Approved 2-25-92
Date

MINUTES OF THE SENATE COMMITTEE ON PUBLIC HEALTH AND WELFARE.

The meeting was called to order by SENATOR ROY M. EHRLICH at
Chairperson

10:00 a.m./p.m. on February 18, 1992 in room 313-S of the Capitol.

All members were present except:

Committee staff present:
Emalene Correll, Legislative Research
Norman Furse, Revisor's Office
Jo Ann Bunten, Committee Secretary

Conferees appearing before the committee:

Jerry Slaughter, Kansas Medical Society
Don Wilson, Kansas Hospital Association
John Holmgren, Catholic Health Association
Mark Brown-Barnett, Administrator, St. Mary's Hospital, Manhattan
Bill Sneed, Health Insurance Association of America
Brad Smoot, Blue Cross/Blue Shield

Chairman Ehrlich called the meeting to order at 10:00 a.m.

The Chairman announced that the minutes of February 11, 12 and 13, 1992, were distributed to the Committee members for review.

The Chairman stated a Committee bill request was received from Senator Oleen. Staff gave a brief description of the bill which would define a critically medically under served county for KU Medical Scholarship purposes, requiring students who choose to pay back scholarship money double the amount received. Senator Hayden made a motion the Committee introduce the bill request, seconded by Senator Strick. No discussion followed. The motion carried.

The Chairman introduced his two pages from Natoma that assisted at the Committee meeting, and Senator Hayden introduced his two pages from Ulysses that also assisted at the Committee meeting.

Continued hearing on SB 553:

Jerry Slaughter, Kansas Medical Society, submitted written testimony and stated the sponsor of **SB 553** should be commended for efforts at bringing reform to the table of public debate, however, the proper forum for that is now at the so-called 403 Commission which was created by the Legislature a year ago, and this bill should be referred to the 403 Commission where it can be carefully studied and analyzed along with the many other alternatives for health care reform. Testimony from KMS during hearings on 1991 **SB 205**, which is similar to **SB 553**, was also submitted to the Committee members. (Attachment 1) Committee discussion related to physicians that own their own equipment prescribing more tests and charging higher fees, physicians in the United States charging twice as much as Canadian physicians, comparison of the two systems, financial support from KMS for the 403 Commission, and legislation that KMS supported over the years that included insurance reform bills and an access plan.

Don Wilson, Kansas Hospital Association, submitted written testimony and stated the 1991 Legislature took a major step toward health insurance reform with the passage of **HB 2001** and the creation of the Commission on the Future of Health Care in Kansas, however, in spite of the positive aspect of **SB 553**, the KHA requests that no action be taken on it. Their opposition is not based on

agree or disagree with the bill's provisions, but rather Kansas already has a mechanism in place that brings all parties to the table to collaboratively discuss change. Mr. Wilson stated that the 403 Commission has now begun its work and passage of **SB 553** would pre-empt the work of the 403 Commission. (Attachment 2) Committee discussion followed regarding what progress has been made on the delivery of health care that was not profit driven or driven by the desire of community service from governmental entities, duplication of medical technology, certificate of need, and more effective utilization of hospitals.

Mark Brown-Barnett, St. Mary's Hospital President and CEO, submitted written testimony and stated the Catholic Health Association opposes several of the regulatory features of **SB 553**, and they are: (1) lack of a fiscal note, (2) validity of another certificate of need law, (3) need for an evaluation board, and (4) the phrase in Sec. 20, "shall have no financial interest in or be professionally associated with any participating provider....." In conclusion Mr. Brown-Barnett stated the bill comes closer than any other bill presented for consideration by the Legislature in providing for universal health care coverage for Kansans. (Attachment 3) John Holmgren, Catholic Health Association, stated he sees the bill as a collaborative public service type of legislation and hoped it would proceed as such.

