Approved 3/30/90
Date

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 27, 1990 in room 529-S of the Capitol.

All members ~~were~~ present ~~except~~:

Senators Anderson, Karr, Kerr, McClure, Moran, Parrish, Salisbury, Strick and Yost.

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

Conferees appearing before the committee:
Representative Jessie Branson
James P. Schwartz, Kansas Employer Coalition on Health
Terry Leatherman, KCCI
Representative Elaine Wells
Stephen Wanamaker, Independent Insurance Agents of Kansas
Meyer Goldman, Kansas HMO Association
Bill Pitsenberger, Blue Cross Blue Shield
William W. Sneed, Health Insurance Association of America
Collier Case, KPL Gas Service

Chairman Bond called the meeting to order at 9:15 a.m.

HB 2610 - Employer health benefit plans.

Representative Jessie Branson explained to the committee that this bill had been developed over the past two years by the Commission on Access to Services for the Medically Indigent. Rep. Branson further advised that the bill was designed to provide incentives to small employers who would offer health care coverage to employees. She said it does not mandate coverage but is entirely permissive. (Attachment 1)

James P. Schwartz, Kansas Employer Coalition on Health, expressed to the committee the strong support of his organization for this bill. Mr. Schwartz said that this bill attempts to plug the most serious gap in our health insurance coverage--that of the working uninsured. He further stated that while this bill was not perfect, it posed no harm to business and does remove a few of the obstacles facing small businesses. (Attachment 2)

Terry Leatherman, KCCI, addressed the committee in support of this proposal. He informed the committee of the results of a survey of their membership on their health experiences. The survey confirmed that health care costs are soaring and that smaller businesses were less likely to offer health insurance to their employees than larger businesses. He stressed that this bill would apply only to employers with 25 or fewer employees-the businesses which are having the most difficult time affording health insurance. While admitting this proposal has flaws, Mr. Leatherman urged the committee to vote favorably for the bill. (Attachment 3)

Senator Karr made a motion to pass HB 2610 out favorably. Senator Salisbury seconded the motion and the motion carried.

HB 2888 - Impact report for proposed mandated health care.

Representative Elaine Wells stressed to the committee that this bill was not an attempt to repeal mandates but to provide the necessary information needed before passing any more mandates. She further advised that since mandated services were now considered a hindrance to the health care system, the best solution might be more research and reporting before passing any more mandated benefits. (Attachment 4)

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,

room 529-S, Statehouse, at 9:00 a.m. on TUESDAY, MARCH 27, 1990.

Stephen Wanamaker, Independent Insurance Agents of Kansas, appeared in support of HB 2888 and declared that this bill would provide a consistent record of the justification for a mandate that could be referenced years later to determine its accuracy. (Attachment 5)

Jim Schwartz, Kansas Employer Coalition on Health, said that although his company deals mostly with large, self-insured companies, they did feel empathetic toward small employers who find it difficult to meet state mandates. (Attachment 6)

Terry Leatherman, KCCI, announced that his organization supported this proposal. Mr. Leatherman explained that state insurance mandates hit the small business the most because larger businesses are able to take advantage of self-insurance programs that do not come under state insurance mandates. Because this bill would require supporters to justify future mandated coverage through financial and social reports to the Legislature, it would be an aid to the small businessman. (Attachment 7)

Meyer Goldman, Kansas HMO Association, appeared in support of HB 2888 and told the committee that his organization believed that mandated coverage, in general, was not good for the people of Kansas because it increased the cost of coverage and reduced availability of all health care. (Attachment 8)

Bill Pitsenberger, Blue Cross Blue Shield, addressed the committee briefly and suggested that it would be better to have the Insurance Department access the information rather than the provider.

William W. Sneed, Health Insurance Association of America, told the committee that mandated health care benefits may have played a role in the rising health care insurance costs. Mr. Sneed opined that mandated benefits created an unequal competitive arena and also could increase costs by creating a smaller pool of insurers. (Attachment 9)

Collier Case, KPL Gas Service, was the last person to testify in support of this proposal. He stated that his company was opposed to any mandated coverage in health care insurance. He further stated that KPL supported HB 2888 because it makes good sense to evaluate the impact of potential legislated coverages before they are enacted and affect employers' insurance programs. (Attachment 10)

Senator Yost offered a conceptual motion to say that the Insurance Department would be charged with preparing the statistical data. Senator Parrish seconded the motion. The motion carried.

Senator Kerr made a motion to strike the word "not" from Section 1, line 22, of the bill. Senator Yost seconded the motion. The motion carried.

Senator Yost made a motion to amend Advanced Registered Nurse Practitioners (ARNP) benefits into HB 2888. Senator Salisbury seconded the motion. The motion carried.

Senator Yost made a motion to pass HB 2888, as amended, out of committee with a favorable consideration. Senator Salisbury seconded the motion. The motion carried.

Chairman Bond adjourned the meeting at 10:05 a.m.

GUEST LIST

COMMITTEE: FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE DATE: Tues. Mar 27, '90

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Rich Huncker	420 SW 9th	Kansas Ins. Dept
Clair Meeks	Carbondale	Legislator
Jim Ludwig	Topeka	KPL
Collier Case	Topeka	KPL
Jim Schwartz	Topeka	KECH
Bill Sneed	TOPEKA	HIAA
Meyer L. Goldman	Kansas City	K. HMO Assn.
Steve Wanamaker	Topeka	IIAK
William Pitsenberger	Topeka	Blue Cross-Blue Shield
JIM OLIVER	TOPEKA	PIAK
DARRELL SPAIN	LAWRENCE	INTERN SCV BOND
John C Peterson	Topeka	Kansas Pewrosts

