

Approved February 26, 1990
Date

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Dale Sprague at
Chairperson

3:30 ~~xx~~ a.m./p.m. on February 22, 89 in room 531-n of the Capitol.

All members were present except:

Representative Nancy Brown, excused
Representative Joann Flower, absent
Representative Delbert Gross, excused

Committee staff present:

Representative Hank Turnbaugh, excused
Representative Larry Turnquist, absent
Representative Elaine Wells, excused
Chris Courtwright, Research Department
Bill Edds, Revisor of Statutes
Patti Kruggel, Committee Secretary

Conferees appearing before the committee:

see attached list

The meeting was called to order at 3:45 p.m.

Hearings began on HB 2570.

HB 2570 -- an act amending the health care provider insurance availability act; concerning persons engaged in residency training; amending K.S.A. 40-3402 and K.S.A. Supp 40-3401 and 40-3404 and repealing the existing sections.

Chris Courtwright, Legislative Research Department gave an overview of the bill explaining that it would extend the definition of persons engaged in residency training to include a person engaged in post graduate training programs approved by the state board of healing arts who is employed by a nonprofit corporation organized to administer the graduate medical education program. The bill is intended to extend the normal self-insurance coverage of the Health Care Stabilization Fund to a facility in Wichita.

Ann Victoria Thomas, University of Kansas Medical Center provided testimony (Attachment 1) in support of HB 2570. Ms. Thomas noted that the bill would amend the Health Care Provider Insurance Availability Act by redefining the term "persons engaged in residency training."

Leroy Rhealt, St. Joseph Medical Center, Wichita provided testimony (Attachment 2) in support of HB 2570. Mr. Rhealt stated that by expanding the definition, Wichita residents employed by Wichita Center for Graduate Medical Education (WCGME) and Contracting to HCA Wesley, St. Francis and St. Joseph will be allowed to be self-insured under the Health Care Provider Insurance Availability Act as are those individuals currently defined as being engaged in residency training in Kansas City.

There were no others wishing to testify and hearings on HB 2570 were closed.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Insurance,

room 531-N, Statehouse, at 3:30 ~~am~~/p.m. on February 22, ~~89~~.

Hearings began on HB 2723.

HB 2723 -- relating to insurance; authorizing provisions providing for acceleration of life and annuity benefits in certain policies; amending K.S.A. 1989 Supp. 40-401 and repealing the existing section.

Chris Courtwright, Legislative Research Department gave an overview of the bill explaining that it would allow life insurance companies to develop policies which provide for the acceleration benefits under certain circumstances subject to some rather broad rule and regulatory granted to the Commissioner of Insurance. The bill would also exempt the companies from the separate reporting requirements under current law that are normally required when any sort of health and accident benefits are granted through life policies.

Bud Cornish, Kansas Life Association provided testimony (Attachment 3) supporting HB 2723 and explained that benefits are paid upon the occurrence of specified medical conditions or medical conditions which drastically limit life spans or which require extraordinary medical intervention in order to sustain life. Mr. Cornish stated that HB 2723 will authorize life insurance companies to accelerate policy benefits before time of death.

Jerry Banaka, Kansas Farm Bureau provided testimony (Attachment 4) in support of HB 2723 and noted that it would provide authority for issuance of life insurance contracts which will pay, in certain situations, life insurance proceeds while the insured is still living. Mr. Banaka state that the bill will allow the insured to obtain with one contract both life insurance and the right to access life insurance benefits to help with medical expensed in the event of certain server illnesses.

Jim Hall, Security Benefit Life briefly appeared in support of HB 2723 for reasons previously discussed.

There were no others wishing to testify on HB 2723 and the hearings were concluded.

The Committee discussion and possible final action on previously heard bills.

HB 3005 -- concerning school district authority to purchase certain insurance; amending K.S.A. 72-8404 and repealing the existing section.

Representative Helgerson moved to recommend HB 3005 favorable for passage and placed on the consent calendar. Representative Sawyer seconded. The motion carried.