Bill Sneed, Health Insurance Association of America, submitted written testimony and stated the HIAA applauds the intent of **SB 553**, but they believe the bill would not make the type of contributions needed toward solving the initial problem of existing gaps in health insurance coverage. Mr. Sneed expressed support for **SB 561**, currently in the Senate Financial Institutions and Insurance Committee which is the end product of many months of work from an ad hoc committee established by the Commissioner of Insurance dealing with establishing guaranteed issue and rating reforms for small group coverage, along with support for **HB 2511** which also attempts to address the current system dealing with risk pools. (Attachment 4)

Brad Smoot, representing Blue Cross and Blue Shield of Kansas, submitted written testimony and stated their main objection to **SB 553** was language in the bill that included a single state-operated health insurance plan. Mr. Smoot stated there are also other questions that needed further study regarding proposals which would deal with health care access and affordable insurance. (Attachment 5) Committee discussion related to **SB 561,** community rating and insurance pools.

Because of the time frame, the Chairman announced the Committee would accept written testimony from the following conferees: Terry Leatherman, KCCI; Bill Curtis, Kansas Association of School Boards; Jim Schwartz, Kansas Employees Coalition on Health; and Paul Klotz, Association of Community Mental Health Centers. (Attachments 6, 7, 8 and 9)

The meeting was adjourned at 11:00 a.m. The next meeting of the Committee is scheduled for February 19, 1992, 10:00 a.m., Room 526-S.

SENATE
PUBLIC HEALTH AND WELFARE COMMITTEE
DATE 2-18-92

(PLEASE PRINT) NAME AND ADDRESS	ORGANIZATION
John Holmgren	Catholic Health Assn.
Mark Brown-Barnett	The Salvation Army Hospital Manhattan
Jim Schwartz	Ks Employer Coal. on Health
Bob Williams	Ks. Pharmacists Assoc.
Tom Hitchcock	Bd. of Pharmacy
Mike Speight	Ks. Foundation for Medical Care
Mary Ann Gabel	Beh Sci Reg Bd
Greg Feleff, CMSW	K-NASW
John Conard	AARP
Laura McClure	Self Christian Sciences Committee on Publication for Kansas
Keith R Landis	
Tom Bell	Ks. Hosp. Assn.
Gary Robbins	Ks Opt Assn
Bill Pitsenbarger	Blue Cross
Holly Logan	Legislative monitor
Kathy Wunnell	" "
Danette Wood	Washburn Social Work Students
Gabe Rumbell	Self
Joe Tafoya	KCA
Dene Johnson	KADACA

SENATE
PUBLIC HEALTH AND WELFARE COMMITTEE
DATE 2-18-92

(PLEASE PRINT) NAME AND ADDRESS	ORGANIZATION
Kittie Hertlein	
Sharon Huffman - Topeka	KCDC
Bob Corkins, KCCI	KCCI
Terry Leatherman ~~KCCI~~ Topeka	KCCI
Harold Riehm	KAOM
Nancy Harding	LWV Kansas
John Peterson	Kaiser Permanente
Lisa Getz	Wichita Hospitals
Rebecca Rice	KS State Opthalmology Society KS Pharmacists Assoc.

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

February 12, 1992

TO: Senate Public Health and Welfare Committee

FROM: Jerry Slaughter
Executive Director

SUBJECT: SB 553; Concerning the Kansas Health Care Reform Act

The Kansas Medical Society appreciates the opportunity to appear today to offer comments on SB 553, which would essentially place the delivery of health care in Kansas under a government-run, monolithic, Canadian style system. This bill is in the same vein as that of 1991 SB 205, which was also heard in this committee last year.

First, let me make it clear that the Kansas Medical Society supports a system in which all Kansans have access to needed health services. While the current delivery and financing system has many strengths, it is becoming unstable due to rapidly rising costs, the increasing number of uninsured, and the corrosive effects of cost-shifting among payors. It is clear that the health care system in America, and Kansas, is on the threshold of significant change. The question is not if, but how, will the system be changed.

The sponsors of SB 553 should be commended for their efforts at bringing one idea for reform to the table of public debate. However, the proper forum for that is now at the so-called 403 Commission, the Kansas Commission on the Future of Health Care, which was created by the Legislature just last year, with our full support. The principal sponsor of SB 553 is a member of the 403 Commission, and knows well that its work has begun in earnest. The Commission has recently employed staff, and has plans to begin a series of public forums across the state this spring. The 403 Commission also reports monthly on its work to the Legislature's Joint Committee on Health Care Decisions for the 1990s, of which the sponsor of SB 553 is also a member.

