

Approved: February 20, 1995
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Bill Bryant at 3:30 p.m. on February 13, 1995 in Room 527S of the Capitol.

All members were present except: Representative Tom Sawyer

Committee staff present: Bill Wolff, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Representative Phyllis Gilmore
Bill Caton, Commissioner of Consumer Credit
David Ross, Kansas Life Underwriters
Tom Wilder, Insurance Commissioner's Office

Others attending: See attached list

Representative Findley asked the Committee to introduce legislation regarding small employer group insurance. This bill would increase the maximum number of employees allowed in a group from 50 to 100.

Representative Dawson moved that the proposal be introduced as a committee bill. The motion was seconded by Representative Wilson. Motion carried.

Representative Correll asked for the introduction of a bill which would limit the fee to \$15 for hospital providers furnishing history and treatment records.

Representative Humerickhouse moved that the proposal be introduced as a committee bill. Representative Cox seconded the motion. Motion carried.

Representative Bryant asked for the introduction of a bill dealing with out-of-state security transactions. Representative Correll moved for the introduction of the proposal as a committee bill. The motion was seconded by Representative Gilbert. Motion carried.

Hearing on HB 2343--Coverage for newly born and adopted children

Representative Gilmore appeared before the Committee in support of the bill which would include HMO's in the health care bill which requires coverage for newly born and adopted children (Attachment 1). This was explained as a cleanup measure and was the intent of the original legislation which was passed in 1990.

Written material from Carol Olson Gates, CIGNA HEALTHCARE, was presented to the Committee (Attachment 2).

Tom Wilder of the Insurance Department presented testimony supporting the proposed measure (Attachment 3). Most HMO's do allow insurance coverage for adopted newborns even though they are not required to do so by statute.

No opponents appeared.

Hearing on HB 2253--Repealing Kansas investment certificate guaranty fund act

Bill Caton, Commissioner of Consumer Credit, gave the history of investment certificate companies which no longer exist in Kansas so there is no longer a need to provide insurance for investment certificate holders (Attachment 4).

Representative Samuelson moved to pass the bill out of Committee favorably. The motion was seconded by Representative Humerickhouse. Motion carried.

Hearing on HB 2280--Acceleration of life and annuity benefits

David Ross, Kansas Association of Life Underwriters, said that the will would permit persons who have

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
Room 527S-Statehouse, at 9:00 a.m. on February 13, 1995.

accelerated benefit riders on life insurance policies the flexibility to use these benefits for at-home nursing care (Attachment 5). Such persons are allowed to utilize the benefits now only if they are permanently confined to a nursing home. This provision would allow accelerated benefits up to the face value of their life insurance policies if they have terminal illness and/or require nursing home care.

The need for at-home nursing care would be determined by the attending physician. The possibility of merging HB 2200 with HB 2800 was explored regarding the waiver of premiums and forgiveness of penalty. The method of payment was also reviewed: lump sum, monthly installments; partial payment on time schedule, and payment up to a certain predetermined amount. The Committee agreed that the benefits would go further for providing care if it were in-home.

Tom Wilder of the Insurance Department, stated that this bill would require insurers to provide an option to the insured for acceleration of benefits to pay for long-term home care (Attachment 6). He recommended merging HB 2200 and HB 2800.

Assisted living might eventually become part of the proposed system if a definition is determined by the interim committee studying health care. The assisted living would probably be in a residential facility rather than in a private home setting.

Action on HB 2201--Life insurance, investments in common stock

The Committee discussed the amendments which would remove restriction of life insurance companies from investing in common stock of certain corporations, i.e. corporations that have not paid cash dividends in each of the past five years and generated earnings in at least three of the past five years.

Representative Donovan moved to accept the amendments on the bill as proposed. The motion was seconded by Representative Humerickhouse and the motion carried.

Representative Wilson moved to accept the amendments as presented by the Insurance Departments. The motion was seconded by Representative Smith. Motion carried.

