

Approved _____

Date

3/22/90

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by SENATOR RICHARD L. BOND at _____
Chairperson

9:00 a.m./~~p.m.~~ on TUESDAY, MARCH 20, 1990 in room 529-S of the Capitol.

All members were present ~~except~~:

Committee staff present:

Bill Edds, Revisors Office
Bill Wolff, Research Department
Louise Bobo, Committee Secretary

Conferees appearing before the committee:

Ron Todd, Kansas Insurance Department
Meyer Goldman, President, HMO Association, Kansas
L. M. Cornish, Kansas Life Association
Jerry Banaka, Kansas Farm Bureau
Jim Hall, Security Benefit Life Insurance
David Ross, Prudential Life Insurance Company

Chairman Bond called the meeting to order at 9:08 a.m.

HB 2676 - Health maintenance organizations: contractual provisions.

Ron Todd, Kansas Insurance Department, appeared before the committee in support of this measure. Mr. Todd informed the committee that this bill would make it very clear that the failure of a health maintenance organization to pay a contracting or employed health care provider shall not become the liability of the subscriber. (Attachment 1)

During the discussion which followed, a committee member inquired if this law would only apply when an HMO "goes under." Mr. Todd replied that the statute would apply whenever there is a failure to pay.

Meyer Goldman, President, KS HMO Association, addressed the committee in support of this bill. Mr. Goldman stated that although most all of their subscribers have "hold harmless" clauses with HMO providers, this proposal would assure that all subscribers are protected. (Attachment 2)

There being no further conferees, the hearing was closed by the Chairman.

Senator Salisbury made a motion to pass the bill out favorably with Senator Parrish seconding the motion.

Discussion renewed with a committee member asking if it was good public policy to shift the responsibility from the individual to the providers. Mr. Todd answered by stating that this was not a "shift" or change in emphasis. He said that the purpose of HMO was that it operate on this basis so this is not a shift but just emphasis on what we already have. Another committee member remarked that it would be better to have the provider not be paid at all than to have the consumer pay twice.

The Chairman called for the vote on the motion. The motion carried.

HB 2723 - Life insurance: accelerated life and annuity benefits.

L. M. Cornish, Kansas Life Association, was the first conferee to testify in support of this measure. Mr. Cornish told the committee that this bill would benefit policyholders as it would allow life insurance companies to pay benefits upon the occurrence of certain life-threatening illnesses. (Attachment 3)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,

room 529-S Statehouse, at 9:00 a.m. ~~xxxx~~ on TUESDAY, MARCH 20, 1990

Jerry Banaka, Kansas Farm Bureau, appeared in support of HB 2723. He assured the committee that his organization supported the bill because it might be helpful in addressing the health care affordability problem. (Attachment 4)

Jim Hall, Security Benefit Life, stated support of his company for this bill since it would allow customers to purchase an additional feature to go along with the traditional life insurance benefit. Mr. Hall stressed that this was "enabling legislation" since, at the present time, the statutes forbid the combining of health and life insurance in a single policy. He also assured the committee that the technical aspects of the accelerated benefit would be subject to regulation by the Insurance Department. (Attachment 5)

Discussion followed. One committee member asked if these benefits would be tax free and also what kind of protection was afforded the beneficiary. Mr. Banaka told the committee that the matter of tax liability had not been resolved and Mr. Hall replied that there is a limit of 50% availability of the amount of the policy. Mr. Cornish also informed the committee member that the policyholder could change the beneficiary of the policy at any time.

David Ross, Prudential Life Insurance Company, was the last conferee in support of HB 2723. Mr. Ross stated that Prudential has been an industry leader in other states in providing this living needs benefit and that his company does not, at the present time, assess an additional premium charge for this settlement option. (Attachment 6)

Senator Yost made a motion to amend HB 2723 by providing that such an acceleration of benefits is voidable if a court decides the award is unconscionable. Senator Kerr seconded the motion. On voice vote, the Chairman was undecided and division was called. On a show of hands, the motion carried.

Senator Salisbury made a motion to recommend the bill favorably as amended. Senator Yost seconded the motion. The motion carried.

The meeting adjourned at 10:02 a.m.

Kansas Insurance Department
Testimony Before the
Senate Financial Institutions and Insurance Committee
on House Bill No. 2676
Presented by Ron Todd

This is a relatively simple bill designed to clarify the relationship between subscribers to a health maintenance organization and the health care providers who provide health care services pursuant to such subscription agreements. Specifically, the additional language included in Section 1(b) of House Bill No. 2676 is intended to make it very clear that the failure of a health maintenance organization to pay a contracting or employed health care provider for covered services performed for a subscriber is not and shall not be a liability of the subscriber.

