

Approved \_\_\_\_\_

Date

2/20/91

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./~~pm~~ on MONDAY, FEBRUARY 18, 1991 in room 529-S of the Capitol.

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

Senators Anderson, Francisco, Kerr, Moran, Parrish, Reilly, Salisbury, Strick and Yost.

Committee staff present:

Bill Wolff, Research Department  
Fred Carman, Revisors Office  
Louise Bobo, Secretary

Conferees appearing before the committee:

Dick Brock, Kansas Insurance Department  
Tom Bell, Kansas Hospital Association  
Chip Wheelen, Kansas Medical Society  
Harold Riehm, Kansas Osteopathic Association

The meeting to order at 9:09 a.m. by the Chairman.

Chairman Bond requested introduction of a bill to grandfather multi-state municipal pools for health insurance. (Attachment 1)

Senator Strick made the motion to allow introduction of this bill. Senator Anderson seconded the motion. The motion carried.

Dick Brock, Kansas Insurance Department, suggested several amendments to the language of the bill and the Chairman requested Staff to draft the bill with these changes in place.

SB 180 - An Act concerning hospitals; authorizing purchase of professional liability insurance for staff as part of recruitment.

Tom Bell, Kansas Hospital Association, spoke before the committee in support of this bill. Mr. Bell explained that laws applicable to governmental hospitals have never specifically allowed those hospitals to consider liability insurance as part of a financial package and SB 180 would clarify this language and allow governmental hospitals to compete on an equal basis with private hospitals. Mr. Bell did suggest one change in the language of the bill. Stating that it was important to retain a physician after recruiting him, he recommended changing the language in several sections of the bill to read "recruitment or retention" of staff. (Attachment 2)

Discussion followed. In response to a question by a member, Mr. Bell said that there were about 140 hospitals in Kansas with 70 or 80 being government hospitals, the majority of which are small county hospitals. He continued by advising how difficult it was for these small rural hospitals to offer enough of a financial package to entice physicians to their area. This bill would clarify the language to specifically allow them to compete on a more equal basis.

Chip Wheelen, Kansas Medical Society, informed the committee that he was in support of SB 180 and agreed with the position of the Kansas Hospital Association. He emphasized the need to be able to offer a physician adequate incentives to practice in a given area as they are usually heavily in debt after completing their training. (Attachment 3)

During discussion, Mr. Wheelen explained that small hospitals sometimes do not have enough patients to maintain an adequate income for the doctor. Mr. Wheelen was also asked if a hospital would be permitted to furnish office space for a doctor. He answered that that would be questionable since the hospital would run the risk of losing their tax free status.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,

room 529-S, Statehouse, at 9:00 a.m. ~~xxx~~ on MONDAY, FEBRUARY 18, 1991.

Harold Riehm, Kansas Osteopathic Association, addressed the committee briefly in support of this legislative proposal. He admonished the committee to keep in mind how difficult it is to recruit physicians for rural areas and that there is a huge milieu in the way a financial package can be presented. He also informed the committee that this was being done in other states and had proven to be an extremely effective tool in recruiting doctors to rural communities.

The Chairman requested the committee's wishes with respect to the amendments proposed in Mr. Bell's testimony.

Senator Kerr made a motion to accept the amendments to SB 180. Senator Salisbury seconded the motion. The motion carried.

Senator Kerr then made a motion to pass the bill out of committee favorably as amended. Senator Francisco seconded the motion. The motion carried.

In answer to committee request, the Kansas Insurance Department prepared a memorandum detailing the status of bills necessary for accreditation by the National Association of Insurance Commissioners and this information was distributed to the committee members. (Attachment 4)

The minutes of Thursday, February 14, 1991 were approved as written on a motion by Senator Strick with Senator Salisbury seconding the motion. The motion carried.

The meeting adjourned at 9:40 a.m.



## PROPOSED AMENDMENT TO THE KANSAS INSURANCE STATUTES

12-2624. Gross premium tax, rate, payment; deductions for cancellations and dividends. In addition to the fees required to be paid in K.S.A. 1987 Supp. 12-2622, and as a condition precedent to the continuation of the certificate of authority provided in this act, all group-funded pools shall pay no later than 90 days after the end of each fiscal year a tax upon the annual Kansas gross premium collected by the pool at the rate of 1% per annum applied to the collective premium relating to all Kansas members of the pool for the preceding fiscal year. In the computation of the tax, all pools shall be entitled to deduct any annual Kansas gross premiums returned on account of cancellation or dividends returned to members of such pools or expenditures used for the purchase of specific and aggregate excess insurance, as provided in subsection (h) of K.S.A. 1987 Supp. 12-2618.

