

Approved 3-2-92
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 24, 1992 in room 526-S of the Capitol.

All members were present except:

Committee staff present:

Bill Wolff, Legislative Services
Norman Furse, Revisor's Office
Jo Ann Bunten, Committee Secretary

Conferees appearing before the committee:

Tom Hitchcock, Board of Pharmacy
Senator Dave Webb
Robert Epps, Income Support/Medical Services, SRS
Jerry Slaughter, Kansas Medical Society
Tom Bell, Kansas Hospital Association
Rebecca Rice, Kansas Retail Liquor Dealers

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

The Chairman stated that minutes of February 18, 19, and 20 were distributed to the Committee members for review.

Committee bill requests:

The Chairman announced last day for Committee bill requests. Tom Hitchcock, Board of Pharmacy requested a Committee bill that would update the controlled substances act of Kansas. Senator Burke made a motion to introduce the Committee bill request, seconded by Senator Kanan. No discussion followed. The motion carried.

Senator Burke requested a Committee bill that would direct the Insurance Commissioner to develop a plan for paperless claims between health insurance companies and providers. Senator Burke made the motion to introduce the bill request, seconded by Senator Walker. No discussion followed. The motion carried.

Hearing on:

SB 647 - KanCare comprehensive health care act.

Senator Dave Webb, principle sponsor of SB 647, submitted written testimony and appeared before the Committee in support of his bill. He stated the basic purpose of the bill would provide basic health care to Kansans who cannot afford health insurance and health benefits. The participation in the program is voluntary and to be eligible, one must be a Kansas resident for five years. There is a \$100 deductible, with a maximum lifetime cover of \$1,000,000.00 and a physicians liability limit of \$250,000.00. Subscribers can choose care providers from those who participate in the program. The KanCare board is made up of two licensed Doctors of Medicine, two Doctors of Osteopathy, two Doctors of Chiropractic, two members of the general public and the Secretary of Social and Rehabilitation Services. The funding of KanCare would be by increased taxes on cigarettes, cereal malt beverages and liquor, and a \$1.00 per day per Kansan fee to be paid either through payroll deduction or with income tax. Monies would be collected in the state

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON PUBLIC HEALTH AND WELFARE,
room 526-S, Statehouse, at 10:00 a.m./p.m. on February 24, 1992

general fund and then transferred into KanCare fund. The taxing date of the bill would be effective January 1, 1993. (Attachment 1) During Committee discussion, Senator Webb stated the Board would be responsible for setting up policy and guidelines, and also be a peer review board. More pertinent information would be furnished to the Committee members as soon as possible.

Robert L. Epps, Income Support/Medical Services, SRS, submitted written testimony on **SB 647** and stated the department endorses the concept of the bill, but would like to offer a number of observations and suggestions. SRS recommends that the administration of this program be placed within an existing agency rather than setting up a separate board to administer a health insurance fund. The second area of concern is the exclusion from coverage under the KanCare Plan, services covered by Medicaid that would result in the loss of federal Medicaid matching funds for any services provided to Medicaid recipients who had the means to pay the \$1.00 per day premium. (Attachment 2)

Jerry Slaughter, Kansas Medical Society, submitted written testimony and stated the KMS supports a system in which all Kansans have access to needed health services, but the proper forum for **SB 647** would be the 403 Commission so it can be carefully studied and analyzed. (Attachment 3) It was noted the probable time frame for the 403 Commission to report back is prior to 1994 Legislative Session.

Tom Bell, Kansas Hospital Association, submitted written testimony and also suggested **SB 647** be referred to the 403 Commission. (Attachment 4)

Rebecca Rice, Kansas Retail Liquor Dealers, appeared before the Committee in opposition to the funding of **SB 647** that would raise the liquor tax.

