

Approved Feb 13, 1990  
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by SENATOR AUGUST "GUS" BOGINA at  
Chairperson

11:05 a.m./p.m. on JANUARY 25, 19 90 room 123-S of the Capitol.

All members were present except:

Committee staff present:

Research Department: Diane Duffy, Leah Robinson  
Revisor: Norm Furse, Gordon Self  
Committee Staff: Judy Bromich, Administrative Assistant  
Patti Beasley, Secretary

Conferees appearing before the committee:

Art Griggs, Chief Attorney, Department of Administration  
David Charay, Health Benefits Administrator, Department of Administration  
Robert Molloy, Acting Consultant to Health Care Commission

Chairman Bogina distributed and explained Attachment 1, projections of the State General Fund, Cash Operating Reserve Fund, and Capital Improvements Reserve Fund. He noted that the Governor has proposed a bill regarding the Cash Operating Reserve Fund. Michael O'Keefe, Division of the Budget, noted that the purpose of this fund is to ensure cash flow throughout the year.

Chairman Bogina called the attention of the Committee to the subcommittee assignments on House appropriation bills. (Attachment 2)

Chairman Bogina noted a request from the Governor's Office to introduce a bill draft. Senator Gaines moved introduction of bill draft 9 RS 1766- establishing a teachers' scholarship program authorizing awarding scholarships & establishing eligibility. Senator Harder seconded, and the motion passed.

Art Griggs, Attorney for the Department of Administration, introduced David Charay, Health Benefits Administrator, and Robert Molloy, Consultant to the Health Care Commission. Mr. Molloy reviewed Attachment 3 and noted that the second paragraph on page 2 is incorrect. He said that the final budget does include the total cost of the health plan. In discussing the subsidy for dependents of retirees, Mr. Molloy said it resulted in approximately \$11 extra per month for employees under Blue Cross only. In answer to a question, he noted that the dependents of retirees are definitely a higher risk group.

In explaining the deductible, Mr. Molloy stated that there is a \$50 per day deductible for every hospitalization up to 5 days. This deductible does not count toward any other deductible. Under Blue Select, the coverage is 80/20 up to a maximum of \$500 per individual and \$1,000 per family contract. Discussion followed regarding whether the purpose of health insurance is to pay health costs or a is way to avoid financial disaster, with Mr. Molloy noting that the problem lies in the definition of major fiscal impact. He said that the mandated 30 day stay for drug/alcohol rehabilitation is having a fairly major impact on insurance costs.

In answer to a question, Mr. Molloy stated that the last two bid requests had indicated that the state would negotiate a multi-year contract. However, insurance companies do not want to tie themselves to a contract because of rising medical costs, and the state does not want an open-ended multi-year contract. He noted that many companies will not insure government entities. Mr. Molloy told the Committee that the contract with Blue Cross-Blue Shield was the best the state could have going into 1991. As the state builds a more stable record, other companies may be more interested in contracting and

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS,  
123-S 11:05 XX JANUARY 25 90  
room \_\_\_\_\_, Statehouse, at \_\_\_\_\_ a.m./p.m. on \_\_\_\_\_, 19\_\_

self-insurance may become more feasible. He said that in 1988, Blue Cross-Blue Shield lost approximately \$1 million, and in 1989 they will make money because of the rate increases. He noted that the state will get a rebate above the administrative costs of the contract. In explaining the rebate clause, Mr. Molloy stated that each month the state pays 85% of the total premium to Blue Cross-Blue Shield, and 15% is kept in a retention fund. The final settlement date is July 15, 1991. On that date, BC-BS may use any of the 15% necessary to cover administrative costs and claims. In answer to a question, Mr. Molloy stated that the employee and the state pay \$1 each for the wellness program which is built into the premium.

In answer to a request, Mr. Molloy stated that he would provide data that would show how many employees have discontinued health care because of rising rates as well as data that would indicate the number of families who have joined the plan since the state started contributing toward the cost.

Mr. Molloy stated that the health care plan that is available to employees depends upon their place of residence and upon whether the employee is on Medicare. He noted that a greater percentage of employees have the Blue Select plan, although a greater number of counties have the traditional plan.

In answer to a question, Mr. Molloy stated that rates change according to income in order to make the plan more affordable for all employees. Concern was expressed that escalating rates are making health care unaffordable for everyone.

The meeting was adjourned at 12:15 P.M.



