

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

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

12:00 ~~am~~ p.m. on THURSDAY, APRIL 11, 1991 in room 254-E of the Capitol.

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

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

Committee staff present:

Emalene Correll, Research Department  
Fred Carman, Revisors Office  
Louise Bobo, Secretary

Conferees appearing before the committee:

Steve Dickson, Kansas Chiropractic Association  
David Charay, State Health Care Commission  
Nancy Zogleman, Blue Cross Blue Shield  
John Peterson, Kaiser Permanente

Chairman Bond called the meeting to order at 12:05 p.m.

HB 2590 - Prohibiting discrimination in health and accident insurance policies between certain health care providers.

Steve Dickson, Kansas Chiropractic Association, testified before the committee in support of this bill. Mr. Dickson advised the committee that the sole purpose of the original bill was to allow the Insurance Commissioner to enforce a law which was already on the books prohibiting discriminatory payments for services, but the House added amendments which would prohibit the managed care aspect and would also make this bill applicable to state facilities and health maintenance organizations. However, Mr. Dickson added that he had the assurance of Representative Helgerson, who proposed the amendment (new section 4), that he would not object to its removal from the bill.

Staff suggested to the committee that if the main intent of the bill is to give the Insurance Commissioner clear authority to enforce the laws within the confines of the Unfair Trade Practices Act, then it can be done with one paragraph.

David Charay, State Health Care Commission, appeared before the committee in opposition to HB 2590. Mr. Charay told the committee that, in order to mitigate the rising cost of health care, the Health Care Commission has made a strong commitment to managed care and that this bill would eliminate that ability to contract with exclusive networks. In addition, HB 2590 would mandate coverage for all services whether medically necessary or not, according to Mr. Charay. (Attachment 1)

Nancy Zogleman, Blue Cross Blue Shield, spoke briefly before the committee in support of Mr. Charay's testimony. Ms. Zogleman advised the committee that this seemed like an attempt to break up the network services that help to control health care costs.

John Peterson, Kaiser Permanente, informed the committee that he would have no problem with the bill if new section 4 were removed.

Senator Anderson made a motion to refer HB 2590 to the interim committee, Health Care Decisions for the 90's. Senator Strick seconded the motion.

Senator Reilly made a substitute motion to request the Insurance Commissioner to get together with Staff to develop language which will assure payment of claims without expanding the bill. Senator Parrish seconded the motion. The motion failed.

Senator Anderson's motion, seconded by Senator Strick, was renewed. The motion carried.

The meeting adjourned at 12:40 p.m.

TESTIMONY

Senate Committee: Financial Institutions and Insurance

HB 2590

Mr. Chairman, my name is Dave Charay, Health Benefits Administrator for the Kansas State Employees Health Care Commission. I am here today to express my concern regarding HB 2590.

You are all aware of the constantly rising cost of health care coverage. For the past several years, the cost of health care services, and therefore, the cost of health insurance benefits have increased two to three times faster than the general rate of inflation.

Cost of health care coverage for State of Kansas employees has increased four to five times faster than the rate of annual pay increases with both step and COLA increases combined.

In order to mitigate the rising costs of health care services and coverage, the Health Care Commission has made a strong commitment to "managed care".

Managed care networks -- HMOs, and Point of Service type coverage options have allowed the carriers with whom we contract to negotiate volume purchase arrangements that have benefited the State of Kansas and state employees.

HB 2590 would eliminate the ability to contract with exclusive networks. In addition, the bill would provide an "open check-book" approach to medical care. Not only would we lose the volume purchase arrangements, we would no longer be able to specify the range of services provided to state employees.

At present, not all medical services are covered by our health care contracts. HB 2590 would mandate coverage for all services within the scope of a provider's license.

Mr. Chairman, even with the best cost containment programs available in the State of Kansas, a family contract costs nearly \$500 per month.

Insurance premiums have been rising at a rate of approximately 20% per year -- with managed care in place. With HB 2590, we would lose the 13-15% savings from negotiated networks and we would lose the ability to negotiate the scope of benefits provided.

Mr. Chairman, at the very least, State of Kansas Employees would see a 33% increase in health care insurance costs with the passage of HB 2590. Worst case scenario projections could see cost increases of 50-80%.

I urge the committee to vote no on HB 2590.

*Attachment 1  
FITJ  
4/11/91*