

Approved \_\_\_\_\_

Date

4/3/91

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./~~XXXX~~ p.m. On MONDAY, APRIL 1, 1991 in room 529-S of the Capitol.

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

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

Committee staff present:

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

Conferees appearing before the committee:

Paul Klotz, Association of Community Mental Health Centers  
Chip Wheelen, Kansas Psychiatric Society  
Bill Sneed, Health Insurance Association of America  
Stan Lind, Kansas Association of Financial Services

Chairman Bond called the meeting to order at 9:09 a.m.

HB 2202 - Insurance: coverage of certain accident and sickness policies.

Paul Klotz, Association of Community Mental Health Centers, appeared before the committee in support of this proposed legislation. Mr. Klotz advised the committee that this bill was good public policy because it would: (1) require that out-of-state insurance policies meet Kansas law, (2) force insurance companies to cover mental illness as well as physical illness, (3) Kansas employers using in state insurance companies will not be at a disadvantage against out-of-state employers, and (4) Kansas taxpayers will not have to pay health costs for those having insurance. Mr. Klotz concluded by stating that this bill will cover the whole of citizen's need and also is in keeping with the State's priorities of trying to hold down taxes. (Attachment 1)

Chip Wheelen, Kansas Psychiatric Society, added the support of his organization to HB 2202. Mr. Wheelen stressed to the committee the advantage of early intervention and treatment of mental illness in order to avoid long term loss. Mr. Wheelen stated that HB 2202 was good public policy and sound insurance practice because it requires companies outside of Kansas, but insuring Kansas residents. to be subject to the same coverage requirements as companies located within the state. (Attachment 2)

Bill Sneed, Health Insurance Association of America, expressed the opposition of his organization to the mandates for coverage of mental illness and drug abuse found in this proposed legislation. Mr. Sneed also emphasized that this type of coverage was available if an employer wishes to purchase it, thus the mandates in HB 2202 are unnecessary. (Attachment 3)

Discussion followed with committee members expressing concern that we had probably carried mandates too far and made basic health care unaffordable for some but still why exclude mental illness and drug abuse groups. A member suggested that these mandates might be cost effective in the future.

HB 2378 - Regulating credit service organizations.

Stan Lind, Kansas Association of Financial Services, addressed the committee in support of this bill. Mr. Lind informed the committee that this bill was copied after a National Foundation for Consumer Credit model act and was introduced at the request of the National Foundation. Mr. Lind advised the committee that this bill was needed in order to regulate "credit doctors" who make claims of being able to "cure" a debtor's credit problems under all circumstances. This bill would subject such companies to specific regulations that would curb the activities of such organizations. (Attachment 4)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,  
room 529-S Statehouse, at 9:00 a.m./~~p.m.~~ on MONDAY, APRIL 1, 1991

Senator Salisbury made a motion to recommend HB 2378 favorable for passage. Senator Yost seconded the motion. The motion carried.

HB 2146 - Insurance: amending the Kansas insurance premium finance company act.

Discussion returned to this bill, first heard on March 18. At that time, there was some confusion over the method to be used in returning any unearned service charge, page 2, lines 37-43. Staff recommended that if they wanted to maintain the "rule of 78" then remove the strikeouts and return to the original language of the bill.

Senator Yost made a motion to delete the strikeouts in HB 2146, page 2, lines 37-43. Senator Moran seconded the motion. The motion carried.

Senator Strick made a motion to recommend HB 2146, as amended, favorable for passage. Senator Yost seconded he motion. The motion carried.

The Chairman requested the committee's wishes concerning HB 2202.

Senator Anderson made a motion to recommend HB 2202 favorable for passage. Senator Parrish seconded the motion. The motion carried.

The minutes of Monday, March 25 and Wednesday, March 27, 1991 were approved on a motion by Senator Salisbury with Senator Strick seconding the motion. The motion carried.

The meeting adjourned at 10:03 a.m.