**PROJECTIONS – STATE GENERAL FUND, CASH OPERATING RESERVE FUND,  
AND CAPITAL IMPROVEMENTS RESERVE FUND\***  
In Millions

	<u>FY 1990</u>	<u>FY 1991</u>	<u>Increase</u>	<u>FY 1992</u>	<u>Increase</u>	<u>FY 1993</u>	<u>Increase</u>
<b>A. Beginning Balance</b>							
General Fund	\$ 371.4	\$ 126.0 (7-1-90)		\$ 11.4 (7-1-91)		\$ 56.8 (7-1-92)	
Cash Oper. Res. Fund	–	123.5 (7-1-90)		116.9 (7-1-91)		118.5 (7-1-92)	
% of Expend.	–	5.0%		5.0%		5.0%	
Cap. Imp. Res. Fund	–	–		–		–	
<b>Receipts</b>							
Consensus Est.	2,297.9	2,337.0	1.7%	2,383.7	2.0%	2,431.4	2.0%
Rec. Transfer	0.2	0.5		0.5		0.5	
Rec. Accelerations	3.7	11.1					
Total	2,301.8	2,348.6	2.0	2,384.2		2,431.9	
<b>Expenditures</b>							
Excl. Circuit Breakers	2,379.2	2,457.9	3.3	2,336.7	(4.9)	2,370.2	1.4
Homeowners' CB	17.3			0.5		–	
Commercial CB	27.2	11.9		–		–	
Total	2,423.7	2,469.8	1.9	2,337.2	(5.4)	2,370.2	1.4
<b>Ending Balance</b>							
General Fund	249.5	128.3 (6-30-91)		175.3 (6-30-92)		237.0 (6-30-93)	
% of Expend.	10.3%	5.2%		7.5%		10.0%	
Cash Oper. Res. Fund	–	000.0		000.0		000.0	
Cap. Imp. Res. Fund	–	000.0		000.0		000.0	
<b>B. Beginning Balance</b>							
General Fund	\$ 371.4	\$ 126.0 (7-1-90)		\$ 11.4 (7-1-91)		\$ 56.1 (7-1-92)	
Cash Oper. Res. Fund	–	123.5 (7-1-90)		116.9 (7-1-91)		120.8 (7-1-92)	
% of Expend.	–	5.0%		5.0%		5.0%	
Cap. Imp. Res. Fund	–	–		–		–	
<b>Receipts</b>							
Consensus Est.	2,297.9	2,337.0	1.7%	2,407.1	3.0%	2,479.3	3.0%
Rec. Transfer	0.2	0.5		0.5		0.5	
Rec. Accelerations	3.7	11.1					
Total	2,301.8	2,348.6	2.0	2,407.6		2,479.8	
<b>Expenditures</b>							
Excl. Circuit Breakers	2,379.2	2,457.9	3.3	2,358.5	(4.0)	2,415.2	2.4
Homeowners' CB	17.3			0.5		–	
Commercial CB	27.2	11.9		–		–	
Total	2,423.7	2,469.8	1.9	2,359.0	(4.5)	2,415.2	2.4
<b>Ending Balance</b>							
General Fund	249.5	128.3 (6-30-91)		176.9 (6-30-92)		241.5 (6-30-93)	
% of Expend.	10.3%	5.2%		7.5%		10.0%	
Cash Oper. Res. Fund	–	000.0		000.0		000.0	
Cap. Imp. Res. Fund	–	000.0		000.0		000.0	