SB 515 -- relating to limitations of the purchase of property insurance by state agencies; amending K.S.A. 1989 Supp. 74-4702 and repealing the existing section.

Representative Hoy made a motion to recommend SB 515 favorable for passage and placed on the consent calendar. Representative Cribbs seconded. The motion carried.

The meeting adjourned at 4:25 p.m.

GUEST LIST

COMMITTEE: _____

DATE: _____

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
LeRoy RHEAULT	3600 E. Harvey - Wichita	St Joseph Medical Center
Sam Henderson	929 N. St. Francis	St. Francis Hosp. Med. Ctr.
Jim Biltz	550 N. Hillside	HCA Wesley Med Ctr.
LISA GETZ	WICHITA	WCGME
ROBERT J. O'BRIEN	1100 S. CAIFTON WICHITA, KS.	St. JOSEPH HEALTH CORP.
ALAN COBB	Wichita	Ks Resp Care Soc
R. J. GERSTNER	Colby	Gerstner Ins Agency
DICK BROCK	Topeka	Ins Dept
(Anna) (Madison)	(Manhattan)	IIAK
Gemma Hollingsworth	McPherson	Ins Women of Hutch
Bob Wunsch	Lawrence	KUMC
Jim Hall	Topeka	SBH
L M CORNISH	"	Ks Life Assn
Clay Wheelen	Topeka	Ks Medical Soc.
Ann Meyer	Topeka	Governor's office
Tony Burton	TOPEKA	KS. GRP LIFE INS. CO.
Mrs. Primore	McPherson	IIAK
John Drining	Blue Center	IIAK
Tommy Kaska	Manhattan	Ks Farm Bureau
Bob Kline	Manhattan	IIAK
Victoria Thomas	KUMC ^{Lawrence}	KUMC
Dr Joe Meek	K. U. Med School - Wichita	Wichita, Ks.
David A. Hawley	W. Ch. Ia	Ks Architects II
Jan Jensen	Olathe	Chumy Forster Busin-
Jancy Brittle	Overland Park	IIAK

Testimony before the House Insurance Committee

February 22, 1990

Ann Victoria Thomas
General Counsel
University of Kansas Medical Center

I am appearing today on behalf of the University of Kansas Medical Center concerning the provisions of House Bill No. 2570. The University generally supports the purpose of this bill.

House Bill No. 2570 amends the Health Care Provider Insurance Availability Act by redefining the term "person engaged in residency training." Currently a "person engaged in residency training" is defined as an individual engaged in a post-graduate training program approved by the State Board of Healing Arts who is employed by and studying at the University of Kansas Medical Center. That statutory definition applies today only to residents at the University of Kansas Medical Center in Kansas City. House Bill No. 2570 would expand the definition to include persons engaged in post-graduate training approved by the State Board of Healing Arts who are employed by a non-profit corporation organized to administer the graduate medical education programs of community hospitals or medical care facilities which are affiliated with the University of Kansas Medical Center or who are employed by one of the affiliates of the Medical Center.

At the present time, the Medical Center has the responsibility to pay the surcharge for residents who are its employees. Currently, graduate medical education in Wichita is operated through the Wichita Center for Graduate Medical Education (WCGME). Therefore, persons engaged in residency training today in Wichita are employed by WCGME and none are employed by the University. Under existing affiliation agreements with the three hospitals in Wichita, the hospitals are responsible to purchase medical malpractice

insurance for the residents or to provide self-insurance for them. The hospitals are also responsible for paying the required surcharge for the residents.

