

Approved Gary Blumenthal
Date 4-29-91

MINUTES OF THE House COMMITTEE ON Governmental Organization

The meeting was called to order by Rep. Gary Blumenthal at
Chairperson

11:00 a.m./p.m. on Thursday, April 25, 1991 in room 522-S of the Capitol.

All members were present except:
Rep. Joan Hamilton, excused
Rep. Rick Bowden, excused
Rep. Nancy Brown, excused

Committee staff present:
Carolyn Rampey, Research Dept.
Chris Courtwright, Research Dept.
Avis Swartzman, Revisor of Statutes
Nita Shively, Committee Secretary

Conferees appearing before the committee:
Rep. Kerry Patrick
Mike Scanlon, Finance Officer - Merriam
Anne Smith, KS Association of Counties
Nancy Hodges, City Clerk, City of Shawnee
Bill Curtis, Assistant Director of School Boards
Ernie Mosher, League of Municipalities
Larry Magill, Independent Insurance Agents of KS

Chairman Blumenthal called meeting to order. He advised that since SB 251 has been re-referred several times and it is so late in the session, both the hearing and action needed to take place today.

SB 251 - AN ACT concerning insurance; relating to Kansas municipal group-funded pool act.

Rep. Patrick testified in support of SB 251. He emphasized that many communities, including his own, are members of the municipal insurance pool. Since legislation is mandatory in order for the pool to continue to operate, he urged the committee to pass this bill favorably. If this is not done, all the participating municipalities will be forced to find other insurance plans, resulting in much higher costs both for cities and employees.

Mike Scanlon appeared in support of SB 251 furnishing written testimony, (Attachment 1). Mr. Scanlon elaborated on the background of MARCIT and why the Kansas Insurance Department feels there was a misinterpretation of the original authorization for intrastate pools. In order to correct this problem, a new statute is necessary to permit interstate pools to continue.

Anne Smith appeared as a proponent for SB 251, stating, however, one objection. Ms. Smith pointed out that the amendment on page 4, Section 5 gives a negative connotation and would like that portion deleted.

Chris Courtwright followed with the staff report on SB 251. He gave a brief history of the bill and explained the provisions outlined in the Supplemental Note, which includes the rather controversial disclaimer.

Nancy Hodges testified as a proponent of SB 251, stating that the city of Shawnee is facing a critical health-care crisis that needs to be resolved by May 1. Due to escalating medical costs, Shawnee has been forced to investigate other plans. They feel that MARCIT will solve their dilemma by providing coverage at a reasonable cost. However, immediate legislation is required in order to make the desired change.

Bill Curtis spoke as a proponent for SB 251 but, nevertheless, voiced strong objections to the disclosure items. He stressed that MARCIT is a legitimate option, but the disclosure clause makes the pool look like a second class alternative.

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 House COMMITTEE ON Governmental Organization,
room 522-S, Statehouse, at 11:00 a.m./~~p.m.~~^{XX} on Thursday, April 25, 1991

Ernie Mosher appeared in support of SB 251 as passed out by the Senate. However, he was highly critical of the disclaimer amendments, added by the House Insurance Committee, and requested that portion be eliminated.

Larry Magill testified in favor of SB 251. He gave an explanation of the provisions in the amendment, stating that his position is somewhat ambivalent at this point. He feels that the need for this legislation outweighs whether the amendments should or should not be included.

Chair made several observations to the committee pertaining to this bill. He emphasized that some individuals, currently covered under the MARCIT plan, would face extreme hardship--due to pre-existing conditions they would be un-insurable under other plans. Furthermore, the Chairman of the House Insurance Committee urges passage of this bill, as amended, as soon as possible; otherwise there could be a problem getting it back on the calendar. Chair also stated that if the amendments were dropped, there could also be a problem getting it back on the calendar.

Following discussion a motion was made by Rep. Benlon to adopt the House Insurance Committee amendments, seconded by Rep. Bishop, motion carried. On bill as a whole, motion was made by Rep. Benlon to pass SB 251 favorably as amended, seconded by Rep. Ramirez, motion carried.

Motion to approve minutes for April 12th was made by Rep. Hackler, seconded by Rep. Bishop, motion carried.

Meeting adjourned at 11:55 a.m.

The following is a copy of a presentation to the ~~Kansas Senate Finance and Insurance~~ on ~~March 4, 1991~~ by ~~Eric Wade, City Administrator~~, Merriam, in support of SB-251.