Written testimony was also submitted from Ron Hein, on behalf of the R. J. Reynolds Tobacco Company, in opposition to the funding of the bill that would include an increase in cigarette tax; William H. Pitsenberger, Vice-President/General Counsel of Blue Cross/Blue Shield, that urged the Committee to refer **SB 647** to the 403 Commission; AARP representative expressed concern that this bill does not provide universal access to health care nor offer a minimum set of benefits to everyone; and Alan Alderson, The Tobacco Institute, opposing the funding mechanism in the bill. (Attachments 5, 6, 7 and 8)

The meeting was adjourned at 10:30 a.m. The next meeting of the Committee is scheduled for February 25, 1992, 10:00 a.m., Room 526-S.

SENATE
PUBLIC HEALTH AND WELFARE COMMITTEE

DATE 2-24-92

(PLEASE PRINT)
NAME AND ADDRESS

ORGANIZATION

Marian Dick P.O. Box 342 Natoma
KS 67651

self

Laura McClure Glen Elder

self

FRANCES KASTNER Topeka

KAPTA

Jackie Rawlings Manhattan

KAPTA

ALAN COBB

WICHITA HOSPITALS

JERRY WALTER, Topeka

KMS

Tom Bell

Ks. Hosp. Assn

JOHN H HOLMGREN

CATHOLIC Health Assn

Beth Sue Shumway

HAARP

Joe Furganic

KCA

Meal Whitaker

Ks Beer Wholesalers Assn

KEITH R LANDIS

CHRISTIAN SCIENCE COMMITTEE
ON PUBLICATION FOR KANSAS

Annette Siebert

KATA

Larry W Pittman

Ks. Foundation for Medical Care

Bob Williams

Ks. Pharmacists Assoc

Rebecca Pien

Ks. Retail Liquor Dealers

Harold Kieffer

KADAM

Pam Murray

KACHP

Bud Swout

BCBS

Ron Smith

Ks Bar Assoc

SENATE
PUBLIC HEALTH AND WELFARE COMMITTEE

DATE 2-24-92

(PLEASE PRINT)
NAME AND ADDRESS

ORGANIZATION

John Peterson

Artesa Busch

Meyer L. Goodman

Hermana Prims Health

~~KEITH KEITH~~

SELF

~~Robert Jones~~

SRU

Santa

HEALTH CARE LEGISLATION

Enact a program named KanCare

Basic purpose: To provide basic health care to Kansans who cannot afford Health Insurance and Health Benefits

Participation in program is voluntary

To be eligible must be a Kansas resident for 5 years

There is a \$100.00 annual deductible

Maximum lifetime coverage \$1,000,000.00

Physicians liability limit \$250,000.00

Subscriber can choose care provider from those who participate in program

KanCare Board made up of 2 licensed Doctors of Medicine, 2 Doctors of Osteopathy, 2 Doctors of Chiropractic, 2 members general public and the Secretary of Social and Rehabilitation Services

A director shall be appointed by the Board

Board to set policy and guidelines and be a peer review board

Effective date: July 1, 1993

Funding of KanCare:

- .25¢ per pack tax increase on cigarettes
 - .19¢ per gallon tax on beer containing more than 3.2% alcohol
 - .32¢ per gallon on wine containing 14% or less alcohol
 - .79¢ per gallon on wine containing more than 14% alcohol
 - \$2.63 per gallon on alcohol and spirits
 - .28¢ tax increase per 31 gallons on cereal malt beverage
 - .20¢ per gallon or .10¢ per pound tax increase on malt extract
 - \$1.00 per day per Kansan to be paid either through payroll deduction or with income tax
- Monies to be collected in the General Fund; then transferred into KanCare Fund
Taxing date effective January 1, 1993

*Senate P. H&W
Attachment #1
2-24-92*

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

Senate Public Health and Welfare Committee
Testimony on Senate Bill 647
February 24, 1992

Mr. Chairman, Members of the Committee, thank you for this opportunity to address you on Senate Bill 647. The Department of Social and Rehabilitation Services (SRS) endorses the concept of providing health insurance coverage to persons otherwise unable to obtain such coverage. The agency would like to offer a number of observations and suggestions.