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Attachment 1

	<u>FY 1990</u>	<u>FY 1991</u>	<u>Increase</u>	<u>FY 1992</u>	<u>Increase</u>	<u>FY 1993</u>	<u>Increase</u>
<u>C. Beginning Balance</u>							
General Fund	\$ 371.4	\$ 126.0 (7-1-90)		\$ 11.4 (7-1-91)		\$ 55.6 (7-1-92)	
Cash Oper. Res. Fund	-	123.5 (7-1-90)		116.9 (7-1-91)		123.0 (7-1-92)	
% of Expend.	-	5.0%		5.0%		5.0%	
Cap. Imp. Res. Fund	-	-		-		-	
Receipts							
Consensus Est.	2,297.9	2,337.0	1.7%	2,430.5	4.0%	2,527.7	4.0%
Rec. Transfer	0.2	0.5		0.5		0.5	
Rec. Accelerations	3.7	11.1					
Total	<u>2,301.8</u>	<u>2,348.6</u>	<u>2.0</u>	<u>2,431.0</u>		<u>2,528.2</u>	
Expenditures							
Excl. Circuit Breakers	2,379.2	2,457.9	3.3	2,380.2	(3.2)	2,460.7	3.4
Homeowners' CB	17.3			0.5		-	
Commercial CB	27.2	11.9		-		-	
Total	<u>2,423.7</u>	<u>2,469.8</u>	<u>1.9</u>	<u>2,380.7</u>	<u>(3.6)</u>	<u>2,460.7</u>	<u>3.4</u>
Ending Balance							
General Fund	249.5	128.3 (6-30-91)		178.6 (6-30-92)		246.1 (6-30-93)	
% of Expend.	10.3%	5.2%		7.5%		10.0%	
Cash Oper. Res. Fund	-	000.0		000.0		000.0	
Cap. Imp. Res. Fund	-	000.0		000.0		000.0	

\* Based on pages 8-13, Volume 1, Governor's Budget Report to the 1990 Legislature.

**SUBCOMMITTEE LIST**

**SUBCOMMITTEE ASSIGNMENTS ON HOUSE APPROPRIATION BILLS**

	<u>Fiscal Staff</u>	<u>Final Committee Action</u>
<b>BOGINA</b>		
Social and Rehabilitation Services (Chair)	Howard	
Homestead Property Tax (Chair)	Efird	
Hutchinson Correctional Work Facility (Chair)	Mills	
Ellsworth Correctional Facility (Chair)	Mills	
Transportation	Rothe	
KPERS (Chair)	Conroy	
Capital Improvements	Staff	
<b>WINTER</b>		
Social and Rehabilitation Services	Howard	
Health and Environment (Chair)	Rothe	
Kansas State Industrial Reformatory (Chair)	Mills	
Emergency Medical Services (Chair)	Piekalkiewicz	
Civil Air Patrol (Chair)	Mah	
Transportation (Chair)	Rothe	
KPERS	Conroy	
<b>ROCK</b>		
Health and Environment	Rothe	
Winfield Correctional Facility	Mills	
Kansas Highway Patrol	Rothe	
Consumer Credit Commission	Duncan	
Bank Commissioner	Duncan	
Savings and Loan Department	Duncan	
Department of Credit Unions	Duncan	
Securities Commission	West	
Kansas Corporation Commission	Rothe	
Citizens' Utility Ratepayer Board	Rothe	
<b>DOYEN</b>		
Social and Rehabilitation Services	Howard	
Larned State Hospital (Chair)	Porter	
Osawatomie State Hospital (Chair)	Porter	
Human Resources (Chair)	Porter	
Norton Correctional Facility (Chair)	Mills	
Kansas Bureau of Investigation (Chair)	Duffy	

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Attachment 2*

Fiscal  
Staff

Final  
Committee  
Action

**JOHNSTON**

Social and Rehabilitation Services  
Larned State Hospital  
Osawatomie State Hospital  
Parsons State Hospital  
Winfield State Hospital  
Kansas Neurological Institute  
Department of Corrections  
Topeka Correctional Complex  
Transportation  
Homestead Property Tax  
Civil Rights Commission

Howard  
Porter  
Porter  
Duncan  
Duncan  
Duncan  
Mills  
Mills  
Rothe  
Efird  
Rothe

**PARRISH**

Department on Aging  
Ellsworth Correctional Facility  
Youth Center at Beloit  
Civil Air Patrol  
Emergency Medical Services  
Board of Veterinary Medical Examiners  
Dental Board  
Board of Nursing  
Board of Examiners in Optometry  
Real Estate Commission

Howard  
Mills  
Piekalkiewicz  
Mah  
Piekalkiewicz  
Duncan  
Robinson  
Mah  
Robinson  
Efird

**SALISBURY**

Kansas Commission on Veterans Affairs  
(Chair)  
Soldiers' Home (Chair)  
Youth Center at Atchison (Chair)  
Consumer Credit Commission (Chair)  
Bank Commissioner (Chair)  
Savings and Loan Department (Chair)  
Department of Credit Unions (Chair)  
Securities Commission (Chair)  
Civil Rights Commission (Chair)  
Parsons State Hospital (Chair)  
Winfield State Hospital (Chair)  
Kansas Neurological Institute (Chair)