**Association of Community  
Mental Health Centers of Kansas, Inc.**

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**TESTIMONY PRESENTED ON  
HOUSE BILL 2202  
SENATE FINANCIAL INSTITUTIONS AND  
INSURANCE COMMITTEE  
Hon. Richard Bond, Chair**

**BY**

**Paul M. Klotz  
April 1, 1991**

John G. Randolph  
President  
Emporia

Eunice Ruttinger  
President Elect  
Topeka

Ronald G. Denney  
Vice President  
Independence

Donald J. Fort  
Secretary  
Garden City

Don Schreiner  
Treasurer  
Manhattan

Dan Watkins  
Member at Large  
Lawrence

Kermit George  
Past President  
Hays

Paul M. Klotz  
Executive Director  
Topeka

I appreciate this opportunity to support H.B. 2202.

This Association of thirty Community Mental Health Centers sees over 90,000 Kansans each year. The centers receive approximately one-quarter of their revenue from private third parties or out of pocket. The other three-quarters of our revenue comes from federal, state, and local taxpayers. Every time an insured patient does not have coverage for mental illness and/or substance abuse, the taxpayer pays for some of all of their care and treatment. H.B. 2202 would go far toward making certain that the private insurance industry pays its fair share. Also, as you know, "high taxes" is the number one issue of this legislative session, therefore, passage of this bill is good public policy and in keeping with the State's priorities.

This bill is good for Kansas. Kansas insurance companies will benefit by improving the competitive environment. That is, out-of-state insurance policies will have to meet Kansas law.

Kansas employees suffering a mental illness will be covered by their health and accident policies.

Kansas employers loyally using Kansas insurance companies will not be disadvantaged vis a vis out-of-state employers.

Kansas taxpayers will not have to pay or supplement health costs for those having insurance.

Finally, H.B. 2202 is good public policy in that it covers the whole citizen's need and does not discriminate against those who happen to have a mental illness opposed to a physical illness.

Thank you for this opportunity to comment.

*Attachment 1  
FI & I  
4/1/91*



April 1, 1991

# Kansas Psychiatric Society

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Telephone: (913) 232-5985  
or (913) 235-3619

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Chip Wheelen  
*Public Affairs Contact*  
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**TO:** Senate Financial Institutions and Insurance Committee  
**FROM:** Kansas Psychiatric Society *Chip Wheelen*  
**SUBJECT:** House Bill 2202; Health Insurance Policies  
Delivered to Kansans by Out-of-State Companies

Thank you for this opportunity to express the support of the Kansas Psychiatric Society for the provisions of HB 2202. We have appeared on a number of occasions in either this committee, the public health and welfare committees, or interim committees to explain the merits of health insurance coverage for mental illness or nervous disorders. At the appropriate time, we would be happy to return and discuss the long-term loss avoidance that accrues as a result of early intervention and appropriate treatment of mental illness. We could elaborate at great length, but it seems unnecessary inasmuch as this topic was a major component of an interim study by the 1990 Special Committee on Insurance.

The provisions of HB 2202 would simply impose the same coverage requirements on those companies issuing policies outside of Kansas for purposes of insuring a resident or employee working in Kansas. Needless to say, we believe that this is both good public policy and sound insurance practice. Thank you for considering our comments. We urge you to recommend HB 2202 for passage.

/cb

*Attachment 2  
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## MEMORANDUM

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

FROM: William W. Sneed  
Legislative Counsel  
Health Insurance Association of America

DATE: April 1, 1991

RE: House Bill 2202

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Mr. Chairman, 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 H.B. 2202.

H.B. 2202 is to amend K.S.A. 40-2,103, which is commonly referred to as the extraterritorial statute for insurance policies. The proponents of the bill wish to include the mandated benefit for treatment of alcoholism, drug abuse or nervous or mental conditions to be applicable to all policies by or for an individual who resides or is employed in the State of Kansas.

The HIAA favors the freedom of contract that allows insurance purchasers to seek benefits for the coverage they choose to purchase and carriers to offer. The HIAA, therefore, opposes legislation that would expand mandates for the coverage of mental illness, alcoholism and drug abuse.

Next, my client would contend that K.S.A. 1990 Supp. 40-2248 and K.S.A. 1990 Supp. 40-2249 would require a financial impact report on H.B. 2202. Although it

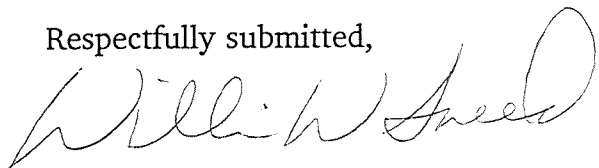
*Attachment 3*  
*FITI*  
*4/1/91*

may be argued that since this is not a "new" mandate, but an extension of a current mandate, these two 1990 statutes may be inapplicable. However, it is our contention that the intent of the Legislature was to require fiscal impact reports so that the Legislature could fairly evaluate the social benefit versus social costs for such mandates. Thus, we would respectfully request that such a fiscal impact report be prepared.