In addition, this proposal makes several editorial amendments necessary to merge the provisions of K.S.A. 1989 Supp. 40-3209a and K.S.A. 1989 Supp. 40-3209. Despite the stricken and italicized language appearing in Section 1, subsections (a) and (e), existing law is not affected by these amendments.

Attachment 1
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TESTIMONY OF MEYER L. GOLDMAN,
KANSAS HMO ASSOCIATION

before the Senate Committee on Financial Institutions and Insurance

20 March, 1990

HOUSE BILL 2676

Mr. Chairman and Members of the Committee,

I am Meyer L. Goldman of Kansas City. I appear as president of the Kansas HMO Association in support of House Bill 2676, which would protect HMO subscribers against liability for health care bills to providers incurred by health maintenance organizations.

Our members provide comprehensive health care services to more than 250,000 Kansas citizens for a fixed, monthly fee. The physicians and other health care providers who render the care are either employees of the health maintenance organization, or work under contract with the HMO.

We believe the provisions of HB 2676 are in the interests of HMO subscribers, the people of Kansas and the health care industry. Most, if not all of our members already have "hold harmless" clauses with our providers, but HB 2676 will assure that all subscribers are protected.

My purpose in appearing today is to assure you the bill has the support of all our members, and to try to answer any questions you may have about how HMO provider-relations and contracts work.

Thank you very much.

*Attachment 2
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3/20/90*

Kansas Life Association

OFFICERS:

President
John Graham
Manhattan

March 8, 1990

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

Vice President
Howard R. Fricke
Topeka

Secretary-Treasurer
John R. Atchley
Topeka

LEGISLATIVE COMMITTEE:

Steve Lobell - Chairman
Topeka

Chuck Blankenship
Topeka

Walt Whalen
Shawnee Mission

Jerry Banaka
Manhattan

Jim Hall
Topeka

Senator Richard Bond
Chairman
Senate Financial Institutions
and Insurance Committee
Statehouse
Topeka, KS 66612

RE: HB 2723

Dear Chairman Bond:

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

This bill will authorize life insurance companies, at the request of the policyholder, 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.

Thirty seven (37) states now permit the sale of life insurance products that accelerate the death benefit to provide for health care needs.

*Attachment 3
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Alliance Life Insurance Co.
Wichita

Employers Reassurance Corp.
Overland Park

Kansas Farm Life Insurance Co.
Manhattan

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

Senator Richard Bond
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March 8, 1990

We solicit your approval of HB 2723.

Very truly yours,



L. M. CORNISH

LMC:sh
cc: Committee Members



Kansas Farm Bureau Life Insurance Company, Inc.

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

TO: Senate Financial Institutions and Insurance Committee
FROM: Jerry Banaka, Corporate Development Manager
DATE: March 20, 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.

*Attachment 4
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3/20/90*



The Security Benefit
Group of Companies

Security Benefit Life Insurance Company
Security Benefit Group, Inc.
Security Distributors, Inc.
Security Management Company

700 Harrison St.
Topeka, Kansas 66636-0001
(913) 295-3000

March 20, 1990

To: Senate Committee on Financial Institutions
and Insurance

From: James D. Hall

Re: HB 2723 - Accelerated Life Insurance Benefits

Security Benefit Life supports HB 2723 and urges your favorable consideration of the bill.

HB 2723 would allow a portion of life insurance benefits to be paid to the policyholder prior to death under certain special circumstances. The bill would allow life insurance customers to purchase an additional feature to go along with the availability of the existing traditional life insurance benefit as well as the newer long term care rider.

The technical aspects of the accelerated benefit would be subject to regulation by the Kansas Insurance Department. Guidance has already been provided by the National Association of Insurance Commissioners in the form of a Model Regulatory Guideline.

Enactment of this law will allow Kansas to join the citizens of other states in having available to them a method of meeting the needs created by the onset of a catastrophic illness.

Thank you for your favorable consideration of this bill.

JDH:ch

*Attachment 5
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3/20/90*



March 20, 1990

Mr. Chairman, Members of the Committee,

My name is David Ross. I am appearing in behalf of The Prudential, the largest life insurance company in America. I want to thank you for the opportunity to appear before you in support of HB 2723.

HB 2723 amends the Kansas statute governing life insurance policy contracts to allow issuance of a new settlement option. This settlement option will provide terminally ill policyholders or policyholders that are confined to permanent care in nursing homes the option to be advanced proceeds payable from their life insurance policies to defer expenses resulting from these catastrophic illnesses or injuries. This option will provide many families income lost due to an incapacitating injury or terminal illness to a wage earner, money to provide medical care, or money to pay for long term care.

The Prudential has been an industry leader in providing this new living needs benefit. It is presently offered to our policyholders in 27 states. There is no additional premium charge for this settlement option and applies to existing policies and new policies alike.

Thank you for your consideration. I urge your adoption of HB 2723.

*Attachment 6
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3/20/90*