Porter  
  
Porter  
Piekalkiewicz  
Duncan  
Duncan  
Duncan  
Duncan  
West  
Rothe  
Duncan  
Duncan  
Duncan

**GAINES**

Social and Rehabilitation Services  
Kansas Commission on Veterans Affairs  
Soldiers' Home

Howard  
Porter  
Porter

	<u>Fiscal Staff</u>	<u>Final Committee Action</u>
Norton Correctional Facility	Mills	
Youth Center at Topeka	Piekalkiewicz	
Board of Technical Professions	Mah	
Abstracters' Board of Examiners	Porter	
Behavioral Sciences Regulatory Board	Howard	
Board of Hearing Aid Examiners	Rampey	
Board of Healing Arts	Rampey	
KPERS	Conroy	
Capital Improvements	Staff	
<b>ALLEN</b>		
Parsons State Hospital	Duncan	
Winfield State Hospital	Duncan	
Kansas Neurological Institute	Duncan	
Youth Center at Topeka (Chair)	Piekalkiewicz	
Department of Corrections (Chair)	Mills	
Topeka Correctional Complex (Chair)	Mills	
Board of Veterinary Medical Examiners (Chair)	Duncan	
Dental Board (Chair)	Robinson	
Board of Nursing (Chair)	Mah	
Board of Examiners in Optometry (Chair)	Robinson	
Real Estate Commission (Chair)	Efird	
Department of Administration (Chair)	Duffy	
State Finance Council (Chair)	Duffy	
Public Disclosure Commission (Chair)	Mah	
<b>HAYDEN</b>		
Human Resources	Porter	
Kansas State Penitentiary (and KCIL)	Mills	
Ombudsman Board	Mah	
Parole Board	Mah	
Adjutant General	West	
State Fire Marshal	Duffy	
Board of Accountancy	Porter	
Board of Mortuary Arts	Porter	
Board of Pharmacy	Efird	
Board of Barber Examiners	Piekalkiewicz	
Board of Cosmetology	Piekalkiewicz	
KBI	Duffy	
<b>KERR</b>		
Department on Aging (Chair)	Howard	
Kansas State Penitentiary (and KCIL) (Chair)	Mills	
Ombudsman Board (Chair)	Mah	
Parole Board (Chair)	Mah	
Adjutant General (Chair)	West	



	<u>Fiscal Staff</u>	<u>Final Committee Action</u>
State Fire Marshal (Chair)	Duffy	
Board of Accountancy (Chair)	Porter	
Board of Mortuary Arts (Chair)	Porter	
Board of Pharmacy (Chair)	Efird	
Board of Barber Examiners (Chair)	Piekalkiewicz	
Board of Cosmetology (Chair)	Piekalkiewicz	
Youth Center at Beloit (Chair)	Piekalkiewicz	

**FELECIANO**

Rainbow Mental Health Facility	Porter	
Topeka State Hospital	Porter	
Kansas State Industrial Reformatory	Mills	
Hutchinson Correctional Work Facility	Mills	
Youth Center at Atchison	Piekalkiewicz	
Transportation	Rothe	
Department of Administration	Duffy	
State Finance Council	Duffy	
Public Disclosure Commission	Mah	

**HARDER**

Rainbow Mental Health Facility (Chair)	Porter	
Topeka State Hospital (Chair)	Porter	
Winfield Correctional Facility (Chair)	Mills	
Kansas Highway Patrol (Chair)	Rothe	
Transportation	Rothe	
Board of Technical Professions (Chair)	Mah	
Abstracters' Board of Examiners (Chair)	Porter	
Behavioral Sciences Regulatory Board (Chair)	Howard	
Board of Hearing Aid Examiners (Chair)	Rampey	
Board of Healing Arts (Chair)	Rampey	
Kansas Corporation Commission (Chair)	Rothe	
Citizen Utility Ratepayers Board	Rothe	
Capital Improvements (Chair)	Staff	

REMARKS TO BE GIVEN BEFORE  
SENATE WAYS & MEANS COMMITTEE  
ON JANUARY 25, 1990

GOOD MORNING, MY NAME IS BOB MOLLOY, I WAS, UNTIL LAST JULY, THE BENEFITS MANAGER OF HEALTH BENEFITS ADMINISTRATION, WHICH PROVIDES THE STAFF SERVICES FOR THE HEALTH CARE COMMISSION OF THE KANSAS STATE EMPLOYEES HEALTH BENEFIT PLAN. I AM NOW ACTING AS A CONSULTANT TO THE HEALTH CARE COMMISSION. SECRETARY SMITH AND DAVE CHARAY, THE BENEFITS MANAGER OF HEALTH BENEFITS ADMINISTRATION, HAVE ASKED ME TO APPEAR BEFORE YOU TODAY.