The Legislature has already set in motion the vehicle for health care reform, a move that has put Kansas among leaders in such efforts nationally. We believe SB 553 should be referred to the 403 Commission so it can be carefully studied and analyzed along with the many other alternatives for health care reform. Thank you.

JS:ns

Senate P H & W
Attachment #1
2-18-92

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

February 27, 1991

TO: Senate Public Health and Welfare Committee

FROM: Kansas Medical Society J. McClatchey

SUBJECT: Senate Bill 205; Access to Health Care

The Kansas Medical Society appreciates the opportunity to offer comments on SB 205, and the subject of health care insurance generally. The discussions surrounding availability and affordability of health care are not new, but are certainly more pronounced in recent times. Additionally, cost and access considerations are always interrelated.

In fact, one cannot adequately evaluate the problem of cost and access to care without taking a comprehensive look at the whole system. Every change that is imposed upon the health care system will have some resultant effect. For example, mandating benefits extends health care services to populations who might not otherwise have access to such services, but there is a corresponding cost. Another example is differential reimbursement rates in federal programs which discriminate against rural providers of care, thus providing disincentives for health care personnel and institutions to develop in rural areas.

The economic system in which health care is delivered in our country is unlike almost any other. The "consumer" (patient) is seldom the payor, as the overwhelming majority of care is purchased by third parties, whether they be health insurers, self-insured employer groups, government, etc. As government has become a larger purchaser of health care, it has discounted payments to providers in an effort to contain costs, which has resulted in enormous cost transfers to other payors in the private sector.

The growth of alternatives to traditional indemnity insurance, such as HMOs, PPOs and the whole array of "managed care" health plans have also had an effect. While some subsets of our population have benefitted from these alternatives, it can be argued that costs for the rest of the population have increased, as the base of population left in traditional plans has shrunk, making the risk-sharing pool smaller.

What about our ability to pay for advancing technology? Certainly, technology has been one of the key factors which have driven up health costs in recent years. However, technology has made it possible to extend lives and save lives where just a short time ago there was no hope. Add to this the demographic trends in our country which show a rapidly growing aged population, and one can only guess at the impact a graying America will have on an already technology-intensive health care delivery system.

Some argue for expenditure limits and rationing of health care through some national or regional plan. As an academic exercise the concept seems fairly straightforward and simple. Yet to implement such a system in contemporary American culture where expectations and demands are high for access to a pluralistic system, would be difficult, if not impossible.

We applaud the willingness of the Legislature to look at our health insurance system on a broad scale. But, if you are looking for quick fixes or simple solutions, you simply will not find any. Countless study commissions and organizations countrywide for years have been wrestling with the difficult problems which surround the delivery of health care in our country. The problems are systemic, and have developed over several decades in an environment of the mixed messages which come from alternating incentives created by government regulation and market forces.

The provisions of SB 205, if enacted, would presumably address some of the major problems in our health care system. Those who are "uninsurable" (rejected by commercial carriers) would no longer be discriminated against, Medical Assistance patients would receive the same coverage as the rest of us, and thousands of Kansans who are currently medically indigent would be insured. These things would be accomplished by scrapping the traditional insurance mechanism and replacing it with a state agency. Because this concept would make such sweeping changes in both the financing and delivery of services, we cannot endorse the concept without thorough study. Yet, SB 205 serves as an excellent framework for substantive discussion. We compliment the authors for raising the important issues contained in SB 205, and we respectfully recommend that this bill be referred to the Joint Committee on Health Care Decisions for the 1990s to be a part of a comprehensive study on the structure of the health insurance system in Kansas. Thank you for the opportunity to present these comments.

CW:ns

KANSAS HOSPITAL ASSOCIATION

Memorandum

Donald A. Wilson
President

February 12, 1992

TO: Senate Public Health & Welfare Committee

FROM: Kansas Hospital Association

RE: SB 553

The Kansas Hospital Association appreciates the opportunity to comment regarding the introduction of Senate Bill 553, the "Kansas Health Care Reform Act."

Last session, we applauded the introduction of Senate Bill 205 because it created a starting point for discussions about health care reform. Since that time, discussions related to health 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 in the form of Senate Bill 561 and House Bill 2511. Perhaps the most important development, however, was the creation of the Commission on the Future of Health Care in Kansas. This group 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.

