

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Representative Turnquist at
Chairperson

3:30 ~~xxxx~~ a.m./p.m. on Monday, March 16, 1992 in room 514 S of the Capitol.

All members were present except:

Representative Sebelius, Excused
Representative Ensminger, Excused

Committee staff present:

Mr. Fred Carman, Revisor
Mrs. Emalene Correll, Research
Mr. Chris Courtwright, Research
Mrs. Nikki Feuerborn, Secretary

Conferees appearing before the committee:

Mr. Robert Epps, SRS
Ms. Cheryl Sanders, Kansas Alliance for the Mentally Ill
Mr. Tom Bell, Kansas Hospital Association
Mr. Terry Leatherman, Kansas Chamber of Commerce and Industry
Mr. Bill Sneed, Health Insurance Association of America
Mr. Jerry Slaughter, Kansas Medical Society
Mr. David Hanson, Kansas Life Insurance Association

Continued Hearing on HB 3026 - Kansas universal health care access act

Mr. Robert Epps, representing the Kansas Department of Social and Rehabilitation Services, appeared as a proponent of the bill. The agency opposes any exclusion from participation due to eligibility for Medicaid. SRS continues to be a proponent for the establishing of affordable health care coverage for all Kansans. (See Attachment 1).

Ms. Cheryl Sanders, Kansas Alliance for the Mentally Ill, appeared as an opponent to the bill in its present form. She requested that the committee amend New Section 13 by deleting subsection (c). This portion of the bill exempts any SEHC plan from providing coverages for mental health as currently mandated by Kansas law. (See Attachment 2).

Mr. Tom Bell, Kansas Hospital Association, appeared as an opponent to the bill. The State currently has a mechanism in place to develop a health reform proposal--a mechanism that brings all parties to the table to collaboratively discuss change. Passage of HB 3026 would preempt the work of the 403 Commission which was established in 1991, and, therefore, the bill should not be passed. (See Attachment 3).

Mr. Terry Leatherman, spokesperson for the Kansas Chamber of Commerce and Industry, suggested that this was not the time to pass legislation which would create massive change in health care delivery in Kansas. The 403 Commission should be given an opportunity to meet their challenge. HB 3026 calls for a 4% payroll tax to be paid by employers who do not pay 50% of the premiums of a qualified employee health insurance program. Payroll taxes bear no relationship to an employer's ability to pay the tax. The "pay or play" concept makes providing employee health care programs a government mandate, rather than a benefit employers provide to employees. Aside from controls on increases in insurance rates, there is little to drive down the cost of health care delivery. The bill does not address and may complicate the massive paperwork requirement of the current health care delivery process. (See Attachment 4).

Mr. Bill Sneed, legislative counsel for Health Insurance Association of America, appeared as an opponent to the bill. He recommended that the Legislature focus its attentions on Sub HB 2511 and SB 561 inasmuch as these bills attempt to address the problem within the current system. (See Attachment 5).

CONTINUATION SHEET

MINUTES OF THE _____ House COMMITTEE ON _____ Insurance _____,
room 514 S, Statehouse, at 3:30 ~~a.m.~~ ^{p.m.} on Monday, March 16, 1992

Mr. Jerry Slaughter, Executive Director of the Kansas Medical Society, appeared as an opponent to the bill. The current delivery and financing system for health services has many strengths but a variety of factors have created instability in the system to the extent that many Kansans do not have access to affordable health care insurance. He suggested that the bill be referred to the 403 Commission for analyzing along with the other proposals which have been introduced this session. (See Attachment 6).

Mr. David Hanson, spokesperson for the Kansas Life Insurance Association, expressed concern about excessive premium taxes which would have to be passed on to the consumers.

Hearing on SB 561 will be conducted in Room 514 S on Tuesday, March 17, and possibly March 18.

Representative Welshimer moved for the approval of the minutes of March 5 and 6. Representative Gilbert seconded the motion. Motion carried.

The meeting adjourned at 4:00 p.m.