STATE OF KANSAS

JESSIE M. BRANSON
REPRESENTATIVE, FORTY-FOURTH DISTRICT
800 BROADVIEW DRIVE
LAWRENCE, KANSAS 66044-2423
(913) 843-7171

TOPEKA

HOUSE OF REPRESENTATIVES

COMMITTEE ASSIGNMENTS

RANKING MINORITY MEMBER: PUBLIC HEALTH AND WELFARE
MEMBER: EDUCATION
TAXATION
VICE CHAIRMAN: COMMISSION ON MEDICAL INDIGENCE AND HOMELESSNESS
MEMBER: KANSAS COORDINATING COUNCIL ON EARLY CHILDHOOD DEVELOPMENT
KANSAS SPECIAL EDUCATION ADVISORY COUNCIL
DELEGATE: NATIONAL CONFERENCE ON STATE LEGISLATURES; COMMITTEE ON CHILDREN, FAMILIES AND SOCIAL ISSUES

March 27, 1990

TO: Senator Dick Bond, Chairman
and Members
Senate Committee on Financial Institutions and Insurance

FROM: Representative Jessie Branson
Vice Chair
Commission on Access to Health Services for the Medically Indigent

Jessie

RE: Support of H.B. 2610. Creates incentives for small employers (25 or fewer employees) to provide health care benefits through group health insurance.

H.B. 2610 is referred to as the "Small Employer Incentive Bill". It has been developed over the past two years by the Commission on Access to Services for the Medically Indigent. It is patterned after the Oregon law and is designed to provide incentives to small employers who would offer health care coverage to employees. H.B. 2610 does not mandate coverage -- it is entirely permissive.

Attachment 1
FI & I
3/27/90

The Commission has received considerable testimony from local health departments, hospitals and other providers who are increasingly feeling the impact of large numbers of people who seek primary care as well as acute care services and who are uninsured. Clinics to serve medically indigent persons have cropped up around the state, particularly in the urban areas, and are largely supported by private sources. The Commission has also traveled the state to make site visits to such agencies.

Based upon a survey conducted by the Kansas Hospital Association in 1987 as well as national data, we know that upwards of 16% of the Kansas population is uninsured for health care benefits -- in other words, some 450,000 people.

Small businesses are particularly hard hit. The U.S. Small Business Administration, Office of Advocacy, made the following statement in July, 1989:

> "----the prevalence of health care coverage increases with the size of a firm -- more than 47% of all uninsured workers are employed in firms with 1-24 employees".

According to the Kansas Department of Commerce, approximately 90% of the businesses in Kansas employ 25 or fewer employees.

Further, national data indicates that 80% of uninsureds are individuals who work full or part time or are dependents of an employee. H.B. 2610 aims to alleviate the problem of lack of access to health care services for working people in Kansas.

* * * *

Following is a synopsis of H.B. 2610:

I. VEHICLE FOR OFFERING COVERAGE

a. Any two or more employers are authorized to establish a "small employer health benefit plan" for coverage of employees and dependents

b. Small employer defined:

1. Employs no more than 25 employees who do not have health insurance or are not eligible for Medicaid or Medicare.

2. Has not provided health care coverage to employees within past two years.

3. Makes a minimum contribution to be set by the plan toward the premium on behalf of the employee.

c. Eligible employee defined:

1. Employed an average of at least 17.5 hours/week and has no other health care coverage.
2. Elects to participate in plan.

d. Plan must provide for a board of directors to operate the plan. May employ a director/marketer.

e. Commissioner of Insurance must assist, if requested, in establishing a plan.

II. INCENTIVES FOR EMPLOYERS

a. Plan not required to include state-mandated benefits.

b. No premium tax levied on employer.

c. Employer may claim an income tax credit phased out over a five-year period based on a percentage of the total premium paid or $25/mo. per employee, whichever is less.

d. Opportunity to join with other small employers to create a plan.

III. EMPLOYER/EMPLOYEE RESPONSIBILITY

a. Part I Coverage

1. If employer intends to be eligible for the tax credit provision, he/she shall pay a premium up to $40/mo/employee. (House Floor Amendment, see V.)
2. Employee may be required by employer to make a minimum contribution of 25% of the premium or $15/mo., whichever is less. (Total premium = employer + employee contribution.)
3. Part I coverage limits employees' responsibility (deductible) to no more than $5,000/yr. for employee coverage and no more than $7,500/yr. for family coverage. (Part I would be termed as "catastrophic".)

b. Part II Coverage

1. Shall consist of optional benefits as designed by the plan (Board of Directors).
2. Shall reduce deductible of Part I.
3. No limit on premium.

IV. COST OF TAX CREDIT

a. Maximum of 10,000 employees to be covered state-wide. An estimate of 1,000 to 2,000 employees in the first year would be a realistic expectation. (1,000 employees X $25/employee X 12 mos. = $300,000.)

V. HOUSE FLOOR AMENDMENTS (by Rep. Turnquist)

-- p. 3, line 5. The ---- plan may impose a maximum aggregate amount on benefits available ----.

-- p. 3, line 28. No ---- plan may NOT require membership in any association, organization or other entity as a prerequisite to membership ----.

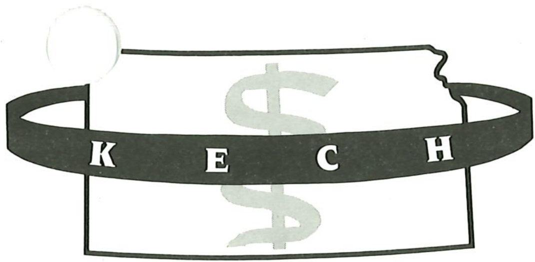
-- p. 5, line 16. ---- unless a higher maximum employer contribution is specifically provided in the plan ----.

VI. OTHER STATES

Eleven states have initiated, and several more are looking at, some type of demonstration program or state-wide program that utilizes a state subsidy to encourage the expansion of health insurance coverage to persons who do not have group coverage available through the workplace.