This year our feelings are somewhat similar regarding the introduction of Senate Bill 553. It obviously helps to keep the issue of health reform in the forefront. It also supports the now generally agreed upon principle that any such reform must be based on the notion of universal access to health care.

Senate P. H & W
Attachment #2
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1263 Topeka Avenue • P.O. Box 2308 • Topeka, Kansas 66601 • (913) 233-7436 • FAX (913) 233-6955

In spite of the positive aspects of this bill's introduction, we ask that no action on it be taken. Our opposition is not based on whether we agree or disagree with the bill's provisions. Indeed, when you look at the essential areas covered by SB 553 — education, training and research, cost containment, planning and universal access — there is general agreement these should all be part of any reform plan. On the other hand, there are many other health reform proposals that contain similar objectives. The specifics of SB 553 are not the issue. The central point is that the state already has a mechanism in place to develop a health reform 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 promise of being successful. Passage of SB 553 at this point would, in our opinion, pre-empt the work of the 403 Commission. For that reason, we must oppose the bill.

Thank you for your consideration of our comments.

TESTIMONY

Senate Public Health and Welfare Committee
Chairman, Senator Roy Ehrlich
Vice Chair, Senator Audrey Langworthy
Old Supreme Court Room, 313 South
Hearing on SB 553: Kansas Health Care Reform Act
Wednesday, Feb. 12, 1992

My name is Mark Brown-Barnett, President and Chief Executive Officer, Mary Hospital, Manhattan, Kansas. Although the Catholic Health Association opposes several of the regulatory features of this bill, particularly those having to do with certificate of need legislation on new equipment purchases and new facilities, as well as the financial difficulty, we support and commend you for your efforts and we encourage this Committee and the legislature to continue to work on this type of bill which will provide for universal health care coverage in a reasonable freedom of choice manner.

We support the following provisions of the bill:

1. An excellent start in the development of a health care plan.
2. Provisions for a single, publicly financed statewide health program and a fee-for-service approach in that plan.
3. Provisions for a (presumed) comprehensive basic health services plan for all residents of this state;
4. A board of directors representative of the health care field;
5. An attempt to incorporate long term care benefits into the plan...within 3 years;
6. Recommendations, if needed, to change insurance laws;
7. A public information program;
8. Continuing evaluation of the plan.

Our concern with the plan involves primarily the fact that we do not understand how the plan will work, in terms of financial and control mechanisms, as follows:

1. We are concerned about the lack of a fiscal note in this important legislation. The income is not projected.

2. We question the validity of another certificate of need law. It did not save on costs, or control quality in either the voluntary or mandatory programs for certificate of need in the '70's and '80's. It was political in the way in which approvals for new facilities or equipment were made, in most instances, and it was never universally accepted as a cost savings. We do concur with the need to shift our emphasis from acute care to preventive care, but hope we will not overlook the fact, sometimes not noted,

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that much of acute care is, in fact, preventive care intended to prevent prolonged disease, suffering, or death. Some alternative should be found which at the same time has the goal of accomplishing the same objectives as the certificate of need program without infringing on the legitimate prerogative of the health care institution in pursuit of their mission.

3. We question the potential or real value of the evaluation board, as part of the Kansas Health Care Commission, because we are by far, light years away from objective criteria for evaluating such care with universal agreement as to standards, especially in comparing hospitals and other institutional facilities. We have two major bases for evaluating quality - cost and standardization. Quality has been an elusive and difficult characteristic to monitor except through standardization and there is, even there, no consensus. A study could be sponsored by the legislative to better define evaluation of quality, building upon the new framework of continuous quality improvement offered by the Joint Commission of Health Care Organizations.

4. Section 20, line 7, p. 10, provides for the avoidance of kickbacks between providers, which is proper, needed, and ethical, and we agree with this, But the phrase "shall have no financial interest in or be professionally associated with any participating provider may be difficult to interpret or follow because of the phrase "or be professionally associated with...". We cite the arms length relationship between hospitals and doctors as an example, where the relationship is kept financially separate, but where there are professional relationships between practicing physicians on a hospital staff and hospital based, specialist physicians, such as an anesthesiologist.