12-2627. Board of trustees of pool, qualifications, duties; administrator, bond; audits; credit transactions; delegation of authority from board to administrator. To ensure the financial stability of the operations of each group-funded pool, the board of trustees of each pool is responsible for all operations of the pool. The board of trustees shall consist of not less than three persons selected according to the bylaws of the pool for stated terms of office to direct the administration of a pool, and whose duties include approving applications by new members of the pool. The majority of the trustees must be a member of the governing body or an officer or employee of members of the pool, but a trustee may not be an owner, officer or employee of any service agent or representative. All trustees shall be residents of this state unless the pool was formed on or before January 1, 1990 in which event the number of Kansas resident trustees of the pool must be that percentage of all trustees of the pool that equals the percentage of the number of Kansas lives covered by the pool with respect to all lives covered by the pool on the last day of the prior fiscal year of the operation of the pool. The board of trustees of each fund shall take all necessary precautions to safeguard the assets of the fund, including all of the following:

12-2630. Multi-State Pools. Notwithstanding the provisions of K.S.A. 12-2616 through K.S.A. 12-2629, any municipalities as defined in K.S.A. 75-6102, and amendments thereto, located in and including Douglas, Johnson, Leavenworth, Miami, and Wyandotte counties, may <sup>2001/04 +</sup> enter into agreements to pool their sickness and accident related liabilities <sup>in accordance with</sup> ~~as described~~ <sup>et seq.</sup> in K.S.A. 12-2617 with municipalities located in other states if such a pool was formed ~~under the laws of such other state~~ on or before January 1, 1990. Any investments held by such pool shall be held in an entity described in K.S.A. 12-2622.

Attachment 1  
F I & I  
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## Memorandum

**Donald A. Wilson**  
President

**TO:** Senate Committee on Financial Institutions and Insurance

**FROM:** Thomas L. Bell  
Vice President

**DATE:** February 18, 1991

**RE:** **SENATE BILL 180**

The Kansas Hospital Association appreciates the opportunity to comment regarding Senate Bill 180. This bill would change Kansas law to make it clear that governmentally-owned hospitals could purchase professional liability insurance for medical staff members as an aid in recruitment of such staff.

It goes without saying that the presence of one or more physicians is absolutely necessary for the continued existence of a given hospital. Historically, Kansas hospitals, especially those in rural areas, have struggled to recruit physicians to their communities. Over the past several years, it has become essential for a recruiting hospital to be able to offer a physician a financial package that provides incentives to locate in that community. Certainly one aspect of this incentive package is professional liability insurance. The prospect of a substantial insurance premium is often difficult to cope with, especially for someone just beginning his or her medical practice.

Our laws have made it difficult to include professional liability insurance as part of a physician recruitment package. Laws applicable to governmental hospitals have never specifically allowed those hospitals to consider liability insurance for such a package. Senate Bill 180 would change those laws. It would provide governmental hospitals with an additional tool to use in the task of physician recruitment. It would also put those hospitals on an equal footing with non-governmental hospitals.

Although we certainly endorse Senate Bill 180, we think one minor change should be made. Once a physician is recruited to a community, it then becomes important to retain that physician. It would, therefore, be appropriate to add the words "or retention" to each section of the bill so that it speaks in terms of "recruitment or retention" of staff. This change would be applicable to line 31, page 2; line 16, page 3; line 37, page 4; line 15, page 5; line 23, page 6; line 15, page 7; lines 10 and 39, page 8; and line 24, page 9.

Thank you for your consideration of our comments.

*Attachment 2  
FI v I  
2/18/91*



# KANSAS MEDICAL SOCIETY

1300 Topeka Avenue • Topeka, Kansas 66612 • (913) 235-2383  
Kansas WATS 800-332-0156 FAX 913-235-5114

February 18, 1991

TO: Senate Financial Institutions and Insurance Committee

FROM: Kansas Medical Society *Chap A. Fuller*

SUBJECT: Senate Bill 180; Hospital Purchase of Liability Insurance for Medical Staff

Thank you for this opportunity to express the support of the Kansas Medical Society for the provisions of SB 180. The authorization granted to municipal hospitals to purchase liability insurance for members of the medical staff could be a genuine asset to those hospitals for purposes of recruiting physicians to practice medicine in the respective communities. As you are probably aware, most medical students upon completing their medical education have accrued a substantial debt. Upon completing their academic curriculum, they then engage in residency training at a very modest income level. Then upon commencing their practice, they must oftentimes borrow additional money in order to capitalize the new business. This means that the physician getting started is confronted with existing debt, as well as the need to borrow additional funds. The provisions in SB 180 would lessen this burden and eliminate one of the obstacles to recruiting physicians to practice in a given community.

Thank you for considering our comments. We urge your favorable recommendation on SB 180.

/cb

*Attachment 3  
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National Association of Insurance Commissioners  
Financial Regulatory Standards  
Kansas Status

The National Association of Insurance Commissioners (NAIC) has adopted a program which consists of a set of standards that identify the essential statutes, regulations and resources necessary for adequate solvency regulation. In addition to adoption of the standards, this NAIC initiative is supplemented by an independent accreditation program whereby, before being accredited, each state will be evaluated to determine if its laws, regulations, administrative procedures, and resources meet the standards established. Building on this program, the National Conference of State Legislators (NCSL) has issued a statement on insurance company insolvencies which, in effect, endorses the NAIC program.

Based on an analysis of Kansas statutes and regulations by the legal staff of the NAIC, Kansas is lacking statutory or regulatory authority or processes in only 5 areas. Senate Bills 53, 67 and 111 dealing with insurance company examinations, amendments to the law governing insurance holding company systems and a formalized method of handling liquidations and rehabilitations respectively will address 3 of these areas. A fourth area involves the adoption of an administrative regulation relating to life reinsurance agreements. The Department is planning to propose adoption of this regulation in the immediate future. The fifth and final need is enactment of a law regulating reinsurance intermediaries. This particular law was added to the NAIC standards in December of 1990 and states have two years to meet new additions. Therefore, unless the accreditation team's review reveals some deficiency not now apparent, Kansas can become accredited without the law governing reinsurance intermediaries and this legislation will be proposed to the 1992 Kansas Legislature.