COMPLEXITIES

IT IS MY UNDERSTANDING THAT I HAVE BEEN ASKED TO DISCUSS THE COST OF THE KANSAS STATE EMPLOYEES HEALTH BENEFIT PROGRAM. BEFORE I BEGIN THIS DISCUSSION I WOULD LIKE TO REMIND YOU OF SEVERAL ITEMS THAT MAKE DISCUSSIONS OF THIS TOPIC MORE DIFFICULT. THEY ARE:

- \* THE PLAN YEAR IS A CALENDAR YEAR, NOT THE FISCAL YEAR. ALL RECORDS OF THE PLAN ARE KEPT ON A CALENDAR YEAR BASIS. TO CONVERT TO A FISCAL YEAR CAN BE CONFUSING IN THAT FIVE MONTHS OF ONE PLAN YEAR AND SEVEN MONTHS OF THE NEXT PLAN YEAR ARE INCLUDED IN ONE FISCAL YEAR. I WILL FIRST DISCUSS PLAN COSTS IN THE TERMS OF CALENDAR OR PLAN YEARS AND LATER DISCUSS THEM IN TERMS OF FISCAL YEARS.
  
- \* BUDGETS ARE PREPARED SO FAR IN ADVANCE THAT THEY MUST BE

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Attachment 3

BASED UPON ASSUMPTIONS ON SUCH DIFFICULT TO PREDICT ITEMS AS CLAIMS EXPENSES, TREND FACTORS AND EMPLOYEE MOVEMENTS FROM ONE PLAN TO ANOTHER. FOR EXAMPLE, THE FY91 BUDGET NOT ONLY INCLUDES ASSUMPTIONS ON EMPLOYEE PLAN MIGRATION FOR CALENDAR YEAR 1990, BUT ALSO ON EMPLOYEE PLAN MIGRATION AND PREMIUM INCREASES FOR CALENDAR YEAR 1991. THE USE OF SUCH ASSUMPTIONS RESULTS IN MANY DIFFERENT SETS OF FIGURES BEING DEVELOPED AS BETTER INFORMATION BECOMES AVAILABLE. FOR EXAMPLE, ALTHOUGH OPEN ENROLLMENT WAS HELD LAST OCTOBER, WE STILL DO NOT KNOW HOW MANY STATE EMPLOYEES CHANGED HEALTH PLANS FOR 1990. WHEN THIS INFORMATION BECOMES AVAILABLE NEXT MONTH, A MORE ACCURATE ESTIMATE OF CALENDAR YEAR 1990 AND FISCAL YEAR 1991 COSTS CAN BE MADE.

- \* THE FINAL BUDGET INCLUDES THE COST OF HEALTH INSURANCE IN EACH AGENCY'S BUDGET NOT AS A SEPARATE LINE ITEM FOR THE FULL COST OF THE PLAN. ONLY ADJUSTMENTS ARE SHOWN ON A COMPOSITE BASIS. NO WHERE IN FY91 BUDGET IS THE TOTAL COST FIGURE FOR THE HEALTH PLAN.

#### COST TO THE STATE

THE COST OF THE HEALTH PLAN FOR ACTIVE EMPLOYEES INCREASED BY 17.5% OR BY \$15.1 MILLION, FOR CALENDAR 1990. FOR THE FIRST TIME, THE COST OF THE STATE EMPLOYEES HEALTH COVERAGE WILL EXCEED \$100 MILLION. THE COST FOR ACTIVE EMPLOYEES FOR CALENDAR YEAR 1990 IS