Finally, in conclusion, this bill comes closer than any other bill presented for consideration by the legislature in providing for universal health care coverage for Kansans, and we encourage you to continue to work for this goal, which has also become in recent weeks, a specific national goal. Thank You.

Mark Brown-Barnett
Administrator
St. Mary Hospital
Manhattan, Kansas
(913) 776-3322

or

John H. Holmgren
(913) 232-6597

MEMORANDUM

TO: Senator Roy Ehrlich
Chairman, Senate Public Health & Welfare Committee

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

DATE: February 12, 1992

RE: Senate Bill 553

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 S.B. 553.

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.

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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 is currently holding 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 S.B. 553, 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 S.B. 553, 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 in front of this Committee 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 S.B. 553 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 S.B. 553 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

4-3

BRAD SMOOT

ATTORNEY AT LAW

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**Statement of Brad Smoot, Legislative Counsel
Blue Cross & Blue Shield of Kansas to the Senate Committee
on Public Health & Welfare regarding 1992 Senate Bill 553**

February 13, 1992

I am Brad Smoot representing Blue Cross & Blue Shield of Kansas, a Kansas company providing health insurance coverage to individuals and groups in 103 counties since 1938.

Blue Cross and Blue Shield of Kansas appears in opposition to Senate Bill 553.

Access to and affordability of health care coverage are serious issues. They involve questions about the responsibilities of the healthy to the ill, of the rich to the poor, of the individual to the group, and of the old to the young and the young to the old.

These questions deserve careful and considered debate. Recognizing that, the legislature voted last year to establish, through Senate Bill 403, a commission to consider the future health care financing and delivery system in Kansas. Unfortunately, the funds allocated for that commission were vetoed, which has somewhat inhibited the Commission's ability to perform its functions. However, Blue Cross/Blue Shield, the Kansas Medical Society and the Kansas Hospital Association have agreed to fund a study in connection with the Wesley Foundation and a notable Denver consultant to help identify the factors driving health care costs. When the study is completed, it will be provided to the 403 Commission so that we all may better address the above concerns.

Next, we would note a number of concerns about the establishment of a single state-operated health insurance plan in general, and about this bill in particular. To begin with, Senate Bill 553 appears to be legally flawed. The federal law known as ERISA preempts all state laws which relate to any employee benefit plan, except that states may regulate insurance contracts. To the extent the Section 45 of Senate Bill 553 requires an employer to convert to coverage under the Kansas Health Care Commission, the bill appears to be unenforceable. Indeed, Section 42(c) seems to acknowledge this is a possibility, making the act contingent upon federal approvals.

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Yet, there are less legalistic, more practical questions, which also deserve your attention:

* Would payments be established at levels which drove health care providers out of Kansas, increasing problems of access to health care services?
* Would taxes levied on individuals make Kansas unattractive to potential residents?
* Would costs to employers make Kansas non-competitive in securing new industries and retaining established business?
* Would funding levels be insufficient to the point that state residents were receiving coverage for fewer services than they currently have? That is, are we putting Kansas in the position of Canada, where the wealthy can, and do fly to Seattle of Detroit for heart bypass surgery but the common people have a three-month wait?

We believe that there are far less drastic proposals which may more appropriately deal with questions of health care access and affordable insurance. (See S-561 and Sub H-2511.) These changes and others deserve study, and if enacted, a chance to work.

We believe the legislature chartered a proper course in last year's Senate Bill 403 and should continue to examine less radical and maybe unnecessary solutions. We must be careful not to reach for a cure which is worse than the illness.

I would be pleased to try to respond to any questions.

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

SB 553

February 13, 1992

KANSAS CHAMBER OF COMMERCE AND INDUSTRY
Testimony Before the
Senate Committee on Public Health and Welfare
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 SB 553.

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.

SB 553 attempts to tackle an enormous social problem facing Kansas today. The members of this Committee certainly understand the effects of the spiraling cost of health

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care and the corresponding increases in health insurance cost. However, for several reasons, Kansans cannot afford the solutions offered in SB 553.