State subsidies generally take one of two forms -- either a direct subsidy to assist with the cost of the insurance or an indirect subsidy in the form of a tax credit.

Other approaches include increasing the number of individuals and families who can have access to health insurance, such as a Medicaid "buy in" or MekiKan "buy in".



Kansas Employer Coalition on Health, Inc.

1271 S.W. Harrison • Topeka, Kansas 66612 • (913) 233-0351

Testimony to Senate Financial Institutions and Insurance Committee on House Bill 2610

(creating incentives for small employer health insurance coverage)
by James P. Schwartz Jr.
Consulting Director
March 27, 1990

I am Jim Schwartz, consulting director for the Kansas Employer Coalition on Health. The Coalition is more than 100 employers across Kansas who share a concern about the cost-effectiveness of group health insurance.

Representative Branson and her commission are to be commended on fashioning a bill that attempts to plug the most serious hole in health insurance coverage in Kansas: the working uninsured. We especially appreciate that the bill uses positive incentives to encourage adoption of coverage. It's always gratifying to see government reach for a carrot instead of a stick.

I'm a bit concerned though, considering the rapidly deteriorating condition of funds available for health insurance, that you will run out of carrots long before making much of a dent in the problem.

The cost of an average BC/BS family policy is $400 per month. Next year it will be almost $500 per month. You can see that a $25 credit will have a tough time keeping pace with inflation, even with a scaled-down plan.

To my way of thinking, the issue of securing coverage for the half-million Kansans who currently go bare, boils down to two questions: are we willing to arrest the cost explosion and take the fallout that such a move would entail, and secondly, are we willing to be our poor brothers' and sisters' keepers insofar as health care is concerned?

Until we as a state or nation can answer those questions, we will confine ourselves to band-aid solutions.

It must be granted, though, that even if House Bill 2610 is a band-aid approach, it poses no harm to business and does remove a few of the special obstacles facing small businesses. For those reasons, we think it merits support.

Attachment 2
FI + I
3/27/90

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

A consolidation of the Kansas State Chamber of Commerce, Associated Industries of Kansas, Kansas Retail Council

HB 2610 March 27, 1990

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Committee on Financial Institutions and Insurance

by

Terry Leatherman
Executive Director
Kansas Industrial Council

Mr. Chairman and members of the Committee:

I am Terry Leatherman, with the Kansas Chamber of Commerce and Industry. I appreciate this opportunity to express KCCI's support for HB 2610.

> The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.
>
> KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.
>
> The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

With so many proposals concerning health care insurance in the legislative hopper this session, KCCI surveyed its membership in February on their insurance experiences. In the end 423 of our members responded. Attached to my testimony are the final results of

Attachment 3
FI & I
3/27/90

the survey. Please note the first page details the overall survey results. The pages which follow break down the results into categories, based on the size of the business.

Overall, the KCCI survey clearly supports the following conclusions.

1. Health care insurance costs are soaring.

* 82% indicate premium increases of over 10% in the past year.

* 53% indicate premium increases of over 20% in the past year.

* Only two of 423 survey respondents indicate premium decreases in the past year.

* Premium increases were consistently high for all business categories.

2. While all employers face spiraling costs, it is the small employer who cannot afford to offer health care insurance for workers.

* Overall, 92% of employers responding offered health insurance to workers. However, smaller businesses were less likely to offer insurance programs.

* 76% of businesses with less than 10 employees offered insurance.

* 92% of businesses with 10 to 25 employees offered insurance.

* 96% of businesses with 25 to 100 employees offered insurance.

* 100% of businesses with more than 100 employees offered insurance.

* The KCCI survey shows a higher percentage of employers offering insurance programs to workers than national surveys on this issue. However, the KCCI survey shows the same trend which suggests the uninsured worker in Kansas works for a small business.

The reason why a small employer decides not to offer a health insurance program to employees hinges on cost. A large business is more attractive to insurance companies, more able to take advantage of self-insurance opportunities, and is less affected by state mandated benefit requirements. According to Health Insurance Institute of America, very small businesses pay a rate of insurance which is 40 to 50 percent higher than large businesses, for similar coverages.

These conclusions point to an obvious solution. Develop a health insurance program which is affordable for the small employer, thus inducing the employer to provide

insurance and reduce the medically indigent population. It is KCCI's contention that HB 2610 is uniquely crafted to achieve that goal.

The provisions of HB 2610 would apply only to employers of 25 or fewer workers, the businesses which are having the most difficult time finding affordable health insurance. To make insurance available and affordable, several provisions have been included in HB 2610. The provisions include charging the Kansas Insurance Commissioner with assisting qualifying businesses in their search for an insurance carrier, to exempt participants in the plan from state mandated insurance benefit coverages and a short-term tax credit for business contributions to their employee's insurance premiums.

HB 2610 has flaws. First and foremost, if employers provide no more than 'Part I' coverage, an insured employee would face a $5,000 annual deductible, and insured families would face a $7,500 annual deductible. While the formerly medically indigent worker would now be insured, the worker might still be unable to afford basic health care. Hopefully, most employers who participate will opt to go beyond 'Part I' coverage, and provide a lower deductible cost to employees. Fiscal constraints limit the plan to 10,000 uninsured employees and dependents, which is only a fraction of the state's medically indigent population. It is also unfortunate, but understandable, that employers who can participate in the plan are ones who have not contributed to an employee's health insurance premium for the last two years. Because of this provision, there are employers who are currently facing the difficult decision of canceling their employee health insurance plans who will not be able to participate in the plan.

Regardless of the problems with this bill, KCCI applauds the authors of this legislation. HB 2610 recognizes the hardships small employers face finding employee health insurance, and attacks the problem by providing state government assistance and resources to encourage small business to voluntarily join the fight to decrease medical indigency in Kansas.