GUEST LIST

COMMITTEE: Insurance

DATE: 3-16-92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Tom Bell	Topoka	KHA
JERRY AMMATHEN	TOPEKA	PLUS
Martha Hodgesmith	Topoka	KARF
Bill Sneed	TOPEKA	HIAA
Lisa Getz	WICHITA	WICHITA Hospitals
Martha Jenkins	Topoka	AIA
ROGER FRANZKE	TOPEKA	Ks GOVT Consult
Art Droom	ICC	Ks Lumber Dealer
Wendell Strom	Topoka	AARP - CCTF
Sheryl SANDERS	TOPEKA	Ks AMI
Jim Schwitz	Topoka	KECH
SIM OLIVER	"	PIAR
Terry Leatherman	Topoka	KCCI
GARY BOSTON	NEWTON	72 ND DIST LEGISLATURE
Bill Curtis	Topoka	Ks. Assoc. of School Bd.
GARY Robbins	Topoka	KSCPT ASSN
JOE FURJANIC	TOPEKA	KCA
Harold Leman	TOPEKA	KAOM
Robert Spis	Topoka	SPS
Renee Gardner	"	Governor's Office
David A. Hanson	Topoka	Ka Life Insur. Assoc.

KANSAS DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES
On Behalf Of Donna L. Whiteman, Secretary

Committee on House Insurance
Testimony on HB 3026

March 16, 1992

Mr. Chairman, Members of the Committee, thank you for this opportunity to address you on House Bill 3026. The Department of Social and Rehabilitation Services (SRS) endorses the concept of providing health insurance coverage to persons otherwise unable to obtain such coverage.

House Bill 3026 would exclude from participation anyone eligible for the state medical assistance program resulting in possible loss of Federal Financial Participation (FFP) funds to SRS. While we see the financial advantage in channeling all eligible persons to the Medicaid program (the federal government pays 59% of all costs) we are faced with federal laws that encourage the opposite strategy. Foremost is federal Medicaid law which states that if a Medicaid client also carries insurance, that Medicaid will be the payor of last resort. Child Support law requires SRS to seek support orders requiring absent parents to insure their children through employer plans even though they are presently covered by Medicaid. For these reasons, the agency opposes any exclusion from participation due to eligibility for Medicaid. However, SRS continues to be a proponent for the establishment of affordable health care coverage for all Kansans.

Once again, SRS is ready to assist the Committee as you refine House Bill 3026. Thank you for the opportunity to comment on this bill.

Robert L. Epps
Commissioner
Income Support/Medical Services
(913) 296-6750

House Insurance
3-16-92
Attachment 1



KANSAS AMI

KANSAS ALLIANCE FOR THE MENTALLY ILL

112 S.W. 6th, Ste. 305 • P.O. Box 675
Topeka, Kansas 66601
913-233-0755

DATE: March 16, 1992
TO: Members, House Insurance Committee
FROM: Sheryl Sanders, Kansas Alliance for the Mentally Ill
SUBJECT: HB 3026

Mr. Chairman and members of the committee, I appreciate this opportunity today to make a few comments on HB 3026 on behalf of families represented by the Kansas Alliance for the Mentally Ill.

I am not here to argue the merits or demerits of the plan detailed in this bill. We simply wish to request that the committee amend New Section 13 by deleting subsection (c).

This portion of the bill exempts any SEHC plan from providing coverages currently part of Kansas law. We are greatly disheartened by the continuing erosion of mental health coverage, and insulted by the implicit and often explicit argument that coverage for mental illnesses might not be "basic" and should be considered "cadillac" coverage.

Please this address this discrimination and amend the bill.

Thank you.

House Insurance

3-16-92

Attachment 2



Memorandum

Donald A. Wilson
President

March 3, 1992

TO: House Insurance Committee
FROM: Kansas Hospital Association
RE: **HOUSE BILL 3026**

The Kansas Hospital Association appreciates the opportunity to comment regarding House Bill 3026, the "Kansas Universal Health Care Access Act." This bill would direct the Commissioner of Insurance to develop and administer a health care voucher program through which eligible persons would receive a voucher that could be exchanged for the provision of health care services under an accident and health insurance policy. The bill also establishes the Kansas Health Care Services Trust Fund through which monies would be appropriated to pay for the Act.

In the last several years, legislative discussions related to health care issues have increased and a number of specific actions have been taken. The 1991 Legislature took a major step toward health insurance reform with the passage of House Bill 2001. These discussions are continuing this session. Perhaps the most important development, however, has been the creation of the Kansas Commission on the Future of Health Care in Kansas. This group was created by Senate Bill 403 during the 1991 session. It was specifically charged by the Legislature with the development of a health reform plan for our State. The work of that Commission has begun and it is making progress.