EXPECTED TO BE \$102.2 MILLION. WHEN THE COST OF RETIRED STATE EMPLOYEES IS ADDED, THE TOTAL PREMIUM IS EXPECTED TO BE \$113.6 MILLION. IN ABSOLUTE TERMS THE PLAN COST INCREASED A GREAT DEAL FOR 1990. HOWEVER, IN RELATIVE TERMS, THE STATE'S COST INCREASED AT A MUCH LOWER RATE THAN MOST GROUPS ON BOTH ON A NATIONAL AND KANSAS BASIS. NATIONALLY INCREASES HAVE AVERAGED IN THE MID-TWENTY PERCENT RANGE. BLUE CROSS AND BLUE SHIELD OF KANSAS HAS TOLD THE STATE THAT MOST OF THEIR GROUPS WERE RECEIVING INCREASES OF OVER 30% FOR 1990. BECAUSE OF THIS RELATIVELY LOW INCREASE IN PREMIUMS, THIS IS THE FIRST TIME IN THREE YEARS THAT THE HEALTH CARE COMMISSION HAS NOT HAD TO ASK THE LEGISLATURE FOR SUPPLEMENTAL FUNDING TO FINISH THE FISCAL YEAR.

THE COST TO THE STATE FOR THE HEALTH PLAN IN CALENDAR YEAR 1990 IS EXPECTED TO BE \$74.5 MILLION. OF THIS AMOUNT, \$67.3 MILLION WILL BE PAID TOWARD THE PREMIUMS OF EMPLOYEES AND \$7.2 WILL BE PAID TOWARD THE PREMIUMS OF DEPENDENTS OF EMPLOYEES.

AT THIS TIME IT IS ESTIMATED THAT PREMIUMS UNDER THE HEALTH PLAN WILL INCREASE BY 20% IN 1991 OVER THE CURRENT PREMIUMS. THIS RATE OF INCREASE IS BASED UPON CURRENT TRENDS. ASSUMING THIS RATE OF INCREASE AND THAT THE INCREASES WILL BE SHARED IN THE SAME PROPORTIONS AS 1990 PREMIUMS ARE SHARED, THE STATE'S COST IN 1991 WILL BE \$89.4 MILLION. ABOUT \$80.8 MILLION WILL BE PAID FOR EMPLOYEE COVERAGE AND \$8.6 MILLION TOWARD DEPENDENT COVERAGE.

FY91 WILL CONTAIN FIVE MONTHS OF 1990 PREMIUMS AND 7 MONTHS OF 1991 PREMIUMS. THE TOTAL STATE COST FOR FY91 IS EXPECTED TO BE \$83.1 MILLION. OF THIS AMOUNT, \$8.0 MILLION WILL BE PAID TOWARD THE PREMIUMS OF DEPENDENTS.

THE STATE FIRST MADE CONTRIBUTIONS TOWARDS THE PREMIUMS OF DEPENDENTS IN 1989 WHEN THE STATE CONTRIBUTED ABOUT \$6.3 MILLION TOWARDS DEPENDENTS' PREMIUMS. THE STATE STARTED THIS PRACTICE FOR SEVERAL REASONS:

- \* THE PREMIUMS FOR DEPENDENT COVERAGE WERE SO HIGH THAT FOR THE MOST PART, THE DEPENDENTS WHO WERE COVERED UNDER THE PLAN HAD SERIOUS MEDICAL PROBLEMS. IF DEPENDENTS DID NOT HAVE SERIOUS MEDICAL PROBLEMS, EMPLOYEES WERE BUYING INDIVIDUAL POLICIES FOR THEM, COVERING THEM UNDER AN HMO, OR NOT PROVIDING ANY COVERAGE FOR THE DEPENDENTS. BY SUBSIDIZING THE DEPENDENT COVERAGE, THE STATE HOPED TO MAKE DEPENDENT COVERAGE UNDER THE PLAN MORE AFFORDABLE TO STATE EMPLOYEES.
  
- \* THE DEPENDENTS OF RETIRED EMPLOYEES WERE NOT PAYING SUFFICIENT PREMIUMS TO COVER THE COST OF THEIR CLAIMS. SINCE THEIR CLAIMS EXPERIENCE IS COMBINED WITH THE EXPERIENCE OF ACTIVE EMPLOYEES, THEIR POOR EXPERIENCE WAS CAUSING ACTIVE EMPLOYEES WITH DEPENDENTS TO PAY HIGHER PREMIUMS. SINCE OVER 97% OF ALL RETIREES ARE COVERED BY THE INDEMNITY PLAN, IT WAS MAINLY THE EMPLOYEES WHO WERE COVERED BY THE INDEMNITY PLAN WHO WERE

PAYING HIGHER PREMIUMS DUE TO THE RETIREES. THE SUBSIDY WAS DESIGNED TO HELP OFFSET THE ADDITIONAL PREMIUMS CAUSED BY THE DEPENDENTS OF RETIREES.