Once again, thank you for hearing KCCI's views on this issue. I would be happy to answer any questions.

KCCI HEALTH CARE INSURANCE SURVEY

Business size: total results   Businesses surveyed: 423 (10

1. Does your business offer a health care insurance program to employees and dependents?

YES		NO	
388	92 %	35	8 %

2. Have individual premiums increased/decreased in the past year?

increased 1% to 10%	44	11 %
increased 10% to 20%	113	28 %
increased 20% or more	215	54 %
decreased	2	.5 %
stayed the same	26	7 %

3. In the past two years, has your health insurance plan adopted any of the following?

increase in deductible	218	52 %
employee contributions	168	40 %
eligibility period	30	7 %
changed insurance co.	107	25 %

4. The Kansas Legislature may consider repeal of mandated insurance benefit programs in 1990. The repeal would mean insurance policies written by Kansas companies would no longer be required to provide several mandated coverages. Would you support the repeal of health care insurance mandates?

YES		NO	
241	57 %	109	26 %

5. Would you voluntarily provide to your workers the following insurance coverages; with additional premium charges?

Services by an optometrist, chiropractor or podiatrist	175	41 %
Services by a duly licensed psychologist	196	46 %
Treatment for alcoholism, drug abuse, nervous or mental conditions, social worker services	241	57 %
Mammograms or pap smears laboratory testing	278	66 %

If so, on what payment basis?

Employer/employee share	227	71 %
Employer pays	39	12 %
Employee pays	52	16 %

KCCI HEALTH CARE INSURANCE SURVEY

siness size: 10 or less employees   Businesses surveyed: 88 (2.

1. Does your business offer a health care insurance program to employees and dependents?

YES		NO	
67	76 %	21	24 %

2. Have individual premiums increased/decreased in the past year?

increased 1% to 10%	7	10 %
increased 10% to 20%	22	30 %
increased 20% or more	36	49 %
decreased	0	0 %
stayed the same	8	11 %

3. In the past two years, has your health insurance plan adopted any of the following?

increase in deductible	32	36 %
employee contributions	7	8 %
eligibility period	1	1 %
changed insurance co.	16	18 %

4. The Kansas Legislature may consider repeal of mandated insurance benefit programs in 1990. The repeal would mean insurance policies written by Kansas companies would no longer be required to provide several mandated coverages. Would you support the repeal of health care insurance mandates?

YES		NO	
43	49 %	27	31 %

5. Would you voluntarily provide to your workers the following insurance coverages; with additional premium charges?

Services by an optometrist, chiropractor or podiatrist	32	36 %
Services by a duly licensed psychologist	28	32 %
Treatment for alcoholism, drug abuse, nervous or mental conditions, social worker services	37	42 %
Mammograms or pap smears laboratory testing	42	48 %

If so, on what payment basis?

Employer/employee share	35	62 %
Employer pays	10	18 %
Employee pays	11	20 %

KCCI HEALTH CARE INSURANCE SURVEY

L .ness size: 10 to 25 employees Businesses surveyed: 107 (25...

1. Does your business offer a health care insurance program to employees and dependents?

YES		NO	
98	92 %	9	8 %

2. Have individual premiums increased/decreased in the past year?

increased 1% to 10%	8	8 %
increased 10% to 20%	26	26 %
increased 20% or more	62	61 %
decreased	0	0 %
stayed the same	5	5 %

3. In the past two years, has your health insurance plan adopted any of the following?

increase in deductible	56	52 %
employee contributions	37	35 %
eligibility period	6	6 %
changed insurance co.	23	21 %

4. The Kansas Legislature may consider repeal of mandated insurance benefit programs in 1990. The repeal would mean insurance policies written by Kansas companies would no longer be required to provide several mandated coverages. Would you support the repeal of health care insurance mandates?

YES		NO	
60	56 %	30	28 %

5. Would you voluntarily provide to your workers the following insurance coverages; with additional premium charges?

Services by an optometrist, chiropractor or podiatrist	39	36 %
Services by a duly licensed psychologist	42	39 %
Treatment for alcoholism, drug abuse, nervous or mental conditions, social worker services	56	52 %
Mammograms or pap smears laboratory testing	67	63 %

If so, on what payment basis?

Employer/employee share	44	58 %
Employer pays	16	21 %
Employee pays	16	21 %

3-5

KCCI HEALTH CARE INSURANCE SURVEY

Business size: 25 to 100 employees   Businesses surveyed: 134 (3.

1. Does your business offer a health care insurance program to employees and dependents?

	YES		NO	
	129	96 %	5	4 %

2. Have individual premiums increased/decreased in the past year?

increased 1% to 10%	13	10 %
increased 10% to 20%	37	28 %
increased 20% or more	76	58 %
decreased	2	1 %
stayed the same	4	3 %

3. In the past two years, has your health insurance plan adopted any of the following?

increase in deductible	77	57 %
employee contributions	65	49 %
eligibility period	10	7 %
changed insurance co.	41	31 %

4. The Kansas Legislature may consider repeal of mandated insurance benefit programs in 1990. The repeal would mean insurance policies written by Kansas companies would no longer be required to provide several mandated coverages. Would you support the repeal of health care insurance mandates?

	YES		NO	
	78	58 %	37	28 %

5. Would you voluntarily provide to your workers the following insurance coverages; with additional premium charges?

Services by an optometrist, chiropractor or podiatrist	57	43 %
Services by a duly licensed psychologist	66	49 %
Treatment for alcoholism, drug abuse, nervous or mental conditions, social worker services	80	60 %
Mammograms or pap smears laboratory testing	98	73 %

If so, on what payment basis?