First, the Kansas Chamber questions whether this is the proper time to pass legislation which literally revolutionizes health care delivery in Kansas. Less than a year ago, the Kansas Legislature passed legislation creating the Commission on the Future of Health Care in Kansas and charged this Commission to listen to the people of Kansas and mold a workable health care strategy. The Kansas Chamber would urge you to give the Commission a chance.

In addition, considering the national concern over health care, it would be unwise to pass SB 553 at this time. President Bush recently unveiled his health care reform measures. Several Congressional alternatives are currently pending before Congress. Each contender for the Democratic Party presidential nomination hase identified health care reform as a key element to their campaign. The Kansas Chamber would be one of the first organizations to warn against expecting legislation from Washington to solve our problems. However, it does appear inevitable that federal initiatives concerning health care will be taken.

Besides the timing of SB 553, KCCI has serious reservations regarding the financing of this proposal.

1) SB 553 calls for an 8% employer payroll tax. For the employer who does not currently provide health care insurance, the payroll tax will represent a direct tax increase. Since insurance availability directly reflects employer size, the payroll tax will most heavily burden small employers.

For employers currently providing insurance programs to employees, the payroll tax deflects their current insurance costs. However, it is likely the medical services provided in SB 553 will not be as extensive as their current insurance programs. As a result, these employers face the specter of paying a payroll tax and maintaining enhanced insurance programs for employees.

Beyond these problems, the Kansas Chamber has two philosophical objections to the payroll tax concept. First, payroll taxes bear no relationship to an employer's ability to pay the tax. Second, the payroll tax makes providing employee health care an employer mandate, rather than a benefit employers provide to employees.

2) SB 553 calls for an income tax surcharge, ranging from 0% to 7%. For most Kansans, the income tax surcharge will cause their income tax bills to double. On the final sheet of my testimony is a chart comparing Kansas individual income taxes to neighboring states. While Kansas income taxes currently favorably compares to other midwestern states, the surcharge imposed by SB 553 will make Kansas the "taxing leader" of the Midwest.

While considering the income tax component in SB 553, please also keep in mind other proposals legislators are considering. Individual income tax increases have been forwarded as a potential source to provide property tax relief or fund school finance proposals. Passage of SB 553 would close the door on income tax increases contributing to solutions to other pressing issues before this legislature.

3) SB 553 calls for a 2% tax on interest and dividend income above $1,000. In short, the creation of an intangibles tax. KCCI has maintained opposition to any expansion of this taxing method beyond current local option authority. The principal objection KCCI has for this taxing option is it constitutes double taxation, since interest and dividend income is currently reported for income tax purposes. Finally, intangible taxes discriminates against the elderly and discourages savings and investments.

Mr. Chairman, permit me to conclude my comments with a confession. The Kansas Chamber cannot present to you an alternative to achieve the goals of SB 553 of providing access to health care for all Kansans. However, the answer for this problem surely will not be to abandon the current health care delivery process for the expensive alternative proposed in SB 553.

Thank you for the opportunity to explain KCCI concerns regarding SB 553. I would be happy to attempt to answer any questions.

Personal Income Tax Rate Comparison

		If No Fed. Deduction	Taking Fed. Deduction
Married/Joint			
Up to $35K	NE	3.63% max	N/A
	KS	3.65%	5.00% max
	CO	5.00%	N/A
	MO	6.00% max	6.00% max
	OK	7.00% after $21K	10.00% after $24K
Over $35K	CO	5.00%	N/A
	KS	5.15%	8.75% after $45K
	MO	6.00%	6.00%
	NE	6.41% after $50K	N/A
	OK	7.00%	10.00%
Singles			
Up to $27.5K	NE	4.03% max	N/A
	KS	4.50%	8.50% max
	CO	5.00%	N/A
	MO	6.00% max	6.00% max
	OK	7.00% after $10K	10.00% after $16K
Over $27.5K	CO	5.00%	N/A
	KS	5.95%	8.75% after $30K
	MO	6.00%	6.00%
	NE	6.41% after $50K	N/A
	OK	7.00%	10.00%

KANSAS ASSOCIATION OF SCHOOL BOARDS

5401 S. W. 7th Avenue Topeka, Kansas 66606
913-273-3600

Testimony on SB 553
before the
Senate Committee on Public Health and Welfare

by

Bill Curtis
Assistant Executive Director
Kansas Association of School Boards

February 12, 1992

Mr. Chairman and members of the committee, we appreciate the opportunity to express the views of the members of the Kansas Association of School Boards on SB 553. The bill enacts the Kansas Health Care Reform Act.