- \* THE STATE ALSO HOPED THAT BY SUBSIDIZING THE DEPENDENT PREMIUMS, HEALTHY DEPENDENTS COULD BE ATTRACTED TO THE INDEMNITY PLAN. IT WAS FELT THAT ATTRACTING HEALTHY DEPENDENTS TO THE PLAN COULD REDUCE THE OVERALL COST OF THE HEALTH PLAN SINCE THE STATE BENEFITS FROM THE GOOD CLAIMS EXPERIENCE OF THE INDEMNITY PLAN, BUT DOES NOT BENEFIT FROM THE GOOD EXPERIENCE OF AN HMO.

THESE CONTRIBUTIONS APPEAR TO HAVE BEEN A GOOD INVESTMENT FOR THE STATE. BASED UPON CLAIMS EXPERIENCE TO DATE, THE STATE WILL BE ABLE TO RETAIN \$3 TO \$5 MILLION OF THE 1989 PREMIUMS DUE TO THE BETTER RISK PARTICIPANTS BEING ATTRACTED TO THE BLUE CROSS PLAN BECAUSE OF THE STATE SUBSIDY OF DEPENDENT PREMIUMS. IN ADDITION, THE STATE'S COST FOR EMPLOYEES COVERED UNDER THE BLUE CROSS MEDICAL PLAN INCREASED ONLY 14.8% IN 1990 OVER 1989. THIS COMPARES TO AVERAGE INCREASES OF ABOUT 30% MOST KANSAS BLUE CROSS GROUPS RECEIVED. IF THE STATE HAD RECEIVED THE AVERAGE BLUE CROSS INCREASE, THE STATE'S COST WOULD HAVE BEEN ABOUT \$6.7 MILLION MORE IN 1990. ALTHOUGH IT IS UNCERTAIN THAT FUTURE CONTRIBUTIONS FOR DEPENDENTS WILL PROVIDE AS GOOD A FINANCIAL RETURN, 1990 EXPERIENCE IS EXPECTED TO IMPROVE BECAUSE ABOUT 1,400 MORE EMPLOYEES ARE EXPECTED TO BE COVERED BY THE INDEMNITY PLAN IN 1990 THAN WERE IN

1989. MOST OF THESE NEW INDEMNITY PLAN PARTICIPANTS WILL COME FROM RILEY AND ELLSWORTH COUNTIES WHERE ALL PHYSICIANS HAVE WITHDRAWN FROM HMO KANSAS. THE EMPLOYEES IN RILEY COUNTY WHO WERE COVERED BY HMO KANSAS IN 1989, ARE, ON THE AVERAGE, YOUNGER THAN THE AVERAGE EMPLOYEE COVERED BY THE INDEMNITY PLAN IN 1989. THEREFORE IT IS EXPECTED THAT THEY WILL HELP THE INDEMNITY PLAN'S CLAIMS EXPERIENCE FOR 1990.

EMPLOYEE COST

IN 1990 FULL TIME EMPLOYEES WILL PAY FROM \$2.00 TO \$21.00 FOR INDIVIDUAL COVERAGE. THE EMPLOYEE'S CONTRIBUTION VARIES DEPENDING UPON THE EMPLOYEE'S SALARY AND USE OF TOBACCO. PART TIME EMPLOYEES PAY UP TO \$40.90 PER MONTH FOR INDIVIDUAL COVERAGE. A FULL TIME EMPLOYEE WHO HAS FAMILY COVERAGE MIGHT PAY AS MUCH AS \$293.76 PER MONTH FOR COVERAGE.

OVERALL EMPLOYEES ARE EXPECTED TO CONTRIBUTE \$28.4 MILLION IN PREMIUMS TO THE PLAN IN 1990. RETIRED EMPLOYEES ARE EXPECTED TO CONTRIBUTE AN ADDITIONAL \$10.8 MILLION IN 1990.

BASED ON THE ASSUMPTIONS THAT TOTAL PREMIUMS WILL INCREASE BY 20% FOR 1991 AND THAT THE INCREASE WILL BE SHARED IN THE SAME PROPORTION AS CURRENT PREMIUMS, EMPLOYEES WILL CONTRIBUTE \$34.9 MILLION AND RETIRED EMPLOYEES WILL CONTRIBUTE \$13.0 MILLION IN 1991.

