

Approved 4/6/90 Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

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

8:00 a.m./~~p.m.~~ on WEDNESDAY, APRIL 4, 1990 in room 529-S of the Capitol.

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

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

Committee staff present:

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

Conferees appearing before the committee:

Kathryn Dysart, Wichita Public Schools
Mary Ellen Conlee, Wichita Center for Graduate Medical Education (WCGME)
Marlin Rein, University of Kansas Medical Center
Jerry Slaughter, Kansas Medical Society

Chairman Bond called the meeting to order at 8:10 a.m.

HB 3068 - School districts authorized to self-insure in providing certain employee benefits.

Kathryn Dysart, Wichita Public Schools, appeared before the committee in support of this bill. Ms. Dysart advised that the Wichita Public School System could save from \$35,000 to \$50,000 in administrative fees by administering their own self-funded insurance program. She added that this savings would remain in the fund as accumulated reserves. (Attachment 1)

Senator Kerr made a motion to pass HB 3068 out of committee with a favorable recommendation. Senator Karr seconded the motion. The motion carried.

HB 3090 - Amending health care provider insurance availability act; persons engaged in residency training.

Mary Ellen Conlee, Wichita Center for Graduate Medical Education (WCGME), appeared in support of this legislative proposal. Ms. Conlee explained that this bill would allow Wichita residents employed by WCGME to self-insure under the Health Care Provider Insurance Availability Act in the same manner as those persons engaged in residency training in Kansas City. She added that she believe it was the legislative intent, when WCGME was created, to treat Wichita residents in an equitable manner with Medical Center residents. In addition, she stated that enactment of this bill would mean a considerable savings to Wichita hospitals and thus help hold the line on health care costs. (Attachment 2)

Marlin Rein, University of Kansas Medical Center, appeared in support of HB 3090. He informed the committee that, because Wichita already had a substantial residency program in place, UMKC could afford to operate in Wichita. Mr. Rein explained that he did have technical concerns with the bill. He felt that language needed to be adopted that would clarify WIGMA's role as the employer. Mr. Rein also suggested amending the language to make it clear that a person in residency training would also include a resident in "locum tenens."

Jerry Slaughter, Kansas Medical Society, appeared in support of this bill but explained to the committee that there would be a cost transference. He informed the committee that this proposal would save the Wichita hospitals and place the expense on the Health Care Stabilization Fund. Mr. Slaughter also suggested that it should be made certain that there would be no problem with "tail coverage." He offered to investigate the problem and get with Staff, if necessary.

Senator Kerr made a motion to accept the amendments to HB 3090 as proposed by Mr.

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.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
room 529-S, Statehouse, at 8:00 a.m./~~p.m.~~ on WEDNESDAY, APRIL 4, 1990.

Rein. Senator Moran seconded the motion. The motion carried.

Senator Salisbury made a motion to amend the bill, as requested by Staff, to take care of some technical clean-up language. Senator Kerr seconded the motion. The motion carried.

Senator Anderson offered a motion to pass the bill, as amended, out of committee favorably. Senator Kerr seconded the motion. The motion carried.

Chairman Bond adjourned the meeting at 9:00 a.m.



*Legal, Intergovernmental and
Employment Relations*

Testimony of Kathryn Dysart, Supervisor of Intergovernmental Affairs, before the Senate Financial Institutions and Insurance Committee on April 4, 1990.

The Wichita public school system requested House Bill No. 3068. Our district offers a non-contributory group term life insurance benefit for eligible employees. The specific amount of benefit received by the various employee groups is established via the negotiations process.

Since 1981, the Wichita district has gained considerable experience in establishing and administering self funded programs. Current plans that are self funded include health/dental, school board liability, short term disability, and workers compensation. Experiences gained from administering these plans have taught us that the cost of insurance company administration of benefits is very high and in each case could be done by the district much more economically.

For example, the annual retention (cost of plan administration over and above claim expense actually paid to the insurance company) for the district's non-contributory group term life insurance plan since July 1, 1988 is as follows:

Actual	1988/89	\$35,222
Estimated	1989/90	\$48,350
Estimated	1990/91	\$51,730

As a part of offering and purchasing this benefit our district processes payroll deduction requests, prepares a monthly premium statement, remits the monthly premium statement and premium check to the insurance company, processes all enrollments and terminations, processes and maintains beneficiary forms, distributes benefit information to employees, reads the obituary daily, receives notice of all death claims, communicates with beneficiaries, processes death claim forms and remits to the insurance company, and receives the claim check and delivers the check to the beneficiary. As this illustrates, our district is currently providing almost all administration service for this benefit now except writing the actual claim check. It is our opinion that we can pay the \$300,000 plus of annual premiums into a fund and write checks for significantly less than \$35,000 per year. The savings and the excess premiums would remain in the fund as accumulated reserves.