SRS recommends that the administration of this program be placed within an existing state agency rather than setting up a separate board to administer a health insurance fund. Duplication of staff and resources would also be avoided by placing this program in an existing agency.

The second area of SRS involvement is concerned with the exclusion from coverage under the KanCare Plan, services covered by Medicaid. By federal law [42 U.S.C. Sec. 1396b (o)] SRS would lose federal funding for any Medicaid recipient that would qualify for coverage under KanCare, even if the recipient chose not to enroll. Federal legislative history is clear that Medicaid be the payer of last resort and as such, be secondary to all other forms of insurance coverage. Kansas statutes also support this premise. Excluding from coverage services covered by Medicaid, would mean that SRS would lose the federal Medicaid matching funds for any services provided to Medicaid recipients who had the means to pay the \$1.00 per day premium. The agency would urge the Committee to remove all references to noncoverage of Medicaid services.

Thank you for the opportunity to comment on Senate Bill 647.

Robert L. Epps
Commissioner
Income Support/Medical Services

*Senate P.H.W.
Attachment #2
2-24-92*




KANSAS MEDICAL SOCIETY

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WATS 800-332-0156 FAX 913-235-5114

February 24, 1992

TO: Senate Public Health and Welfare Committee

FROM: Jerry Slaughter
Executive Director 

SUBJECT: SB 647; Concerning the KanCare Comprehensive Health Care Act

The Kansas Medical Society appreciates the opportunity to appear today to offer comments on SB 647, which would establish a basic health services program which is administered by an appointed board of directors.

First, let me reiterate 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 SB 647 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 Committee on the Future of Health Care, which was created by the Legislature just last year, with our full support. As we indicated on SB 553, which was heard two weeks ago by this Committee, we believe SB 647 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 # 3
2-24-92*



Memorandum

Donald A. Wilson
President

February 24, 1992

TO: Senate Public Health and Welfare Committee

FROM: Kansas Hospital Association

RE: **SENATE BILL 647**

The Kansas Hospital Association appreciates the opportunity to comment regarding the provisions of Senate Bill 647. This bill would establish the KanCare Comprehensive Health Care Program. Under this program, persons would be eligible to subscribe for \$1 per day. The program would be funded by increased taxes on cigarettes, cereal malt beverages and liquor.

Senate Bill 647 is one of several bills introduced this legislative session which attempt to implement a comprehensive health care program for the State of Kansas. The various bills that have been introduced employ different methods of providing health care. Each of these bills, including Senate Bill 647, has its pros and cons. The point, however, is that last session the Legislature created a mechanism to develop a comprehensive health care plan for Kansas. Senate Bill 403 created the Commission on the Future Health Care in Kansas. This Commission has been formed and has now met several times. We think it is making progress.

Because of the existence of the Commission on the Future of Health Care in Kansas, it would be inappropriate for the Legislature to pass Senate Bill 647 at this time. We request that the committee take no action on this bill and perhaps refer it the 403 Commission for further study.

Thank you for your consideration of our comments.

/cdc

*Senate P. H&W
Attachment # 4
2-24-92*

HEIN AND EBERT, CHTD.

ATTORNEYS AT LAW

5845 S.W. 29th, Topeka, Kansas 66614

Telefax 913/273-9243

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Ronald R. Hein
William F. Ebert
Eric S. Rosen

SENATE PUBLIC HEALTH AND WELFARE
TESTIMONY RE: SB 647

PRESENTED BY RONALD R. HEIN ON BEHALF OF
R. J. REYNOLDS TOBACCO USA
February 24, 1992

Mr. Chairman, members of the Committee:

My name is Ron Hein, and I am legislative counsel for R. J. Reynolds Tobacco.