Employer/employee share	81	76 %
Employer pays	9	8 %
Employee pays	17	16 %

KCCI HEALTH CARE INSURANCE SURVEY

Business size: more than 100 employees Businesses surveyed: 94 (22%)

1. Does your business offer a health care insurance program to employees and dependents?

YES		NO	
94	100 %	0	0 %

2. Have individual premiums increased/decreased in the past year?

increased 1% to 10%	16	17 %
increased 10% to 20%	28	30 %
increased 20% or more	41	44 %
decreased	0	0 %
stayed the same	9	9 %

3. In the past two years, has your health insurance plan adopted any of the following?

increase in deductible	53	56 %
employee contributions	59	63 %
eligibility period	13	14 %
changed insurance co.	27	29 %

4. The Kansas Legislature may consider repeal of mandated insurance benefit programs in 1990. The repeal would mean insurance policies written by Kansas companies would no longer be required to provide several mandated coverages. Would you support the repeal of health care insurance mandates?

YES		NO	
60	64 %	15	16 %

5. Would you voluntarily provide to your workers the following insurance coverages; with additional premium charges?

Services by an optometrist, chiropractor or podiatrist	47	50 %
Services by a duly licensed psychologist	60	64 %
Treatment for alcoholism, drug abuse, nervous or mental conditions, social worker services	68	72 %
Mammograms or pap smears laboratory testing	71	76 %

If so, on what payment basis?

Employer/employee share	67	85 %
Employer pays	4	5 %
Employee pays	8	10 %

ELAINE L. WELLS
REPRESENTATIVE, THIRTEENTH DISTRICT
OSAGE AND NORTH LYON COUNTIES
R.R. 1, BOX 166
CARBONDALE, KANSAS 66414
(913) 665-7740

STATE OF KANSAS

TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: AGRICULTURE AND SMALL BUSINESS
INSURANCE
PUBLIC HEALTH AND WELFARE
PENSIONS, INVESTMENTS AND BENEFITS

FINANCIAL INSITITUTIONS AND INSURANCE COMMITTEE

TESTIMONY
on
HOUSE BILL NO. 2888
March 27, 1990
by
REPRESENTATIVE ELAINE L. WELLS

Thank you Mr. Chairman for the hearing on this bill and for the opportunity to testify on it.

According to an article in last month's (February 1990) issue of Nation's Business titled "Paved with You-Know-What" by Ark Monroe III, "The flood of mandated-benefits legislation at the state level has encouraged employers to opt out of regulated health insurance and purchase unregulated insurance, if they can and it has made insurance unaffordable for many of those employers that cannot obtain unregulated insurance. Intended to help workers, state laws mandating benefits are instead denying health insurance to millions of them."

As we heard in countless testimonies presented to the committee during the meetings we've had on the high cost of health insurance there is no substantial evidence that passing a mandate actually saves all insurers money by having the coverage available. In fact, most insurance companies have indicated that the mandates have only increased the overall costs of basic affordable health plans.

Attachment 4
FI + I
3/27/90

H.B. 2888 is not an attempt to repeal mandates. The intent is to provide the necessary information needed before we pass any more mandates.

According to the article mentioned earlier, other states are beginning to have second thoughts on mandated benefit laws. In 1983, Washington became the first state to require that when legislation mandating benefits is introduced, it must be followed by a report to the legislature on the social and financial effects of the proposed mandate. Interestingly enough, no new mandates have been adopted by the Washington legislature since then. According to the American Legislative Exchange Council, the mandates previously passed in Washington include: Nurses, Podiatrists, Chiropractors, Alcoholism, Mental Health, Mammograms, Home Health, Hospice, Public Institutions, Newborns, Non-custodial Children, Mentally and Physically Handicapped, Conversion Privileges, Continuation for Dependents, and Continuation for Employers.

In 1985, Oregon passed similar legislation in requiring the financial and social report as did Arizona. In 1986, Nebraska and Pennsylvania passed the same law. In 1987, Florida and Hawaii followed suit. In 1988, Rhode Island and Wisconsin enacted this law. And, in 1989, Connecticut, Georgia, Maine, Nevada, Tennessee, and Virginia agreed to this trend and passed mandate evaluation laws. The Virginia Legislature has even passed a resolution stating that all mandates should be opposed. In California, New Hampshire, South Carolina, Texas and Nebraska, bills have been introduced to curb the unchecked passage of mandated employee health benefit legislation.

For its part, the NAIC (National Association of Insurance Commissions) has passed a resolution calling for an objective evaluation of mandated benefits based on the following criteria: the legislation fills a clear, current need; the short-term and long-term costs to consumers and to total health care expenditures are measured; overutilization which may result from passage of the legislation can be minimized; the mandated benefit does not create an unfair market disadvantage to insurers motivating group policy-holders to self-insure; and whenever possible, the need should be filled by mandating availability of coverage, rather than inclusion in all plans.

According to Greg Scandlen, Senior Washington Representative of Blue Cross and Blue Shield Association, "Legislators are getting tired of this never-ending parade of people who want laws passed to ensure their particular service is reimbursed by insurance companies. Increasing numbers are saying, 'Wait a minute. Let's stop and get an objective evaluation of what effect all these mandates have on the health care system.'."

Congress is even considering federal legislation regarding mandated benefits. Last year Sen. Orrin Hatch, R-Utah, introduced a bill that would pre-empt state mandated-benefit laws. Under the bill, the states could continue to regulate the business practices of health insurance companies, but they could no longer dictate the content of their policies.

It is quite clear that Kansas should join the lead as we have done in the past relating to creditable insurance legislation by passing a law that benefits the consumers of this state. Requiring that a financial and social impact report on proposed mandates will insure that the mandate, if passed, will be justified.

The social impact report will include the extent to which the service or treatment is already being utilized; coverage currently available; how many who need it cannot get it causing financial hardship; public demand from both individual and group policyholders; if collective bargaining organizations are including it in their insurance contracts; and indirect costs not related to premiums. The financial impact report will include: the increase or decrease of the cost of the treatment or service; possible increase in usage of the treatment; if the mandate will serve as an alternative for more expensive treatment; the reasonably expected increase or decrease in premiums and the impact on the total cost of health care.

