A. 1988 Supp. 40-19c09 and repealing the existing section; also repealing K.S.A. 1988 Supp. 40-19c98a.

Chris Courtwright, Legislative Research Department, gave a brief overview to the Committee on HB 2045. Chris explained that the bill would require spouse and dependents to be covered under health insurance policies. Under current law this coverage is optional.

Representative Joan Wagon, testified in support of HB 2045, and explained that she sponsored the bill because of the increase in both two-wage earning families and in single parent families over the last few years, and their request for a more fair and equitable way of paying for the dependent coverages.

Betsy Rohleder, Tucker, Rohleder, Gregorian and Associates, provided testimony (Attachment 1) in support of HB 2045 stating that each group health insurance carrier should allow the employer group the option of a quote that includes the employee rate, the spouse rate, and the child(ren) rate as well as quoting the family rate.

Jack Roberts, Blue Cross and Blue Shield of Kansas, introduced Don Lynn, also of Blue Cross and Blue Shield. Mr. Lynn stated that his interest in appearing before the Committee was in providing actuarial information of HB 2045 and offered an amendment to the bill (Attachment 2).

There were no others wishing to testify on HB 2045 and hearings were concluded.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Insurance

room 531-N Statehouse, at 3:30 XX a.m./p.m. on _____, 1989

The Chairman began discussion and action on bills that had been previously heard in the Committee.

The first bill discussed was HB 2381 providing for regulation of continuing care providers under the administration of the Commissioner of Insurance.

Representative Turnbaugh made a motion to strike lines 161 to 163 on page 5 of HB 2381. Representative Lynch seconded. Motion carried.

Representative Bryant made the motion to amend line 112 to change from 3 month to 4 months of completion of such provider's fiscal year.

Representative Cribbs seconded. Motion carried. A motion was made by Representative Cribbs, seconded by Representative Well that HB 2381 be passed as amended. The motion carried.

The next bill to be discussed was HB 2382 which provides the flexibility necessary to permit applicants to meet the basic requirements for an agent's license.

A motion was made by Representative Brown to recommend HB 2382 be passed out favorably and placed on the Consent Calendar. Representative Cribbs seconded. The motion carried.

The Committee then discussed HB 2383 which would permit long term care coverage meeting the standards and guidelines imposed by the 1987 legislation to be incorporated in a life insurance contract.

Representative Wells made a motion to report HB 2383 favorable for passage. Representative Turnbaugh seconded. The motion carried.

The Committee discussed HB 2269 which would allow the reinstatement of drivers' licenses when evidence of financial security is displayed.

Representative Cribbs made the motion that HB 2269 be passed. Representative Turnbaugh seconded. The motion carried.

The Committee then discussed HB 2324 which would change the penalty of not providing motor vehicle liability insurance coverage from \$100 to \$200.

A motion was made by Representative Turnquist, seconded by Representative Hoy that HB 2324 be passed. The motion carried.

HB 2268 would allow the director to extend the 30-day waiting period for requesting a hearing upon showing of good cause by the owner.

Representative Hoy made a motion to report adversely on HB 2268. Representative Wells seconded. The motion passed.

The Committee discussed HB 2313 which would require a person making application for registration of a motor vehicle to show evidence of financial security. That evidence shall mean the policy of motor vehicle liability insurance, an identification card or certificate of insurance. Similar to this bill, the Committee discussed HB 2325 requiring the evidence of financial security to mean a statement certified by the owner's insurance agent on a form prescribed by the director of vehicles.

A motion was made by Representative Hoy that HB 2313 and 2325 be tabled. Representative Campbell seconded. The motion carried.

The meeting was adjourned at 5:30 p.m.

TESTIMONY -- 2/21/89

HB 2045 --- HEALTH INSURANCE: FAMILY MEMBER COVERAGE OPTION

I am Betsy Rohleder, co-owner of Tucker, Rohleder, Gregoriew and Associates, a financial planning and investment strategy firm here in Topeka. I was asked to testify today because of the group health insurance planning that I have done over the past 10 years.

Because of the dramatic increase in both two-wage earning families and in single parent families over the last few years, and in light of the trends of continuance, it seems particularly appropriate at this time to support the breakout of premium rates in the family arena, as proposed by House Bill 2045 introduced by Representative Wagnon.

I can support the concept that would provide that each group health insurance carrier should allow the employer group the option of a quote that includes the employee rate, the spouse rate, and the child(ren) rate as well as quoting a full family rate. Historically, this has not been the case. Employee rates and Full Family Rates have been the norm in case quotes. In other words, if there is only a spouse or only a child to be covered by the working employee, that employee had to pay the entire family rate.

Group health insurance rates are based on a great number of variables, including, but not limited to:

1. Number in group
2. Male and female ratios
3. Average age of group
4. Dependent ratios
5. Location
6. Industry or occupational classifications
7. Employer participation through contributions
8. Total participation by eligible employees

Since insurance principals are based on the law of large numbers (many in a pool, sharing the cost that individuals cannot bear alone), my suspicions are that more employees would remain as participants in their employers' group health plans if they could see a fair and equitable way of paying for the dependent coverages. Breaking out the dependent premium rates appears to be one of the ways that this problem could be solved.