Finally, we are unaware of any instances in which this benefit is not available if requested by the employer. Thus, we see no evidence of a disparity of availability within the marketplace that would influence the Legislature in expanding this mandate. Simply put, if an employer wishes to have this coverage, it is available in the marketplace, and all he or she has to do is purchase it.

Based upon the foregoing, the HIAA respectfully requests your unfavorable action on H.B. 2202. We appreciate the opportunity to appear in front of the Committee, and if there are any additional questions, please feel free to contact us.

Respectfully submitted,



William W. Sneed  
Legislative Counsel  
Health Insurance Association of America

H.B. 2378

Statement by Stanley L. Lind,  
Counsel & Secretary of the  
Kansas Association of Financial Services  
Before the Senate Financial Institutions  
& Insurance Committee on April 1, 1991

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Mr. Chairman and Members of the Committee. I am Stanley L. Lind, Counsel & Secretary of the Kansas Association of Financial Services, the state trade association of the consumer finance companies in Kansas. I appear here in support of H.B. 2378.

1. Our state and national trade associations are members of the National Foundation for Consumer Credit. This is a national organization to which practically every nationwide credit granting business and national trade association interested in consumer credit belongs. The National Foundation is the national organization that sponsors some 300 Consumer Credit Counselling Agencies across the country. There are three and possibly four such agencies in Kansas. These are local agencies that provide consumer credit counselling without charge to the public.

The National Foundation for Consumer Credit has drafted a model bill to regulate credit service organizations. It has been adopted in approximately 35 states -and- is being introduced in 12 states in 1991. H.B. 2378 is copied after this model act. Our Kansas association requested the bill to be introduced after being asked by the National Foundation to do so.

2. H.B. 2378, if enacted, would regulate credit service organizations commonly called "credit doctors" -or- "credit repair clinics". These organizations advertise that they can "repair" or "cure" those persons who suffer from a bad credit reputation by reason of their credit problems. I have distributed to the committee a copy of an advertisement from a newspaper which shows how they advertise. (See attached copy). They purport to be able to "cure" a debtor's credit problems under all circumstances - which is not possible, unless there is incorrect or out-dated information of record concerning a particular person. It is our contention that if a credit service organization is honest with its clientele as to what it can do to assist its client, that the public will not patronize these organizations.

3. The Fair Credit Reporting Act (under both federal and state law) requires that any credit bureau which has issued a credit report which has caused a creditor to turn-down a credit extension to a given person, then that credit bureau is obligated to advise the consumer the content of its credit records at no cost.

Attachment 4  
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The present law further provides that if there is any out-dated or incorrect information in the credit record, that the credit bureau is obligated to expunge its record without cost. On the other hand - if the information of record is correct or not out-dated, then no one can make the credit bureau expunge its records.

The bottom line -is- that all a credit service organization can do to assist a debtor -is- to advise the consumer of his/her rights under the Fair Debt Reporting Act.

4. H.B. 2378 would compel these organizations to:

- a) be licensed;
- b) be bonded;
- c) issue a Disclosure Statement to the debtor stating what services will be furnished and its costs;
- d) disclose the consumer's rights under the Fair Debt Reporting Act;
- e) the availability of Consumer Credit Counselling Agencies;
- f) state that correct information can not be expunged from credit bureau records.

5. Each contract between the debtor and credit service organization would have to detail the services to be performed and the cost therefor -and- provide for a three day cancellation provision.

6. The bill also provides for damages, attorney fees and places the organizations within the scope of the Kansas Consumer Protection Act.

7. It exempts financial institutions, lawyers, brokers, credit bureaus and those others engaged in the business of extending credit.

8. We submit that if the consumer is furnished with all of the above that the public will not pay for services which are already available without cost.

While the bill is regulatory in nature, we submit that the requirements of the bill will make it prohibitory for such organizations.

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# CREDIT PROBLEMS

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