Because we view residents in the programs affiliated with the University as similar to our residents at the Kansas City campus, we support legislation which would similarly treat them. Currently, K.S.A. 40-3404 provides that the University of Kansas Medical Center must pay an annual premium surcharge to the Health Care Stabilization Fund for persons engaged in residency training who are our employees based on an amount equal to a percentage of an assumed aggregate premium of \$600,000. For FY 1990, the Medical Center must pay to the Health Care Stabilization Fund for its resident employees \$810,000, which is a surcharge of 135 percent of \$600,000. The provisions of House Bill No. 2570 would increase the assumed aggregate premium from \$600,000 to \$900,000. Assuming the surcharge would stay at 135 percent, the increase in the base for the surcharge from \$600,000 to \$900,000 would result in a surcharge payment on that increase for FY 1991, for example, of \$405,000. The Medical Center had included in its budget request for FY 1991 a new and improved program in the amount of \$300,000, assuming a surcharge on the increased base for FY 1991 of 100 percent. The Governor did not recommend funding of this request. Given the State's current fiscal situation and the priority of the item within the Medical Center's budget, it is unlikely that this item will be funded. Therefore, if HB 2570 is enacted, additional funding would have to be included in an omnibus appropriation bill to the Medical Center.

I would be happy to respond to any questions members of the Committee might have about this proposal.

W ICHITA C ENTER FOR G RADUATE M EDICAL E DUCATION

HOUSE INSURANCE COMMITTEE

February 22, 1990

RE: HB 2570 - Participation in the state self-insurance program
for UKSM-Wichita residents

I am LeRoy Rheault, President and CEO of St. Joseph Medical Center, speaking on behalf of the three private teaching hospitals in our community. Jim Biltz, President and CEO of HCA Wesley, Sam Henderson, General Counsel, St. Francis Regional Medical Center, Bob O'Brien, Executive Vice President and Chief Operating Officer, St. Joseph Health Corporation, and Dr. Joseph Meek, Program Director for Internal Medicine, UKSM-W. We are before you today to discuss graduate medical education in Wichita and specifically to request your support for House Bill 2570.

WHY WCGME (The Wichita Center for Graduate Medical Education)?

July 1, 1989, WCGME was formed as a non-profit corporation organized to administer the graduate medical education programs of Wichita hospitals affiliated with the Kansas Medical Center. There were several reasons for this change.

1. There is general recognition around the country that residents' programs not under the umbrella of a university will begin to incur problems with accreditation.

2. A coordinated graduate medical educational program encompassing Kansas City and Wichita residents will assist in identifying long-term medical manpower needs in our state.

3. As Medicare and Medicaid reimbursements continue to fall short of meeting the actual hospital costs, hospitals will need to evaluate costs and funding for all programs. The teaching hospitals in Wichita believe by joining our residency programs together under the umbrella of the University of Kansas Medical School, we will have a stronger vehicle for seeking grants and other outside funding.

4. Through a balanced educational program we can better evaluate course content and equalize benefit packages.

5. The three teaching hospitals provide a clinical setting necessary for a community-based medical education in Wichita. The University of Kansas Medical School scope of training is clearly enhanced through these 225 residencies provided under the umbrella of WCGME.

HOUSE BILL 2570 - Medical Malpractice Insurance for All Residents

House Bill 2570 was introduced late in the 1989 session at the request of the Wichita teaching hospitals and the University of Kansas Medical Center. The bill amends the Health Care Provider Insurance Availability Act by redefining the term "person engaged in residency training". Currently, a "person engaged in residency training" is defined as an individual engaged in a post-graduate training program approved by the State Board of Healing Arts who is employed by and is studying at the University of Kansas Medical Center. The current statutory definition applied to the three hundred and seventeen (317) U.K.M.C. residents, two hundred and eighty-five (285) on the Kansas City campus, and thirty-five (35) at the Wichita campus.

* House Bill 2570 would expand the definition of eligible residents to include "a person engaged in post-graduate training approved by the State Board of Healing Arts who is employed by a non-profit corporation organized to administer the graduate medical education programs of community hospitals or medical care facilities affiliated with the Kansas Medical Center or who is employed by an affiliate of the Medical Center". Consequently, * WCGME residents would be eligible for the state self-insurance program. The 35 Wichita residents who were insured by the state program are now considered WCGME employees. Their insurance costs must be assumed by one of the participating hospitals.