These amendments would add property and casualty companies as investors, require stock corporation to have assets of \$10 million, net worth of \$1 million or more, and aggregate market value of \$500 million. Ms. Larson reminded the Committee that some big companies can show a negative net worth due to big inventories and heavy real estate.

Representative Dawson moved to pass the bill out of Committee favorably as amended. The motion was seconded by Representative Samuelson. Motion carried.

Action on HB 2211--Life insurance, investments in asset-backed securities

Proposed amendments by the Insurance Department would be to include property and casualty insurance companies as investors and that the company's aggregate investment in asset-backed securities would not exceed 20% of assets.

Representative Samuelson moved to accept the amendments as presented by the Insurance Department. The motion was seconded by Representative Landwehr. Motion carried.

Representative Gilbert moved to report the bill favorably as amended. Motion was seconded by Representative Landwehr. Motion carried.

Representative Donovan moved to approve the minutes of the February 6, 1995 meeting. Motion was seconded by Representative Correll. Motion carried.

The meeting adjourned at 4:55 p.m. The next meeting is scheduled for February 14, 1995.

February 13, 1995

Mr. Chairman and Fellow Representatives

Thank you for the opportunity to testify before you today regarding House Bill 2343.

This is simply a clean-up bill. When the Legislature passed the original bill back in 1990, it is my understanding that it was thought that health maintenance organizations were included. However, that has not been the case. Because of the use of the phrase, "insurance companies", HMO's were able to exclude themselves from payment of medical costs in an adoption situation. It is my belief, and this has been verified by some of the "old-timers", that this was not the intention of the original legislation.

I have talked with the insurance commissioner who supports this effort as do a number of representatives who were here back in 1990. Additionally, I have spoken with a couple of health care lobbyists who have not indicated any major opposition by their clients.

Whenever we talk about adoptions, we are speaking of small

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Attachment 1
Feb. 13, 1995

numbers. The attachment shows you the total number of adoptions in Kansas in 1994. Further breakdown of the numbers for the state are not available. However, in Johnson county about 1/4 of the total adoptions is private infant adoptions. Many of these will then be covered under other insurance, so the total number of adoptions affected by this bill would probably be significantly less than 1/4 of the total.

While this bill does not, in my opinion, have significant impact on any single HMO, certainly it is of great significance to any one adoptive couple who may be facing large out-of-pocket medical expenses. Of course, it goes without saying that the adoptive couple would have medical coverage if they were giving birth.

I feel this bill is so non-controversial that I am asking your consideration to place it on the consent agenda.

Thank you for your time and I will respectfully stand for questions.

Phyllis Gilmore

To: Representative Phyllis Gilmore

Secret

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

**300 S.W. 10th Avenue
Room 545-N -- Statehouse**

Phone 296-3181

January 27, 1995

Office No. 303-N

TO: Representative Phyllis Gilmore

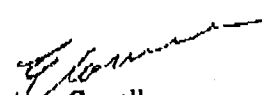
RE: Reported Adoptions

The Office of the Clerk of the Supreme Court reports that the court system collects data only on the number of adoptions that are filed with the courts in a fiscal year. While the total can be broken down by county or judicial district, there is no data provided as to whether the adoption is a private or agency adoption, a stepparent adoption, etc.

The total number of adoptions filled with the Kansas court system in fiscal year 1994, the latest year for which information is currently available, was 1,715.

Judge Bruner told the Joint Committee on Children and Families that in Johnson County there have been an average of 250 adoption cases a year over the last several years, indicating a fairly stable pool of children available for adoption. About one-half are stepparent adoptions; about 100 to 110 involve infants; about one-half are adoptions arranged through child placing agencies, including the Social and Rehabilitation Services, and the remainder are private adoptions. Costs are averaging between \$300 to \$500 for adult adoptions in Johnson County. For children being adopted by stepparents, the costs are about \$400 to \$500. Agency adoptions for infants under one year normally run from \$7,000 to \$11,000, and independent adoptions are running between \$8,000 and \$12,000. Medical expenses can account for costs up to \$20,000 and be approved. (Source: *Minutes of the Joint Committee on Children and Families for August 10-11, 1994.*)

If you are aware of other sources of information you would like for me to try, please contact me.