On behalf of our customers who will pay this tax increase, we oppose SB 647. This is not a tax increase on tobacco and this is not a tax increase on tobacco companies. SB 647 is, pure and simple, a general tax increase on citizens in this state. According to the Tobacco Institute, approximately 29% of the adults will pay this tax increase.

At a time when the voters are begging their legislators not to have any more tax increases, this direct tax increase on hundreds of thousands of Kansans is being considered.

You have heard testimony before that a cigarette tax increase is a regressive tax, it hits the poor harder than anybody else. In addition to that, this tax is being paid by a minority of the people in order to fund a program that benefits all Kansans.

You have also heard before what a cigarette tax increase will do on border sales. It is possible that you will be able to measure the lost cigarette tax collections resulting from an increase in the rate, but it is doubtful that you will be able to measure the lost sales tax revenue or gasoline tax revenue which results from persons purchasing tobacco products and at the same time, gasoline and other grocery articles across the state line. Do not be deceived that simply because you are increasing the rate of the tax that the state will collect more tax revenue.

In conclusion, although we may see numerous proposals to shift taxes from one revenue source to another for purposes of accomplishing property tax relief this year, this is a tax increase on 29% of the public. We hope that you will oppose SB 647, and hope that if you are desirous of funding this program to benefit the entire state of Kansas, that you will do so by appropriating sufficient revenues out of the State General Fund to do so.

Thank you very much for considering our views today, and I would be happy to yield for any questions.

*Senate P. Hein
Attachment #5
2-24-92*



**Blue Cross
Blue Shield**
of Kansas, Inc.

Legal Department

William H. Pitsenberger
General Counsel

Jane Chandler-Holt
Staff Counsel

February 24, 1992

Senator Roy Ehrlich
Capitol Building
Topeka, Kansas 66612

RE: SENATE BILL 647

Dear Senator Ehrlich:

Senate Bill 647 would establish a state-run health care financing program.

Blue Cross and Blue Shield of Kansas has substantial concern about the concept in general and the feasibility of the proposed approach.

We would urge you to refer this bill for study to the "403 Commission", which is charged with considering the future of health care financing in Kansas and reporting to the Legislature on its recommendations in 1994.

Sincerely,

A handwritten signature in blue ink, appearing to read "W. H. Pitsenberger", is written over the word "Sincerely,".

William H. Pitsenberger
Vice-President/General Counsel

WHP:kr

c: Brad Smoot
Fred Palenske

*Senate P. H&W
Attachment #6
2-24-92*

STATEMENT FOR THE SENATE PUBLIC HEALTH AND WELFARE COMMITTEE
CONCERNING SENATE BILL 647

Topeka, Kansas, February 24, 1992

Mr. Chairman and Members of the Committee:

No member of the State Legislative Committee of AARP was available to testify at the hearing this morning on Senate Bill 647. Therefore, as Chair of that committee, I am providing this written testimony.

In the view of Kansas AARP, providing access to health care is one of the most important problems that face our state and the nation. We commend Senators Webb, Montgomery, and Yost for their attention to this pressing problem. However, AARP has developed a set of criteria for assessing proposals for health care reform. When these are applied to Senate Bill 647, serious problems appear.

First, it appears that this bill does not provide universal access to health care nor offer a minimum set of benefits to everyone. The annual charges of \$365 per person (or \$1,460 for a family of four) plus the \$100 deductible would rule out participation in the program of people who are just above the poverty level. Consequently, it is not likely that the bill would reduce markedly the number of our citizens who are totally without health insurance; this constitutes a major shortcoming of the bill.

In addition, the bill does not promote cost containment for medical services. There seem to be some provisions for controlling physicians' fees (though their exact nature was not clear to us) but there are no apparent controls on the proliferation of technology and facilities. The marked escalation in health care costs presents nearly as great a danger to our system as does the number of uninsured in the population; thus, this a second major drawback of the bill.

Beyond this, there appear to be no quality control provisions in the bill, nor any means of coordinating health care resources. Finally, there are no means of emphasizing preventive care through ~~on~~ pre-natal care, inoculation programs, and the like.

