

Approved \_\_\_\_\_

2/9/89  
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by RICHARD L. BOND at \_\_\_\_\_  
Chairperson

9:00 a.m./~~p.m.~~ on MONDAY, FEBRUARY 6, 1989 in room 529S of the Capitol.

~~All~~ members ~~were~~ present ~~except~~: Senators Bond, Salisbury, Anderson, Karr, Kerr, Parrish, Reilly, Strick, and Yost.

Committee staff present:

Bill Edds, Revisor's Office  
Myrta Anderson, Research Department  
Louise Bobo, Committee Secretary

Conferees appearing before the committee:

John Peterson, Fourth Financial Corporation  
Marlin Rein, Associated Director for Business Affairs, UKMC  
Vickie Thomas, Counsel for UKMC  
Jerry Slaughter, Kansas Medical Society  
Robert Frey, Kansas Trial Lawyers

Chairman Bond called the meeting to order at 9:11 a.m.

John Peterson, Fourth Financial Corporation, requested the privilege of presenting a proposal for a bill draft that would facilitate interstate banking provisions. Senator Yost made the motion to have the bill introduced with Senator Anderson seconding the motion. The motion carried. (attachment 1)

SB 18 - In an effort to answer various questions raised in the committee concerning SB 18. Marlin Rein, representing UKMC, presented an alternative proposal to SB 18. Mr. Rein said that he wanted to reemphasize two points: (1) the University desperately needed to achieve significant relief on the private practice foundation for insurance liability and (2) the state's assumption of responsibility to be at the least cost possible.

Mr. Rein presented testimony of alternatives which would achieve the cost savings to the Foundations that is desired but at a less cost to the state. The alternatives include: (1) amend the Tort Claims Act to bring all full-time physician faculty and the Practice Foundations under the Act, (2) provide that so long as a surcharge is levied for the HCSF, or any successor fund, the Practice Foundations would pay that surcharge, (3) provide that when such surcharge is no longer levied, the Foundations would then be responsible for reimbursement to the Tort Claims Fund of 50% of any costs incurred by the Fund on behalf of physician faculty. (attachment 2)

Chairman Bond asked for a definition of the Tort Claims Act. Vickie Thomas, Counsel for UKMC, stated that it was just a paying mechanism used for the purpose of paying claims authorized by the Attorney General and the Finance Council and that it allowed money to be transferred from the general fund to the Tort Claims Fund.

During the lengthy discussion, various questions arose about the definition of full-time physicians, who a client would write his check to for payment of services, and the treatment of other physicians in state agencies not employed by UKMC. A staff member remarked that St. Paul was not too concerned about this issue of putting physicians under the Tort Claims Act.

Jerry Slaughter, Kansas Medical Society, stated that his organization had no objection to the bill but that the state should support the efforts of the faculty at UKMC if they would still pay into the HCSF.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,  
room 529 S Statehouse, at 9:00 a.m./~~p.m.~~ on MONDAY, FEBRUARY 6, 1989.

Chairman Bond stated that there were many problems with SB 18 and several alternatives. Robert Frey, Kansas Trial Lawyers, stated that they would like to have the opportunity to appear before the committee and perhaps give the benefit of another point of view on the Tort Claims Act option. Several other suggestions were made by committee members. After further discussion, the general consensus of the committee members seem to be that the issue was very critical, especially to UKMC, and that the bill was also linked to other issues being heard in other committees. It was decided that the best method of action was to have Staff further examine the bill and its ramifications as it relates to the Tort Claims Act, HCSF, and excess coverage. Meantime, according to Chairman Bond, the bill is resting.

Minutes of January 31, February 1, and February 2, were approved on a motion of Senator Kerr, seconded by Senator Salisbury. The motion carried.

The Committee adjourned at 10:02 a.m.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

Mon. Feb 6

OBSERVERS  
(Please print)

DATE                      NAME                      ADDRESS                      REPRESENTING

2/6	Chip Wheelen	Topoka	Ks Medical Society
"	Jim Oliver	Topoka	Prof Am Cgts of Ks
"	Steve Newford	Topoka	Ks Ins Dept.
"	Ken Todd	"	" " "
✓	Victoria Thomas	Lawrence	KU
	Marlow Reed	Law	KU
	Tim Carpenter	Law	J-wald
	<del>John Mucken</del>	<del>Law</del>	<del>Bank IV</del>
	BRAD SMOOT	Lawrence	Bank IV

SENATE BILL NO. \_\_\_\_\_

AN ACT concerning banks and banking; allowing interstate banking.