# New Premium Rates Effective January 1, 1990

Type of Coverage	1989 Employee Cost	1990 Employee Cost	Change In Employee Cost	1990 State Cost	1990 Total Premium
<b>Individual Only</b>					
Blue Cross	\$2.00	\$2.00	none	\$172.04	\$174.04
HMO Kansas	\$2.00	\$2.00	none	\$156.28	\$158.28
Family Health Plan*	\$2.00	\$2.00	none	\$105.91	\$107.91
Kaiser**	\$2.00	\$2.00	none	\$115.56	\$117.56
Med Plan**	\$2.00	\$2.00	none	\$99.61	\$101.61
Prime Health**	\$2.00	\$2.00	none	\$122.34	\$124.34
<b>Spouse Only</b>					
Blue Cross	\$150.42	\$179.51	\$29.09	\$203.37	\$382.88
HMO Kansas	\$132.32	\$157.92	\$25.60	\$160.06	\$317.98
Family Health Plan*	\$95.25	\$107.79	\$12.54	\$107.26	\$215.05
Kaiser**	\$124.33	\$149.77	\$25.44	\$116.91	\$266.68
Med Plan**	\$108.66	\$119.85	\$11.19	\$100.96	\$220.81
Prime Health**	\$145.30	\$197.39	\$52.09	\$123.69	\$321.08
<b>Children Only</b>					
Blue Cross	\$87.19	\$93.76	\$6.57	\$188.23	\$281.99
HMO Kansas	\$74.85	\$83.79	\$8.94	\$157.93	\$241.72
Family Health Plan*	\$158.35	\$178.31	\$19.96	\$106.71	\$285.02
Kaiser**	\$83.79	\$92.80	\$9.01	\$116.36	\$209.16
Med Plan**	\$88.34	\$93.81	\$5.47	\$100.41	\$194.22
Prime Health**	\$103.46	\$102.63	-\$0.83	\$123.14	\$225.77
<b>Full Family</b>					
Blue Cross	\$175.06	\$200.45	\$25.39	\$277.26	\$477.71
HMO Kansas	\$197.82	\$241.80	\$43.98	\$161.71	\$403.51
Family Health Plan*	\$200.41	\$220.31	\$19.90	\$108.06	\$328.37
Kaiser**	\$197.03	\$240.57	\$43.54	\$117.71	\$358.28
Med Plan**	\$155.00	\$176.75	\$21.75	\$101.76	\$278.51
Prime Health**	\$230.26	\$274.76	\$44.50	\$124.49	\$399.25

\*Available in Newton area only

\*\*Available in Kansas City area only

These are monthly, non-tobacco-user rates based on a full-time salary of less than \$17,000 and the dependent rates include dependent dental coverage. If you are a tobacco-user, add \$10. If you earn \$17,000 or more but less than \$30,000, add \$4. If you earn more than \$30,000 add \$9.

## Open Enrollment for 1990 Is This October

Open Enrollment for the 1990 health plan will be October 2 - 31. Remember, this is the only time of year you can make changes in your 1990 health plan. You should participate in Open Enrollment if:

- You wish to change or cancel your health coverage for 1990;
- You wish to change who is covered under your health policy;
- You live in a county which added Blue Select

for 1990: Meade, Clark, Edwards, Coffey, Atchison, Leavenworth or Miami;

- You live in Linn County and wish to enroll in MedPlan;
- Your PCP has withdrawn from the plan in which you currently are enrolled. This is especially important for those in HMO Kansas who live in Riley and Ellsworth Counties; or
- You wish to change your designation regarding the taxable or tax-free status of your monthly health premiums (see ALERT, Page 2).



# Kansas State Employees Health Care Commission

## ESTIMATED COST OF HEALTH BENEFITS PROGRAM CALENDAR YEAR BASIS

	State Cost	Employee Cost	Total Cost
1989	\$62,975,568	\$24,281,950	\$ 87,257,518
1990	\$74,462,628	\$28,407,896	\$102,870,524
1991	\$89,355,156	\$34,089,475	\$123,444,631

## ESTIMATED COST OF HEALTH BENEFITS PROGRAM FISCAL YEAR BASIS

	State Cost	Employee Cost	Total Cost
1990	\$69,676,351	\$26,688,751	\$ 96,365,102
1991	\$83,149,935	\$31,722,149	\$114,872,084