We think the introduction of House Bill 3026 helps to keep the issue of health care reform in the forefront. It and other proposals make sure this debate continues in our State. In addition, House Bill 3026 clearly supports the now generally agreed upon principle that any health care reform effort must be based on the notion of universal access to health care.

In spite of the positive aspects of this bill's introduction, we ask that no action on it be taken this session. Our opposition is not based on whether we agree or disagree with the specific provisions of House Bill 3026. These specifics are not the issue. The central point is that the State currently has a mechanism in place to develop a health reform

House Insurance
3-16-92
Attachment 3

House Insurance Committee
March 3, 1992
Page 2

proposal--a mechanism that brings all parties to the table to collaboratively discuss change. The Legislature expended much effort last session in passing Senate Bill 403, which created the Commission on the Future of Health Care in Kansas. That Commission has now begun its work. We think it shows some promise of being successful. Passage of House Bill 3026 at this point would, in our opinion, preempt the work of the 403 Commission. For that reason, we ask that the bill not be passed and that it be referred to the 403 Commission for further consideration.

Thank you for your consideration of our comments.

/cdc

Page 2 of 3

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

HB 3026

March 4, 1992

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Committee on Insurance

by

Terry Leatherman
Executive Director
Kansas Industrial Council

Mr. Chairman and members of the Committee:

I am Terry Leatherman. I am the Executive Director of the Kansas Industrial Council, a division of the Kansas Chamber of Commerce and Industry. Thank you for this opportunity to explain why the Kansas Chamber cannot support the passage of HB 3026.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

First of all, KCCI questions whether this is the proper time to pass legislation which would create massive change in health care delivery in Kansas. Less than a year

Terry Leatherman
3-16-92
Attachment 4

ago, the Kansas Legislature passed legislation creating the Commission on the Future of Health Care in Kansas, and charged the newly created Commission to listen to the people of Kansas and mold a workable health care strategy. It seems appropriate to give the members of the Commission a chance to meet this challenge.

In addition, considering the national concern over health care, it would be wise to watch how the Congressional debate on this issue shapes before significantly altering the process in Kansas. With health care strategies from President Bush and Congressional leaders pending in Congress, and the attention this issue is generating in the presidential campaign, it does appear inevitable that federal initiatives concerning health care will be taken.

Besides the timing of HB 3026, KCCI has the following reservations regarding this proposal.

HB 3026 calls for a 4% payroll tax to be paid by employers who do not pay 50% of the premiums of a qualified employee health insurance program.

The payroll tax will typically target small Kansas employers. While some small employers who cannot locate affordable health insurance may find a 4% payroll tax to insure their employee's health a reasonable alternative, other businesses will strongly object to yet another government mandated cost to do business.

Beyond the practical difficulties some employers will face paying the payroll tax, KCCI has two philosophical objections to this provision of HB 3026. First, payroll taxes bear no relationship to an employer's ability to pay the tax. Second, the "pay or play" concept makes providing employee health care programs a government mandate, rather than a benefit employers provide to employees.

Other concerns regarding HB 3026 include the lack of health care cost containment in the proposal. Aside from controls on increases in insurance rates, there is little to drive down the cost of health care delivery. In addition, HB 3026 does not address, and may complicate the massive paperwork requirements of the current health care delivery process.

There are many laudable aspects to HB 3026. The bill expands health care access, provides expansion and greater control of the health insurance marketplace, and recognizes the contributions Kansas employers make in their current efforts to provide health care insurance to employees. However, the Kansas Chamber would urge this Committee to permit more consensus for health care solutions through groups like the Commission on the Future on Health Care in Kansas to build before endorsing the program offered in HB 3026.

Thank you for considering KCCI's position on this issue. I would be happy to attempt to answer any questions.

MEMORANDUM

TO: Representative Larry Turnquist
Chairman, House Insurance Committee

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

DATE: March 4, 1992

RE: House Bill 3026

Mr. Chairman, Members of the Committee: My name is Bill Sneed and I am Legislative Counsel for the Health Insurance Association of America ("HIAA"). 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. 3026.