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

Section 1. As used in this Act, "regional bank holding company" means a bank holding company other than a Kansas bank holding company;

(1) that has its principal place of business in the state of Missouri, Colorado, Oklahoma, or Nebraska; and

(2) that is not controlled by a bank holding company other than a regional bank holding company.

Section 2. A bank holding company is entitled to acquire one or more Kansas banks or Kansas bank holding companies subject to the limitations of this Act.

Section 3. A bank holding company is not entitled to acquire a Kansas bank or Kansas bank holding company under this Act if:

(1) following the acquisition, the acquired bank or the Kansas banks controlled by the acquired bank holding company, and all Kansas affiliates of the acquired bank or controlled banks, would hold a percentage of the total deposits in all Kansas banks, savings banks, and savings and loan associations larger than is permitted under Kansas law for Kansas bank holding companies; or

(2) the Kansas bank has not been in existence and continuously operated as a bank for five (5) or more years.

Section 4. A bank holding company is not entitled to acquire a Kansas bank or a Kansas bank holding company unless:

(1) the laws of the state in which the bank holding company has its principal place of business permit Kansas bank holding companies to acquire banks and bank holding companies in that state; and

*Attachment 1  
Sen. Fin. Inst. & Ins.  
2/6/89*

(2) the laws of the state in which the bank holding company has its principal place of business permit that bank holding company to be acquired by a Kansas bank or a Kansas bank holding company sought to be acquired.

Section 5. Until January 1, 1992, a bank holding company is not entitled to acquire a Kansas bank or a Kansas bank holding company unless it is a "regional bank holding company" as defined in Section 1.

Section 6. This Act shall take affect and be in force from and after its publication in the statute book.

HHP020390K7

## Alternative - Senate Bill 18

### Background

There are some concerns that have surfaced on SB 18 because of other legislation under consideration that would either abolish or alter the status of the Health Care Stabilization Fund. If the fund is abolished, and if the purposes of Senate Bill 18 are to be achieved, an alternative mechanism must be identified. One obvious approach would be to appropriate funds for the basic coverage or some similar approach for sharing premium costs. While this would achieve the reduction in costs to the Practice Foundations that is desired, the ongoing cost to the State would be very high.

The alternative described in the following material would achieve the cost savings to the Foundations that is desired, but at a lesser cost to the State.

### Proposal

1. Amend the Tort Claims Act to bring all full-time physician faculty and the Practice Foundations under the act. Health care providers are currently excluded (KSA 75-6115).
2. Provide that so long as a surcharge is levied for the Health Care Stabilization Fund, or any successor fund, the Practice Foundations would pay that surcharge.
3. Provide that when such surcharge is no longer levied, the foundations would then be responsible for reimbursement to the Tort Claims Fund of 50% of any costs incurred by the Fund on behalf of physician faculty.

### Additional Possibilities

Several other options could also be pursued that have cost saving potential to the State General Fund.

### University Hospital

1. Provide that the University Hospital be placed under the Tort Claims Fund.
2. Continue payment of a surcharge by the Hospital, based on current basic coverage rates. This would approximate \$600,000.
3. By discontinuing the purchase of basic coverage, an immediate budget savings of \$480,000 would be realized for FY 1990.
4. At such time as the surcharge is discontinued, an ongoing budget reduction of an additional \$600,000 could be achieved.
5. Based on historical claims experience, the annual pay-outs from the Tort Claims Fund would average much less than the budget savings.

*Attachments 2  
Sen. Finke & Sen.  
2/6/89*

## Alternative - Senate Bill 18

### Background

There are some concerns that have surfaced on SB 18 because of other legislation under consideration that would either abolish or alter the status of the Health Care Stabilization Fund. If the fund is abolished, and if the purposes of Senate Bill 18 are to be achieved, an alternative mechanism must be identified. One obvious approach would be to appropriate funds for the basic coverage or some similar approach for sharing premium costs. While this would achieve the reduction in costs to the Practice Foundations that is desired, the ongoing cost to the State would be very high.

The alternative described in the following material would achieve the cost savings to the Foundations that is desired, but at a lesser cost to the State.

### Proposal

*Finance Council*

1. Amend the Tort Claims Act to bring all full-time physician faculty and the Practice Foundations under the act. Health care providers are currently excluded (KSA 75-6115).
2. Provide that so long as a surcharge is levied for the Health Care Stabilization Fund, or any successor fund, the Practice Foundations would pay that surcharge.
3. Provide that when such surcharge is no longer levied, the foundations would then be responsible for reimbursement to the Tort Claims Fund of 50% of any costs incurred by the Fund on behalf of physician faculty.