April 25, 1991 Mike Scaulon, Finance Officer

Introduction:

Good Morning.

It is ~~both an~~ honor and a privilege to have this opportunity to address this committee in support of SB-251.

By way of introduction my name is ^{Mike Scaulon} ~~Eric Wade~~. I am the ^{Finance Officer} ~~City Administrator~~ in Merriam and also an executive board member of the Mid America Regional Council Insurance Trust (MARCIT).

The proposed special legislation that this committee is now considering, in very simple terms does one thing — it allows an existing, well run, municipal health insurance trust to continue to operate across the Kansas/Missouri state line.

In the next few minutes, I would like to share with you why I believe this is an important piece of legislation.

Background on MARCIT:

First, I'd like to tell you about the municipal insurance pool that this legislation, if passed, will help.

The old adage that "there is strength in numbers" is no where truer than in the business of insurance. Over the last decade, across the country, smaller municipalities have joined together in self-funding pools in an effort to help make insurance affordable. Health insurance, in particular, we have all discovered is becoming unaffordable or unavailable.

In response to this growing need, MARCIT was established in 1983 using sound underwriting and risk management techniques. Since 1984 13 municipalities in Kansas have joined this health pool. On the Missouri side MARCIT now has 37 members. A total of 50 small to medium sized municipal entities in the greater metropolitan Kansas City area now participate.

A breakdown of the employees covered under this plan shows a total of over 2,900 lives and nearly \$7 million in premiums. Roughly 15% of the members and premiums are Kansas. This health insurance pool provides comprehensive medical and dental care at an affordable price to its members.

Why this legislation is necessary:

Second, I'd like to describe where our problem lies.

As I understand, up until last year, there was no specific statute that prescribed the way a municipal health pool was to be operated. Then, when SB 587 was passed, the

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Attachment 1

regulations specifically authorized the establishment of municipal health pools in the state. The language, however, authorized only intrastate pools and was silent about interstate pools. (Kansas municipalities joined MARCIT under the assumption that statutes allowing interlocal agreements and self-funding of insurance permitted their membership.)

The Kansas Insurance Department has informed the MARCIT board that the intention of the statute was to only allow intra-state pooling. Since MARCIT was informed of this last fall, we have been working cooperatively with the Insurance Department to figure out a way to continue operating. There is realistically only one option, to shut down the operation of the MARCIT in Kansas. This is causing many problems, which we are now in the process of trying to overcome.

One obvious possibility and one that we will have to pursue if this legislation doesn't pass, will be for the Kansas members to form a separate pool. This is not necessarily a good option. It would require a lot of work, time and money and result in a pool that is not as sound from an actuarial and financial standpoint because it would be considerably smaller. With the current Kansas members, the minimum premium as described in the statutes of 1 million dollars would barely be met. Operating that close to the margin is not a comforting prospect. Additionally, to start a new pool there would be all those expenses up front to get off the ground. Needless to say, there would be many transition problems.

What this bill would do:

The other and better solution to our problem is the passage of this legislation.

This bill allows an existing interstate, regional municipal health insurance pool to continue operation. The proposed amendment specifically does three things:

1. Adds a new section (12-2630) that specifically allows for municipalities to enter into agreements for the purpose of multi-state pooling for health insurance in the counties of Douglas, Johnson, Leavenworth, Miami, and Wyandotte in accordance with the Kansas statutes regulating municipal health insurance pools.
2. Requires that any investments held by the pool, including out of state funds, be invested according to KSA 12-2622 which requires the funds be invested in a Kansas financial institution. and restricts the manner in which these funds are invested.
3. Amends Sections 12-2624 so that the per annum one percent fee applies only to Kansas members of the pool and amends Section 12-2627 which amends the way that trustees are selected for such pool, giving in this instance of a multi-state pool, proportional representation based on the percent of premiums paid by Kansas entities, and also in this instance, Missouri entities.

Summary:

The following Kansas municipalities are currently members of MARCIT: Baldwin City, Basehor, Bonner Springs, Edgerton, Edwardsville, Fairway, Lansing, Leavenworth, Leawood, Mission, Merriam, Osawatomie, and Spring Hill. The financial impact on these cities if this special legislation is not passed is considerable. Some members have indicated that prior to joining MARCIT they were unable to find insurance companies that would quote them because of their small size or experience. Allowing MARCIT to continue through this legislation makes sense because it allows these cities a way to provide a benefit to their employees that is considered a traditional part of the compensation program of public employees at a savings to our collective taxpayers. Thank you.