I don't believe that's too much to ask. The legislation is broad enough to allow those requesting the mandate to not have to report actual dollars and cents because in some situations that is unknown. But, actuarial studies can include scenarios so that we will at least have some idea as to both the financial and social impact on the high cost of health insurance in Kansas.

Mandated insurance coverage at the time of its passage was believed to be necessary to provide available coverage for specific services and treatments. Hindsight they say is always better than foresight. If mandates do not actually help the system but may hinder it, the best solution may be to do a little more research and reporting before we consider passing any more mandated benefits.

I hope you will agree with me and I urge your support of H.B. 2888.

I'll be happy to respond to questions.

Testimony on HB 2888
Before the Senate FI&I Committee
By: Stephen J. Wanamaker
Independent Insurance Agents of Kansas
March 27, 1990

Thank you, Mr. Chairman, and members of the committee for the opportunity to appear in support of HB 2888 requiring impact reports on all proposed new mandated health care benefits. My name is Steve Wanamaker. I am President of Sargent-Wanamaker in Topeka and Treasurer of IIAK. Larry Magill asked me to appear in his absence.

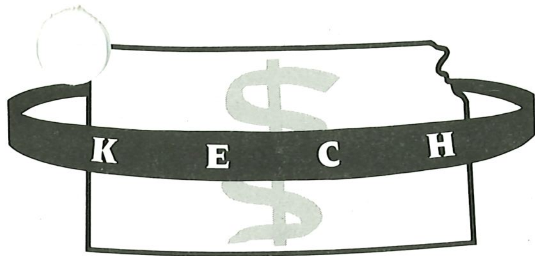
We feel it would be an important step towards providing consistent and complete information for the legislature when considering future mandates.

Plus, it would provide a consistent record of the justification for a mandate that could be referenced years after the fact to determine if projections were accurate.

We do not anticipate that present concerns over the cost of health insurance will diminish at all in the future. In fact, we anticipate they will only increase. Nor do we expect that the legislature has seen all the potential mandated providers and coverages. Every time a new group of providers is licensed, they will seek a mandate for direct reimbursement. By passing HB 2888, the legislature will simply shape the debate in the future in a logical and complete fashion.

We urge the committee to act favorably on HB 2888.

Attachment 5
FI & I
3/27/90



Kansas Employer Coalition on Health, Inc.
1271 S.W. Harrison • Topeka, Kansas 66612 • (913) 233-0351

Testimony to Senate Financial Institutions and Insurance Committee on House Bill 2888

(requiring impact reports for proposed mandated benefits)

March 27, 1990
by James P. Schwartz Jr., Consulting Director

I am Jim Schwartz, consulting director for the Kansas Employer Coalition on Health. The coalition is over 100 companies across the state who share a concern about the soaring cost of health care provided to employees.

Although the Coalition is mostly composed of larger, self-insured companies who are exempt from state mandates, we do have quite a few fully insured members, and, besides, we feel a duty to say a few words on behalf of small employers who haven't the time or expertise become involved in these complexities.

Employers generally have a large problem accepting the imposition of government mandates for health coverage within the context of a voluntary system.

In practically every state, including Kansas, the American system of employment-based health insurance is voluntary. A number of laws create incentives for employers to offer health insurance, but for any number of reasons, mostly economic, a substantial number of employers elect not to. And that's perfectly legal.

Isn't it a bit peculiar, then, for the law to say, "but if you do offer health insurance at all, it has to be nine yards long and nine yards wide"? Isn't this situation something like saying, "You don't have to give your kids an allowance, but if you do, it has to be at least $25"? Clearly the problem with such a requirement is that many parents who might otherwise give *some* kind of allowance, find that they cannot go the whole nine yards, and so give nothing.

Attachment 6
FI & I
3/27/90

Indeed, a recent study by the Health Insurance Association of America estimates that 16% of small firms that do not offer coverage would in an essentially mandate-free world.

Besides their explicit costs, mandates create all kinds of mischief in a voluntary, market system. When government elevates some services to the status of mandates, the process of having the benefits compete on their merits gets distorted. So does the process of negotiating compensation levels between labor and management.

We believe that in a voluntary system, the choices are best left to the volunteers. Employers and labor groups, who are best attuned to the needs of individual workforces, are in the best position to choose the mix of benefits.

Ideally, we would like to see repeal of mandated health coverage in Kansas. But at a minimum, we believe that new mandates, in this age of staggering health care costs, must be able to pass inspection for social and economic impact.

For that reason, we vigorously support House Bill 2888.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

HB 2888

March 27, 1990

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Committee on Financial Institutions and Insurance

by

Terry Leatherman
Executive Director
Kansas Industrial Council

Mr. Chairman and members of the Committee:

I am Terry Leatherman, with the Kansas Chamber of Commerce and Industry. Thank you for this opportunity to appear today in support of HB 2888.

> The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.
>
> KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.
>
> The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

During my presentation before this Committee on HB 2610, I presented results of a recent KCCI membership survey on health care insurance. The survey results clearly showed that health care insurance costs are soaring. Eighty two percent of respondents indicated

Attachment 7
FI & I
3/27/90

their insurance premiums increased over 10% in the past year, and over half (53%) indicated their premium cost climbed over 20% last year. While the survey indicated all businesses are experiencing skyrocketing costs, it also pointed out that small businesses are being forced into dropping health insurance programs.

A contributor to the soaring cost of health care insurance is state mandated benefit coverages. According to the National Center for Policy Analysis, "as many as one out of every four uninsured people, or about 9.3 million Americans, lack health insurance because of expensive mandated benefit provisions in state law." Mandated benefits hit the small businessman and woman especially hard, since they are less able to take advantage of self-insurance programs, which are exempted from state insurance mandates.