The HIAA shares the concern of the Kansas Legislature, employers and consumers concerning the high cost of health care in the United States. Also, we share a concern over the problem that small employers have in obtaining and retaining reasonable health care benefits and the obstacles the self employed and those not eligible for group health care benefits at an affordable price face. Although my client applauds the intent of the authors of this bill, HIAA believes that this bill would not make the types of contributions needed toward solving the initial problem. We acknowledge that there are existing gaps in health insurance coverage and believe there are possible solutions to these gaps. However, we do not believe this bill fills those gaps.

House Insurance
3-16-92
Attachment 5

Last year, as you all are aware, the Legislature enacted H.B. 2001, which addresses the eligibility of coverage under group policies and the rates of these policies. Also, Substitute for H.B. 2511 has recently concluded its hearings in the House Insurance Committee. This bill attempts to create an "assigned risk" pool which would allow those people who are unable to obtain health insurance a mechanism by which health insurance could be afforded to them.

Further, the Senate Financial Institutions and Insurance Committee has concluded its hearings on S.B. 561. S.B. 561 is the end product of many months of work from an ad hoc committee established by the Commissioner of Insurance. This bill would attempt to establish "guaranteed issue" and rating reforms for small group coverage.

We believe that lieu of H.B. 3026, the Legislature should focus its attentions on Substitute for H.B. 2511 and S.B. 561. We urge this inasmuch as these two bills attempt to address the problem within the current system. Further, we believe that bills such as H.B. 3026, although on its face may seem to provide a cure-all for this problem, could in fact present more disastrous results than the authors of the bill could have anticipated.

Legislation which attempts to encompass a "Canadian Plan" or an "Oregon Plan" has not at this time demonstrated that a working system can be provided. My client has testified on similar proposals over the last two legislative sessions, and I will not reiterate the facts and figures on both of these Plans. Suffice to say, my client believes that the Legislature needs the opportunity to determine the viability of Substitute for H.B. 2511

and S.B. 561, and to further determine if they can be successful before the type of legislation encompassed on H.B. 3026 is passed.

The HIAA has aggressively supported these types of reforms. We have tempered our aggression, however, by attempting to institute these reforms within our existing employer-based private system. We believe by doing so we will not only address the needs of Kansans but will create flexibility in developing an innovative health financing structure that will meet our society's demand for efficiently delivered, quality health care.

Again, on behalf of my client, let me thank you for allowing us the opportunity to appear before this Committee. It is our hope that these remarks will provide the Legislature a positive approach to the health insurance concerns that are being reviewed by the Legislature. As stated earlier, we applaud the intent of the authors of this bill, but would respectfully request that H.B. 3026 be held in abeyance and that Substitute for H.B. 2511 and S.B. 561 be utilized in addressing this very important issue.

Respectfully submitted,




William W. Sneed
Legislative Counsel
Health Insurance Association of America



KANSAS MEDICAL SOCIETY

623 W. 10th Ave. • Topeka, Kansas 66612 • (913) 235-2383
WATS 800-332-0156 FAX 913-235-5114

March 4, 1992

TO: House Insurance Committee
FROM: Jerry Slaughter 
Executive Director
SUBJECT: HB 3026; Concerning the Kansas Universal Health Care Access Act

The Kansas Medical Society appreciates the opportunity to appear today to offer comments on HB 3026, which would establish a voucher system that uninsured Kansans could utilize to assure access to comprehensive health insurance coverage.

First, let me emphasize that the Kansas Medical Society supports a system in which all Kansans have access to needed health services. The current delivery and financing system has many strengths, but a variety of factors have created instability in the system to the extent that many Kansans do not have access to affordable health care insurance. It is clear that the health care system is on the threshold of significant change.

The sponsors of HB 3026 should be commended for their efforts at bringing one idea for reform to the table of public debate. It should be noted that there are at least two other universal access bills which have been introduced in this year's legislative session. It is my understanding that those bills will be referred to the so-called 403 Commission, the Kansas Commission on the Future of Health Care, Inc., which was created by the Legislature just last year, with our full support. The 403 Commission has been charged with the responsibility of developing and recommending to the Legislature a comprehensive health care reform proposal. While the concepts in HB 3026 are provocative and interesting, we believe that the proper forum for this idea to be discussed is now at the 403 Commission. We would respectfully suggest that HB 3026 should be referred to the 403 Commission, along with the other proposals which have been introduced this session, so that they may all be analyzed along with the many other alternatives which have been suggested for health care reform. Thank you for the opportunity to offer these comments.

JS:ns

House Insurance
3-16-92
Attachment 6