The amended definition excludes extra-curricular, extra-institutional medical service for which such person receives extra compensation unless such activities have been approved by the CEO of the non-profit corporation and the executive vice-chancellor of the University of Kansas Medical Center. Such "moonlighting" activities would be allowed only if approved by a medical school action. This procedure would mirror the procedure currently used for residents at the University of Kansas Medical Center.

By expanding the definition, Wichita residents employed by WCGME and contracting to HCA Wesley, St. Francis and St. Joseph will be allowed to be self-insured under the Health Care Provider Insurance Availability Act as are those individuals currently defined as being engaged in residency training in Kansas City.

Resident Liability Risk/Cost Analysis

The attached Exhibit "A" analyzes the cost of medical malpractice insurance for residents at the Wichita teaching hospitals from 1982-1989. In reviewing this data, I would note several things:

1. The cost of insuring residents has increased nearly 10 times since 1982-1983 from approximately \$260,000 to \$2,400,000.

2. Basic coverage plus the surcharge for the Health Care Stabilization Fund has a current cost of approximately \$2.4 million, while the total judgments and settlements for the 1988-1989 year equalled only \$85,000.

3. The average judgments and settlements per year over the past seven years average \$31,376.00.

This data clearly shows that the cost for providing medical malpractice insurance for the Wichita residents greatly exceeds any potential liability to the State of Kansas. The reason for the relatively low dollar figure for judgments and settlements against residents is that in nearly every instance, the resident is working under the direction of another insured physician. As a result, residents are generally removed from the lawsuit at some point.

The University of Kansas Medical Center assumes an aggregate premium of \$600,000 for its 300+ residents. In its budget request the University of Kansas Medical Center has increased the assumed aggregate premium to \$900,000 to cover the cost of self-insuring approximately 225 Wichita residents under the program. The University of Kansas Medical Center must make a contribution to the Health Care Stabilization Fund for each self-insured resident. To cover the increased 225 residents who would be added to the self-insurance fund from the Wichita campus, the

University has submitted a budget request of \$300,000.

(Exhibit "B")

* * * * *

We ask for your support for House Bill 2570. As the Wichita residents become part of the U.K.M.C. program, we believe that they should be treated equally. From 1980 to 1989, 623 UKSM-W affiliated residents completed training in Wichita through rotations in Wichita hospitals. Of the 623 doctors, 281 (45%) are practicing in Kansas. Safeguards were invoked in this research to avoid duplication in the counting process. Clearly, our programs provide needed physicians for communities throughout the state.

The cost to the hospitals for insuring residents through the private sector far exceeds any potential liability. The aggregate premium which is suggested by the University of Kansas Medical Center budget proposal appears to be in line with actual and potential judgments and settlements. The consequent savings to the Wichita hospitals will be significant and will assist our hospitals in holding the line on health care costs.

RESIDENT LIABILITY RISK/COST ANALYSIS*

Year	(1) # of Residents	(2) Basic Coverage Cost \$	(2) Surcharge \$	(3) # of Claims (Incl. suits)	Total Amount Judgments & Settlements \$
82/83	225	249,330	7,201	6	30,000
83/84	227	353,256	176,664	8	8,600
84/85	238	503,094	335,664	14	1,030
85/86	223	641,362	705,507	6	5,000
86/87	228	803,964	723,950	19	65,000
87/88	209	793,511	824,767	10	25,000
88/89	219	976,506	1,423,619	4	85,000

(1) Resident class ending 6/20/83; 6/30/84; etc.

(2) Cost for basic coverage premiums and surcharge is stated 5/1/82 to 4/30/83; 5/1/83 to 4/30/84; etc. (Source: Commissioner of Insurance)

(3) Claims information is stated 7/1/82 to 6/30/83; 7/1/83 to 6/30/84; etc.

* Aggregate date for HA Wesley, St. Francis Regional Medical Center and St. Joseph Medical Center.