Since it would take some time to accumulate an actuarially adequate reserve for a self funded life plan and to protect against a catastrophe, the district will purchase aggregate stop loss insurance. As you can see on the attached loss history report, the district's claim experience has been fairly stable over the past 7 years. If the current year's experience continues, the 1989/90 school year will be a very light year for claims. I cannot explain the low claim experience from 1977 through 1982 versus the much higher claim experience from 1982 through 1990.

*Attachment 1
FI + I
4/4/90*



Risk Management Department

March 22, 1990

USD NO. 259 LIFE INSURANCE EXPERIENCE

<u>School Year</u>	<u>Deaths</u>	<u>Amount Paid</u>
8/1/71 - 7/31/72	3	\$ 9,000
8/1/72 - 7/31/73	0	\$ 0
8/1/73 - 7/31/74	12	\$ 60,000
8/1/74 - 7/31/75	12	\$ 60,000
8/1/75 - 7/31/76	8	\$ 80,000
8/1/76 - 7/31/77	14	\$295,000
8/1/77 - 7/31/78	2	\$ 50,000
8/1/78 - 7/31/79	6	\$125,000
8/1/79 - 7/31/80	6	\$145,000
8/1/80 - 7/31/81	5	\$100,000
8/1/81 - 7/31/82	7	\$190,000
8/1/82 - 7/31/83	15	\$310,000
8/1/83 - 7/31/84	11	\$201,000
8/1/84 - 7/31/85	12	\$180,000
8/1/85 - 7/31/86	14	\$180,000
8/1/86 - 7/31/87	12	\$270,000
8/1/87 - 7/31/88	11	\$240,000
8/1/88 - 7/31/89	12	\$250,000
8/1/89 - 2/28/90	3	\$ 60,000



ANDERSON, CONLEE & ASSOCIATES

ADVERTISING, MARKETING AND PUBLIC AFFAIRS

SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

April 4, 1990

RE: HB 3090 - Participation in the state self-insurance program for UKSM-Wichita residents

I am Mary Ellen Conlee, representing The Wichita Center for Graduate Medical Education (WCGME) in support of HB 3090. WCGME was formed as a non-profit corporation organized to administer the graduate medical education programs of the Wichita teaching hospitals in affiliation with the University of Kansas Medical Center.

HB 3090 establishes comparable medical malpractice insurance for all University of Kansas residents whether they are performing their residency at a participating Wichita teaching hospital, at Smokey Hill Family Practice Clinic in Salina or at the University of Kansas Medical Center in Kansas City. 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 applies the U.K.M.C. residents but not to the residents at the Wichita campus.

HB 3090 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". By expanding the definition, Wichita residents employed by WCGME and contracting with HCA Wesley, St. Francis Regional Medical Center and St. Joseph Medical Center will be allowed to be self-insured under the Health Care Provider Insurance Availability Act in the same manner as those individuals currently engaged in residency training in Kansas City.

Attachment 2
FI + I
4/4/90

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.

The original bill, HB2570, designed to address this issue called for the state to both accept liability for malpractice judgements through primary level self-insurance and to pay the Health Care Stabilization Fund Contribution for Wichita residents in the same manner as the state provides malpractice insurance for Kansas City residents. The resulting \$375,000 to \$500,000 fiscal note seemed to be a problem in this year of fiscal shortages. Therefore, HB 3090 devised a mechanism for the Wichita area teaching hospitals to pay the HCSF contribution while fully participating in the state self-insurance program for primary malpractice coverage. HB 3090 assumes a \$400,000 aggregate premium for Wichita residents for the purpose of establishing the contribution to the Health Care Stabilization Fund.

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 Wichita area residents has increased nearly 10 times since 1982-1983 from approximately \$260,000 to \$2,400,000.

2. The average judgements and settlements per year over the past seven years averaged \$31,376.

3. Basic coverage plus the surcharge for the HCSF has a 1988-1989 cost of approximately \$2.4 million, while total judgements and settlements for the same year equalled only \$85,000.

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

We ask for your support for HB 3090. It was understood by the Wichita participating hospitals when WCGME was created as an affiliate of the University of Kansas Medical Center that the Wichita residents would be treated in an equitable manner with the

Medical Center residents. The consequent savings to the Wichita hospitals will be significant and will assist our hospitals in holding the line on health care costs.

This legislation is particularly important to our hospitals right now because:

1. The federal government is reducing support for physician training programs.
2. The reduction in MediKan will cost Wichita hospitals which serve 42% of the MediKan recipients approximately 2.5 to 3 million dollars.
3. As hospitals shift charity care and bad debt costs to full-pay patients, the cost of health care insurance continues to escalate.

Finally, of the 623 residents who completed training in rotations at HCA Wesley, St. Francis Regional Medical Center and St. Joseph Medical Center from 1980 to 1989, 281 (45%) are practicing in Kansas. Clearly the Wichita based residencies provide needed physicians for communities throughout Kansas.

Thank you.

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.