

Approved March 26, 1992
Date

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Representative Turnquist at
Chairperson

3:30 ~~xxx~~ a.m./p.m. on Tuesday, March 24, 19⁹² in room 514 S of the Capitol.

All members were present except:

Representative Sebelius - Excused
Representative Cornfield - Excused
Representative Helgerson - Excused

Committee staff present:

Mr. Courtwright, Research
Mr. Carman, Revisor
Mrs. Correll, Research
Mrs. Feuerborn, Secretary
Mr. Hunter, Intern

Conferees appearing before the committee:

Mr. Dick Brock, Insurance Department
Mr. Bill Sneed, HIAA

Discussion and Final Action on SB 561 - Small employer group health insurance

Mr. Dick Brock of the Insurance Department distributed copies of a balloon amendment prepared by the Insurance Department. He explained the suggested changes. (See Attachment 1).

The Committee discussed the intent of the bill being to allow employers to offer "basic" health care policies with options with affordability being one of the main features. The "standard" policy would include all mandates. This would keep flexibility in the plan.

Representative Wells moved to adopt the balloon amendment with the exception of adding "may" before recommend, striking "subject to approval of the commissioner, the board shall," and striking "including coverage." The revisor is to make any technical corrections. Representative Ensminger seconded the motion. Motion carried.

Mr. Bill Sneed, HIAA, presented a balloon amendment to be placed on Line 38 of Page 19 after "and." Language should be restored on Lines 36, 37, and 38. (See Attachment 2).

Representative Neufeld moved to accept this amendment. Seconded by Representative Campbell. Motion carried.

The makeup of the proposed Board was reviewed by the Committee and Mr. Brock. Position 1 - Blue Cross/Blue Shield; Positions 2 & 3 - Commercial carriers; Position 4 - Blue Cross of Kansas City; Position 5 - HMO; Position 6 - Insurance Agent; Position 7 - Representative of small employers; and 4 members appointed by the Insurance Commissioner.

Representative Weiland moved conceptually to allow no one carrier more than one position on the Board. Representative Welshimer seconded the motion. Motion carried.

Representative Cozine moved to add two positions to the Board to be filled by consumer advocates (public at large) to be selected by the Board with the approval of the Insurance Commissioner. Representative Neufeld opposed the motion on the basis the Board would be so specialized the average lay person would be unable to understand the technicalities involved. Motion failed.

Representative Ensminger moved to strike Lines 26 and 27 of Page 1 of the bill. Seconded by Representative Neufeld. Representative Campbell voiced support for the motion. Motion carried.

Representative Neufeld moved to pass SB 561 favorably as amended. Representative Weiland seconded the motion. Motion carried.

Representative Welshimer moved to adopt the minutes of March 18 and 19. Motion seconded by Representative Flower. Motion carried.

Meeting adjourned at 5:00 p.m.

1 consideration of a specific category of a licensed or certified
2 health care practitioner shall apply to any ~~[basic]~~ SEHC plan
3 offered or delivered to a small employer.

Delete

4 (d) Except as expressly provided in this act, no health benefit
5 plan offered to a small employer shall be subject to:

6 (1) Any law that would inhibit any carrier from contracting with
7 providers or groups of providers with respect to health care services
8 or benefits;

9 (2) any law that would impose any restriction on the ability to
10 negotiate with providers regarding the level or method of reim-
11 bursing care or services provided under the health benefit plan.

12 (e) Individual policies of accident and sickness insurance issued
13 to individuals and their dependents totally independent of any group,
14 association or trust arrangement permitted under K.S.A. 40-2209
15 and amendments thereto shall not be subject to the provisions of
16 this act.

17 Sec. 5. Health benefit plans covering small employers that are
18 issued or renewed within this state or outside this state covering
19 persons residing in this state shall be subject to the following pro-
20 visions, as applicable:

21 (a) Provisions of preexisting conditions shall not exclude or limit
22 coverage for a period beyond 12 months following the individual's
23 effective date of coverage and may only relate to conditions or related
24 conditions for which diagnosis, advice or treatment was sought, dur-
25 ing the six months immediately preceding the effective date of
26 coverage.

27 (b) Such policy may impose a waiting period, not to exceed one
28 year for benefits for conditions, including related conditions, for
29 which diagnosis, treatment or advice was sought or received in the
30 six months prior to the effective date of coverage. Such policy shall
31 waive such a waiting period to the extent the employee or member
32 or individual dependent or family member was covered by a group
33 sickness and accident policy prior to the effective date of coverage
34 with no gap in coverage.

35 (c) Any health benefit plan issued, delivered or renewed within
36 this state and subject to the provisions of this act, shall be renewable
37 with respect to all eligible employees or dependents at the option
38 of the policyholder, contractholder, or small employer, except for:

39 (1) Nonpayment of the required premiums by the policyholder,
40 contractholder, or employer; or

41 (2) fraud or misrepresentation of the policyholder, contractholder,
42 or employer or, with respect to coverage of individual insureds, the
43 insureds or their representatives; or

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Sharon Lawrence
Attachment 1

1 expected variation in claims costs or actual or expected variation in
2 health condition of the employees and dependents of such small
3 employer;

4 (b) the provisions concerning such carrier's right to change pre-
5 mium rates and the factors other than claims experience which affect
6 changes in premium rates; and

7 (c) provisions relating to renewability of policies and contracts;
8 and

9 (d) the provision relating to any pre-existing condition provision.