HB 2888 would require supporters of future mandated benefit programs to justify their proposals through financial and social reports to the legislature. These reports will not close the door on the legislature passing worthy mandated benefit proposals in the future. Instead, the reports should assist legislators in the future decide if the benefits of a mandated coverage proposal justifies the inevitable higher insurance costs the coverage would create.

Thank you for the opportunity to present KCCI's views on this issue. I would be happy to attempt to answer any questions.

STATEMENT OF MEYER L. GOLDMAN

BEFORE SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE

ON HOUSE BILL 2888

TUESDAY, MARCH 27, 1990

I am Meyer L. Goldman of Kansas City. I am associated with Prime Health, the Kansas City area's largest and oldest health maintenance organization, and am president of the Kansas HMO Association. I am appearing to support House Bill 2888, to require that impact reports be submitted to appropriate committees before a bill mandating health care insurance protection would be considered.

Our members believe that mandates in general are not in the interests of the people of Kansas, increase the cost of health care protection and have the effect of reducing availability of all health care. By requiring proponents of any new mandates to justify their request both on the basis of cost and social need, HB 2888 could reduce the growing number of mandates that, in Kansas as in other states, are being imposed on the public.

Mandates take three forms: First, mandated coverage for certain groups, such as the uninsurable, underinsured and unemployed. Second, mandated types of benefits - for example, transplants, mental health, alcohol and substance abuse and rehabilitation, hearing and speech problems, and head injury rehabilitation. Third, mandated provider coverage - chiropractors, podiatrists, social workers, home health agencies and the like.

Because mandates usually are proposed by persons, groups or organizations that have special interests in the legislation, and because mandates - particularly those concerning types of benefits - have a great emotional appeal, it is not only appropriate but essential that you have full and accurate information before enacting legislation imposing a mandate on the health care protection industry. HB 2888 addresses the problem.

When HMOs oppose mandates, it is not because we do not have an understanding and real sympathy for the problems of the proponents. We have an appreciation of the anguish which parents feel for a disabled child, or children for a failing parent. However, we believe that when a legislative body uses a mandate for a particular disease or disability it is trying to solve a social problem at the cost of people who are already paying an increasing, and in many cases an unaffordable cost for their own basic protection.

Attachment 8
FI & I
3/27/90

,Os are unique in that they provide comprehensive benefits at a fixed cost per month, and offer substantial preventive care not covered in traditional indemnity insurance contracts. HMOs also typically provide wider benefits with fewer co-payments than traditional plans. But there is a limit to what we are able to provide at an affordable cost.

It is our experience every mandate adds to the cost of health care protection for everyone, at a continually increasing rate. Let me cite one example in our own experience.

Prime Health opened in 1976. In its first five years in-patient drug, alcohol and mental health care benefits were not mandated either in Missouri or Kansas, although we offered them. In August 1980 a Missouri law mandating optional benefits became effective. In January 1981 the Missouri law required the benefits. The Kansas law mandating the benefits became effecting July 1, 1986.

For the first five years DA and psychiatric cases were 2.6 percent of all discharges. After five years of Missouri mandate the proportion rose to 5.5 per cent. After two years of the Kansas mandate the DA and psychiatric cases reached 10.1 per cent of total discharges. I have attached a copy of our study to this testimony.

One other point about mandates should be considered: mandates do not apply to self-insured health plans operated by employers, or to multi-employer plans operated by so-called "Taft-Hartley Trusts." These plans now cover more than half the insured workers, and they are exempted from state control by federal legislation. Therefore the cost of the mandate falls on smaller employers who already are finding the price of employee health care unendurable.

HB 2888 should help slow the growth of new mandates by making clear the relation of mandated care to the total cost and value of the protection. I believe, though, that there are four areas not covered by HB 2888 that need attention if the public interest is to be best served.

FIRST: I suggest a formal mechanism for validating the information contained in the impact reports. I doubt that impact statements in 1980 or 1985 would have predicted a five-fold increase in drug, alcohol and mental health utilization.

SECOND: "Mandates to offer" should also be included. In many cases a mandated optional offering can have appreciable cost without ever being exercised. In our case, Prime Health provides services directly - it does not pay providers for services. Therefore to offer a service we must be prepared to render it. The provider must be on staff before we make the offer.

THIRD: Impact studies should be required for all existing mandates, as well as future ones. The legislature then would have information on the cost and usefulness of these mandates, and would be able to determine whether or not they should be continued.

ꞏURTH: The requirement should be applied to mandated provider coverage as well as mandated services coverage. The managed health care industry is growing and changing at a rapid rate, and represents what apparently is the only hope of slowing the rate of escalation of health care costs. There is substantial competitiion in the market place within the industry, and HMOs as well as other forms of managed care must meet the demands of the market. Both the financial and the social impacts of special provisions for provider groups should be studied before mandating the providers.

With or without the improvements, HB 2888 is a valuable and worthwhile piece of legislation which I hope you will approve.

EFFECT OF MANDATED DRUG, ALCOHOL AND MENTAL HEALTH BENEFIT MANDATES

Prime Health has analyzed its experience in in-patient drug, alcohol and mental health care costs for the 12 years of its existence.

During the first five years of operation, these benefits were not required by either Missouri or Kansas. In August, 1980, a Missouri law mandating optional inpatient mental health benefits became effective. In January, 1981, the Missouri law required the benefits. The Kansas law mandating the benefits became effective July 1, 1986. All required benefits the same as medical (100%).

For the five years before the Missouri mandate the mean number of discharges per 1,000 subscribers for DA and Psychiatric cases was 1.95 out of total discharges of 74.6, or 2.6 percent of all discharges.