University of Kansas Medical Center
Budget Request

Education and Research
Wichita
Program 2400
RESIDENT MALPRACTICE INSURANCE - WICHITA

A. SUMMARY

Of the 225 housestaff in programs conducted by the Wichita campus of the School of Medicine, only 30 have been currently covered by the State self-insurance program for malpractice liability insurance. Eligibility for the current program has been limited to residents in Pediatrics and Psychiatry as current law limits eligibility to residents employed by the University. The University established these two residency programs since residency programs in these two specialties did not exist in Wichita at the time the campus was created. Over the ensuing years, the School of Medicine has assumed responsibility for the remaining programs, the result being that all programs are conducted in a similar manner. There is little justification for continuing this inequity. This \$300,000 request is the estimated cost for the surcharge to the Health Care Stabilization Fund for the additional residents.

B. BUDGET

FY 91
Program Costs

OTHER OPERATING EXPENSES

OE - Surcharge to Stabilization Fund \$300,000

Kansas Life Association

OFFICERS:

President
John Graham
Manhattan

Vice President
Howard R. Fricke
Topeka

Secretary-Treasurer
John R. Atchley
Topeka

February 19, 1990

L.M. Cornish
General Counsel
900 Merchants Natl. Bank Bldg.
Topeka, Kansas 66612

Representative Dale Sprague
Chairman
House Insurance Committee
Statehouse
Topeka, KS 66612

LEGISLATIVE COMMITTEE:

Steve Lobell - Chairman
Topeka

Chuck Blankenship
Topeka

Walt Whalen
Shawnee Mission

Jerry Banaka
Manhattan

Jim Hall
Topeka

RE: HB 2723

Dear Chairman Sprague:

The Kansas Life Association, representing the domestic Kansas life insurance companies, supports HB 2723.

This bill will authorize life insurance companies to accelerate policy benefits before time of death. Benefits are paid upon the occurrence of specified medical conditions or medical conditions which drastically limit life spans or which require extraordinary medical intervention in order to sustain life.

This is a new and innovative approach and will be of benefit to the policyholders. The bill requires that the policy provisions be subject to the regulatory standards prescribed by the Kansas Insurance Commissioner.

The National Association of Insurance Commissioners has adopted a Model Guideline to be used in the various states.

We solicit your approval of HB 2723.

Very truly yours,



L. M. CORNISH

LMC:sh
cc: Committee Members

Alliance Life Insurance Co.
Wichita

Employers Reassurance Corp.
Overland Park

Kansas Farm Life Insurance Co.
Manhattan

Attachment 3
Security Benefit Life Insurance Co.
Topeka

The American Home Life Insurance Co.
Topeka

The Great American Life Ins. Co.
Hutchinson

Kansas Group Life Insurance Co.
Topeka

The Victory Life Insurance Co.
Topeka

The Centennial Life Insurance Co.
Mission

Great-West Life & Annuity Ins. Co.
Wichita

The Pyramid Life Insurance Co.
Shawnee Mission

American Investors Life
Topeka



Kansas Farm Bureau Life Insurance Company, Inc.

2627 KFB Plaza, P.O. Box 3600, Manhattan, Kansas 66502-8509 / (913) 587-6000

TO: House Insurance Committee
FROM: Jerry Banaka, Corporate Development Manager
DATE: February 22, 1990
SUBJ: House Bill 2723

We support House Bill 2723 which provides authority for issuance of life insurance contracts which will pay, in certain situations, life insurance proceeds while the insured is still living. Under this type of contract, the payment of life insurance proceeds may be accelerated, for example, upon the diagnosis of a terminal disease, occurrence of a catastrophic illness, or confinement in a long term care facility.

We believe this type of coverage may be helpful in addressing the health care affordability problem in that it will allow the insured to obtain within one contract both life insurance and the right to access life insurance benefits to help with medical expenses in the event of certain severe illnesses.

The bill very appropriately provides authority for the Commissioner of Insurance to develop rules and regulations concerning this evolving product.

We respectfully urge you to act favorably on this bill.