10 Sec. 9. From and after January 1, 1993: Compliance with the
11 underwriting and rating requirements contained in this act shall be
12 demonstrated through actuarial certification. Carriers offering health
13 benefit plans to small employers shall on or before March 15 file
14 annually with the commissioner an actuarial certification stating that
15 the underwriting and rating methods of the carrier:

16 (a) Comply with accepted actuarial practices;

17 (b) are uniformly applied to health benefit plans covering small
18 employers; and

19 (c) comply with the provisions of this act.

20 Sec. 10. (a) Subject to approval by the commissioner, the board
21 shall design the basic and standard SEHC plans which shall be
22 eligible for reinsurance under the program. The board shall establish
23 the form and level of coverage(s) to be made available by carriers
24 in the SEHC plans. In designing the SEHC plans the board shall
25 also establish benefit levels, deductibles, coinsurance factors, exclu-
26 sions and limitations for the SEHC plans and shall also incorporate
27 such modifications as may be necessary to accommodate the method
28 of operation and benefit plans of health maintenance organizations
29 including any restrictions or requirements imposed by federal law.
30 Subsection (c) of section 4 shall only apply to the SEHC plans
31 designed and established pursuant to this section. The forms and
32 levels of coverage established by the board shall specify which com-
33 ponents of a health benefit plan offered by a small employer carrier
34 may be reinsured.

35 (b) The board shall submit such plans to the commissioner for
36 the commissioner's approval within 180 days after the appointment
37 of the board pursuant to section 11. Such SEHC plans may include
38 cost containment features including, but not limited to:

39 (1) Utilization review of health care services, including review of
40 the medical necessity of hospital and physician services;

41 (2) case management benefit alternatives;

42 (3) selective contracting with hospitals, physicians and other
43 health care providers;

(1)
Delete
; (2)

; (3) subject to approval of the commissioner, the board shall review and recommend the inclusion of benefits in the basic plan for prenatal care, newly born children, and other preventive health care services for children under the age of 18; mental health, drug and alcohol abuse; laboratory and x-ray services including coverage for mammograms and pap smears; and such other health care services as may be necessary to produce a cost effective health benefit plan that will meet the most critical needs of small employers and employees; and
(4) incorporate provisions that will direct persons covered by a SEHC plan to the most appropriate, lowest cost health care provider available.

Before approving such plans the commissioner shall in addition to other considerations or requirements determine that the board has fulfilled its responsibilities under subsection (a) paragraphs (3) and (4) of this section.

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1 insurer shall determine the net premiums, the program expenses
2 for administration and the incurred losses, if any, for the year, taking
3 into account investment income and other appropriate gains and
4 losses. Health benefit plan premiums and benefits paid by a member
5 that are less than an amount determined by the board to justify the
6 cost of collection shall not be considered for purposes of determining
7 assessments. For purposes of this subsection, "net premiums" means
8 health benefit plan premiums, less administrative expense
9 allowances.

10 (2) Any net loss for the year shall be recouped first by assessments
11 of members to the extent provided below:

12 (A) Assessments shall first be apportioned by the board among
13 all carriers utilizing the program in proportion to their respective
14 shares of the total health benefit plan premiums earned in this state
15 from health benefit plans covering small employers during the cal-
16 endar year coinciding with or ending during the fiscal year of the
17 program, or on any other equitable basis reflecting coverage of small
18 employers as may be provided in the plan of operation. An assess-
19 ment shall be made pursuant to this subsection against a health
20 maintenance organization including those approved by the secretary
21 of health and human services as a federally qualified health main-
22 tenance organization pursuant to 42 U.S.C. 300 *et seq.* in accordance
23 with an assessment formula adopted by the board and approved by
24 the commissioner for health maintenance organizations. Such as-
25 sessment formula shall recognize the restrictions imposed on health
26 maintenance organizations by federal law and shall be adopted by
27 the board and approved by the commissioner prior to the first an-
28 niversary of the program's operation.

29 (B) To the extent any such net loss is not recouped from the
30 assessments levied under subsection (k)(2)(A) an assessment shall be
31 apportioned by the board among all insurers, health maintenance
32 organizations, municipal group funded pools and nonprofit medical
33 and hospital service corporations in proportion to their respective
34 shares of total health insurance premiums received in this state for
35 hospital or medical expense policies, certificates, subscriber agree-
36 ments or other contracts ~~exclusive of those not included in the~~
37 ~~definition of health benefit plan pursuant to subsection (n) of section~~
38 ~~3 and the premium upon which any assessment made under (A) was~~
39 ~~based.~~

40 (C) Assessments under subsection (k)(2)(A) shall not exceed an
41 amount equal to 5% of such premium for health benefit plans cov-
42 ering small employers. Assessments under subsection (k)(2)(B) shall
43 not exceed an amount equal to 1% of the total premium upon which

the premium earned by any small employer carrier in this state from
health benefit plans covering small employers during the calendar
year coinciding with or ending during the fiscal year of this program.

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Attachment 2
Sharon Freeman