In short, in comparison to Senate Bill 553, on which Kansas AARP testified favorably, the present bill does not seem to us to constitute a comprehensive attack on the problems of health care in Kansas. Again, we appreciate the efforts of Senator Webb and his colleagues in getting Senate Bill 647 before the public but we believe it needs to be revised extensively and made more comprehensive before it will be acceptable.

*Senate P. H. & W.
Attachment # 7
2-24-92*

ALDERSON, ALDERSON, MONTGOMERY & NEWBERY

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C. DAVID NEWBERY

JOSEPH M. WEILER

JOHN E. JANDERA

DANIEL B. BAILEY

DARIN M. CONKLIN

MEMORANDUM

TO: MEMBERS OF THE SENATE PUBLIC HEALTH AND WELFARE COMMITTEE

FROM: ALAN F. ALDERSON, LEGISLATIVE COUNSEL FOR THE TOBACCO INSTITUTE

RE: SENATE BILL NO. 647

DATE: FEBRUARY 25, 1992

I am Alan F. Alderson, representing The Tobacco Institute, a National Association of Tobacco Product Manufacturers. The Tobacco Institute would like to go on record as opposing Senate Bill No. 647. Specifically, The Tobacco Institute opposes the funding mechanism found in Section 13 of the Bill.

Under Section 13 of Senate Bill 647, a tax of \$0.49 per pack would be levied on the sale at retail of cigarettes. The \$0.25 per pack increase in cigarette taxes is more than a 100% increase from existing tax rates. The increased tax revenue is required to be deposited in a fund to be used to pay health care expenses for subscriber's of a state-operated health care pooled risk fund. Therefore, we believe it would be appropriate to describe this legislation as earmarking the proceeds of a cigarette tax for health care.

Traditionally, those who favor earmarking excise taxes imposed on smoking argue that illnesses that have been statistically associated with smoking cause a disproportionate drain on government-financed health programs. But, in fact, there is no reliable data on the health care costs of smoking, nor convincing evidence that smokers do not already pay their fair share. Earmarking advocates say that this tax on smokers would be, in effect, a "user fee." How can it be called a user fee? A true user-fee method for funding health care, based upon those who actually use the system would cause blacks to pay more than whites and lower income groups to pay more than the wealthy. Is that how Kansas wants its tax policy to work?

Even if it were true that smokers did incur larger medical costs, why should they bear a disproportionate burden by paying an extra tax? Skiers, football players and the obese all voluntarily take risks. Ill health effects have been associated with consumption of dairy products, eggs, coffee, sugar and red meat. Imagine what would happen if the government slapped a health tax on every citizen who is not getting enough fiber, or who fails to exercise.

Earmarking tobacco products taxes is not only an unfair tax policy, it is unwise tax policy. Earmarking is also unreliable. Taxing a shrinking base is bound to cause money to be taken from other worthy programs in the long

*Senate P.H.W.
Attachment #8
2-24-92*

run or raise taxes originally earmarked to pay for the taxes that the earmarking originally was intended to fund.

The approximately 541,000 Kansas residents who smoke have already been hit hard by a barrage of tax increases, including an 8 cent federal tax increase in 1983, 13 cents in State tax increase since 1983, a 4 cent federal tax increase in 1991 and an additional 4 cent federal tax increase in 1993. The exorbitant additional tax levied in this bill would result in a whopping \$0.54 tax increase over a ten-year period. The regressive impact of cigarette taxes is also especially harmful to minority groups and low income families.

Please also be aware that Kansas is in a vulnerable position with respect to cigarette taxes due to significant savings which would be available on most borders. This bill would leave a 36 cent per pack gap between the tax in Missouri and the tax in Kansas. There would be a savings of hundreds of dollars per year for those who would purchase cigarettes in Missouri, and not in Kansas.

For all of the reasons given herein, I would urge you to defeat Senate Bill 647.