In the five years of Missouri mandating the mean number of discharges for D&A and psychiatric cases was 4.26 out of total discharges of 76.9, an increase of 218 percent in number of D&A and psychiatric cases. This represented 5.5 percent of total discharges.

In the first two years of Kansas mandate, the number of discharges for D&A and psychiatric cases was 7.69 out of a total discharges of 76.3, an increase of an additional 181 percent, even though total discharges were reduced slightly. D&A and psychiatric cases have reached 10.1 percent of total discharges.

In arriving at the figures, our financial analysts converted raw data logarithmically for comparison, and a "deflator" was computed to apply to increases rates for D&A and psychiatry to allow for changes in overall plan utilization (such as aging of population. The weighted average cost for the services was $4,056 for hospitalization only.

The estimated total cost of this service is an additional $1,500,000 for hospitalization alone. This adds an average of at least $5.00 per month to the cost of each covered contract.

Attachment 9
H&H + W
3/22/88

DISCHARGES PER 1,000 PER YEAR

TIME FRAME	COMBINED D&A & PSYCHIATRIC	ALL ACUTE HOSPITALIZATIONS
Nov'76-June'77	3.1	81.3
July'77-June'78	1.6	74.0
July'78-June'79	1.5	74.0
July,79-June'80	3.0	75.2
July'80-June'81	2.0	75.1
July'81-June'82	3.1 (1) (2)	80.0
July'82-June'83	3.7	79.1
July'83-June'84	4.2	75.7
July'84-June'85	4.7	76.9
July'85-June'86	6.2	73.1
July'86-June'87	7.3 (3)	74.8
July'87-Dec'87	8.1	77.9

(1) Missouri law requiring optional inpatient mental health same as medical (100%) effective Aug. 13, 1980.

(2) Missouri law mandating inpatient D&A same as medical (100%) effective Jan. 1, 1981.

(3) Kansas law mandating inpatient mental health same as medical (100%) effective July 1, 1986.

SUMMARY

	Geometric mean of discharges/1000 D&A & psychiatric	Geometric mean of discharges/1000 plan overall
Prior to Mo. mandated benefits:	1.95	74.6
1st 5 years after Mo. law:	4.26	76.9
difference	+218%	+3%
1st 2 years after Kan. law:	7.69	76.3
difference +	+181%	-0%

Weighted average, cost per discharge, D&A and psychiatric (hospital costs only): $4,056.

M E M O R A N D U M

TO : Senator Richard Bond
Chairman, Senate Financial Institutions and Insurance Committee

FROM : William W. Sneed
Legislative Counsel
HIAA

DATE : March 27, 1990

RE : House Bill 2888

Mr. Chairman and Members of the Committee: My name is Bill Sneed and I am legislative counsel for the Health Insurance Association of America ("HIAA"). The HIAA is a health insurance trade association consisting of over 325 insurance companies that write over 85% of the health insurance in the United States today. Please accept this memorandum as our testimony in regard to House Bill 2888 and our request for your committee to give the bill favorable treatment.

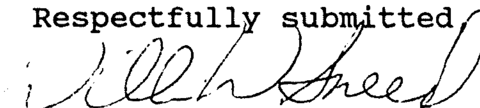
As was brought out in the various hearings in the House Insurance Committee, mandated health care benefits may have at times, either directly or indirectly, played a role in the rising health care insurance costs. Because of mandated health care benefits' potential for increasing health care insurance costs, we believe House Bill 2888 should be ruled favorably by your committee in the Senate as one of many concepts to be utilized in the upcoming years in an attempt to attack the problem of rising health care insurance costs.

Attachment 9
FI & I
3/27/90

It is important to note that in many instances employers who are either self-insured or are utilizing an exempt employee benefit may be able to non-comply with mandated benefit laws that insurance companies are required to provide in their contracts. This, of course, can have two adverse effects. First, it creates an unequal competitive arena between insurance attempting to provide these benefits at the lowest cost versus self-insurance programs which can exclude these benefits and thus avoid computing the costs associated with those benefits. Secondly, if groups move out of the "traditional" insurance marketplace into these alternative forms of coverage, it creates a smaller pool of insurers to spread the ultimate risk, and thus could increase costs.

Therefore, on behalf of HIAA, I encourage favorable treatment by your committee of House Bill 2888, and encourage its successful passage by the Senate. If you have any additional questions about this, please feel free to contact me.

Respectfully submitted,



William W. Sneed

TESTIMONY

TO

SENATE INSURANCE COMMITTEE

S2888

MARCH 27, 1990

BY COLLIER CASE, KPL GAS SERVICE

Mr. Chairman and Members of the Committee:

I am Collier Case, Manager of Employee Benefits for The Kansas Power and Light Company and a member of the Board of Directors of The Kansas Employer Coalition on Health. I am here today on behalf of KPL to support Senate Bill 2888.

Our general position is one opposed to any mandated coverages in health care insurance. We also believe that before any legislated coverages are added they must be justified through thorough documentation of their social and economic impact.

Attachment 10
FI & I
3/27/90

818 KANSAS AVENUE ★ P.O. BOX 889 ★ TOPEKA, KANSAS 66601 ★ (913) 296-6300

I realize that as a large self insured employer that the impact of mandated coverages is not as significant to us as it is for small employers. However, we do offer our 3000 Kansas employees optional insured coverage through HMOs. In fact we spent over 1.9 million dollars in 1989 on HMO premiums. Those HMO alternatives have seen 30% rate increases in each of the last 2 years partially attributable to mandated coverages.

Absent social and economic impact reports further mandated coverages will push the cost of health care insurance out of reach for small employers and eliminate insured options for larger employers. Fortunately for KPL employees, we have a self insured basic program. That generally is not the case for small employers and their employees may be left with no coverages.

KPL supports Senate Bill 2888 because it makes good sense to evaluate the impact of potential legislated coverages before they go on the books and affect employers' insurance programs.

Thank you.