KASB opposes the bill specifically because of the requirement that employers pay an 8% surcharge on wages for funding this measure. For most boards of education, this would mean an increase in the amount of payroll costs even if the fringe benefit payment to employees was eliminated. Most boards of education, 159, have done away with any designated fringe benefit amount for employees. All compensation is included with salary. Only 144 boards still have a designated dollar amount of fringe benefits. Of those 144, the median average salary is $28,088 for the 1990-91 year. The 8% surcharge would amount to $2,247. The median fringe benefit for that category is $1,743.

We appreciate the attention of the committee and would urge that SB 553 not be passed.

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Kansas Employer Coalition on Health, Inc.
1271 S.W. Harrison • Topeka, Kansas 66612 • (913) 233-0351

Testimony to Senate Public Health & Welfare Committee on SB 553 (statewide insurance program)

by James P. Schwartz Jr.
Consulting Director
February 18, 1992

The Kansas Employer Coalition on Health is nearly 100 employers across the state who share concerns about the cost of health care purchased for our 350,000 employees and dependents.

The Kansas Employer Coalition on Health has a great deal of admiration for SB 553. We are in a position to judge because, like you, we have been deeply involved in these issues of health-care cost and access. You probably know that we have earned national acclaim for our published strategy on the subject. That strategy shares with SB 553 practically every major objective, like providing universal insurance at a widely distributed and controlled cost. Our strategy, though, has two additional objectives missing from 553. Those are 1) to make use of the existing structure as much as possible, and 2) to minimize reliance on governmental regulation.

Lacking these objectives, SB 553 goes needlessly far in placing the reins of the health-care system into the hands of government. The bill calls for the funding of basic health care for all Kansans through a single public entity. Most Kansas employers feel uncomfortable with that kind of public authority over a sensitive human-service system like health care.

According to a national survey, over 90% of corporate executives believe the health-care system of the future should continue to involve both the public and private sectors. And nearly three-fourths believe our health insurance system should continue to operate largely through employment-based plans. That's not to say we hold out hope for piecemeal solutions. We agree that comprehensive reform

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is needed. We just believe that other approaches involving a meaningful role for the private sector should be exhausted before embracing the public route described in SB 553.

Another area of concern for us about SB 553 is the kind of system it creates. Now that health care is the nation's largest industry and the expense is mammoth, we sorely need a system organized for quality and efficiency. If we look to Canada as a predictor of SB 553's prospects in this regard, we have some qualms. Though their quality of primary care is probably superior to ours, the quality of care for serious health problems is nowhere near ours. Although Canada's costs are lower, their efficiency is unenviable, with far more wasted hospital days and physician visits than here. Essentially, their top-down cost containment satisfies a budget without subjecting the system to much accountability for quality and efficiency. That's to be expected in a monopoly. We can do better. The best American managed care systems use competitive approaches to breathe ingenuity, quality improvement, and incentives for efficiency into health care. That's the level of organization we think is needed. That's what our strategy begets. That's not what SB 553 begets. That approach retains traditional fee-for-service medicine, where the more a doctor prescribes, no matter how unwarranted, the more he gets paid. Worse, it props up poor quality providers.

Last Wednesday HB 3026 was introduced, essentially embodying this coalition's strategy. It too calls for an overhaul of the health system. It too guarantees universal access and cost containment. But the means and ends are distinctly different. The means involve a much lighter hand of government. The ends involve a much more organized system.

We believe remedies like that should be exhausted before dumping the health-care crisis into government's lap.

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TESTIMONY TO:
SENATE PUBLIC HEALTH AND WELFARE COMMITTEE
on
S.B. 553

Paul M. Klotz, Executive Director

February 18, 1992

This Association conceptually supports **S.B. 553** and recognizes that health care and its financial and administrative structure needs reform. We hope to be a part of the discussion so that such resulting changes include input from those who suffer and/or treat mental illness.

Thank you!!

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