More and more we hear of employers who are forced to move away from paying 100% the single employee rate; for years we have not seen many employers who pay all of the dependent rates. In fact, I see very few employers who pay any of the dependent rate. In my experience, having young and healthy members of an employer group NOT be included in the total census is already catching up with more employers' renewal rates. I would hasten to add that this is not the only reason for rate increases, but it is a contributing factor. Again, perhaps the opportunity to remain in the group and pay a fair coverage rate for those dependents without other coverage would be beneficial to all concerned -- the employee, the employer, the insurance company.

In recent years, a number of companies have gone to break-out rates, while many others have quoted on a break-out basis only when requested (or required) by the employer. This appears to be happening most often, however, at the 100 + employee group level and the under 10 group level.

Where we used to see virtually no companies offering this break-out of rates, I am beginning to see more and more companies offering quotes in this manner. In an interesting aside, however, the under 10 groups are nearly always FULLY UNDERWRITTEN, thus they are really individual coverages packaged as a group plan, with some discounts in the ratings for volume. Thus, the person is often as well off to apply for individual coverage that can be appropriately designed to fit their individual needs.

When a single parent or a two-wage earner family has to make choices of whether to cover their spouse or children through the employer group plan, or through individual coverage, we are finding that young, healthy persons are able to make a choice and opt out of the group plan. From the insurance rating side, this can only be a detriment to future rate increases.

Although a different issue, we are also finding that we are uncovering an increasing number of cases in which educated, fairly well informed workers are opting to not even carry health insurance for portions of their families due to the high cost of "full family" rates. What a long-term, negative effect this will have on our society! There obviously is no free lunch, and one way or another we are paying for those who choose to go without health insurance.

While group health insurance has never been my major source of activity, it has been one of the most challenging and also rewarding, especially in the area of mandated changes over the last 10 years. Where I am actually seeing more of the impact of legislation as it stands today is at the individual planning level. As couples and individuals come to me for financial planning, it is becoming quite the norm to look at the cost of providing health insurance coverages for children and non-working spouses. We often look to coordinating all insurance coverages and costs; if appropriate to all goals and objectives, individual health insurance coverages are recommended.

Currently, both employers and employees are expressing concern over paying high dollars for benefits that duplicate coverage, or are not fully needed. With an option to cover those dependents on a fair and equitable basis, long term results should be employers who can divert more dollars to other benefits and employees who are more loyal and productive because they do not have to look for employers who have the benefit plans that best fit them, but can instead look for employers who offer the type of employment that best fits all concerned.

Thank you for your kind attention today, and again I ask your consideration in support of House Bill 2045.

Elizabeth "Betsy" Rohleder, CLU, ChFC
TUCKER, ROHLEDER, GREGORIEW AND ASSOC.
618 SW Kansas
Topeka, KS 66603
(913) 233-9262

HOUSE BILL No. 2045

By Representative Wagnon

1-17

14 AN ACT relating to health insurance; requiring certain policies to
 15 offer certain family coverage options; amending K.S.A. 1988 Supp.
 16 40-19c09 and repealing the existing section; also repealing K.S.A.
 17 1988 Supp. 40-19c09a.
 18

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

20 New Section 1, ~~Every individual or~~ group policy of health in-
 21 surance, including any contract of a health maintenance organization
 22 as defined by K.S.A. 40-3202, and amendments thereto, offered to
 23 residents of this state, under which policy an individual may insure
 24 eligible family members for sickness, medical, surgical or hospital
 25 expense, or any combination thereof, shall provide, in addition to
 26 the option for coverage of all such eligible family members, an option
 27 under which only such individual and such individual's spouse would
 28 be covered and an option under which only such individual and
 29 such individual's eligible child or children would be covered.

covering twenty-five (25) or more
 employees or association members

30 Sec. 2. K.S.A. 1988 Supp. 40-19c09 is hereby amended to read
 31 as follows: 40-19c09. Corporations organized under the nonprofit
 32 medical and hospital service corporation act shall be subject to the
 33 provisions of the Kansas general corporation code, articles 60 to 74,
 34 inclusive, of chapter 17 of the Kansas Statutes Annotated, applicable
 35 to nonprofit corporations, to the provisions of ~~sections 3 and 4 of~~
 36 ~~this act, to the provisions of K.S.A. 40-2,116 and 40-2,117 section~~
 37 *1 of this act*, and to the provisions of K.S.A. 40-214, 40-215, 40-
 38 216, 40-218, 40-219, 40-222, 40-223, 40-224, 40-225, 40-226, 40-229,
 39 40-230, 40-231, 40-235, 40-236, 40-237, 40-247, 40-248, 40-249, 40-
 40 250, 40-251, 40-252, 40-254, 40-2,100, 40-2,101, 40-2,102, 40-2,103,
 41 40-2,104, 40-2,105, ~~40-2,116, 40-2,117~~, 40-2a01 to 40-2a19, inclusive,
 42 40-2111 to 40-2116, inclusive, 40-2216 to 40-2220, inclusive, 40-2401
 43 to 40-2421, inclusive, and 40-3301 to 40-3313, inclusive, and amend-

Such option may be exercised only
 by the group policyholder with
 respect to the entire group.