Emalene Correll
Research Associate

**COMMENTS ON
KANSAS HOUSE BILL NO. 2342
COVERAGE FOR NEWLY BORN AND ADOPTED CHILDREN**

House Bill 2342 would require Health Maintenance Organizations (HMOs) to provide:

1. Coverage for newborn adopted children if an adoption petition is filed within 31 days of birth, provided the insurer/HMO is notified within 31 days after the birth or the filing of a petition of adoption;
2. Coverage for adopted children of any age after a petition of adoption has been filed; and
3. Optional coverage for the delivery expenses for the birth mother of an adopted child, subject to the contract/policy terms of the insurer/HMO.

CIGNA HealthCare neither opposes nor supports House Bill No. 2343 at this time, but offers the following:

We are concerned about the retroactivity of the coverages. CIGNA HealthCare currently provides coverage depending on whether the service was delivered inside or outside of the network, and as drafted, the bill would not change existing practice. If a delivery occurs outside of the network service area, the policy would pay expenses if the delivery is an emergency in the third trimester. If the mother is in the service area, CIGNA's HMO coverage would extend fully to that individual. If the bill is intended to extend coverage beyond these parameters, the intent would interfere with the principles underlying managed care. These principles are different from those behind indemnity (fee-for-service) coverage. The focus of managed care is preventive treatment and management of the costs for treatment of covered individuals. Cost containment is achieved by knowing exactly which patients are in our network so that expenses can be managed. Coverage that would extend beyond our existing contractual terms would generate a concern about cost and quality control.

Thank you for the opportunity to comment. If you have any questions, please contact me.

CIGNA HEALTHCARE
Carole Olson Gates
Regional Vice President
State Govt. Affairs
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Carole Olson Gates

Attachment 2

2-13-95

Kansas Insurance Department

Kathleen Sebelius, Commissioner

420 S.W. 9th

Topeka, Kansas 66612-1678 (913) 296-3071

To: House Financial Institutions and Insurance Committee

From: Tom Wilder, Director of Governmental Relations
Kansas Department of Insurance

Date: February 13, 1995

Re: H.B. 2343 (Insurance Coverage for Newly Born or Adopted Children)

The Kansas Department of Insurance supports House Bill 2343 which adds Health Maintenance Organizations to the list of health insurers who must provide insurance coverage for newly born children and children who are adopted by an insured. Currently, individual and group health insurance policies must offer insurance coverage for a newly born child of the insured or a child who is adopted by the insured. This proposal would require Health Maintenance Organizations to offer the same coverage.

One concern which has been expressed by some HMOs is the possibility that they will have to provide coverage for the birth expenses. The current law allows insurers to provide optional coverage for the cost of delivery and HMOs would be required to offer this option which could be conditioned on the birth mother agreeing to use a HMO medical facility and doctor to handle the birth of the child to be adopted.

The Department of Insurance asks this committee to recommend H.B. 2343 favorable for passage.

House FID

Attachment 3

2-13-95



KANSAS

Bill Graves
Governor

OFFICE OF CONSUMER CREDIT COMMISSIONER

Wm. F. Caton
Commissioner

TESTIMONY
HOUSE BILL 2253
HOUSE FINANCIAL INSTITUTIONS AND INSURANCE
FEBRUARY 13, 1995
BILL CATON

House Bill 2253 repeals the Kansas Investment Certificate Guaranty Fund Act. This act was passed in the early 1980's to provide insurance up to \$10,000 for investment certificate holders in thrift institutions commonly known as investment certificate companies. The sole remaining investment certificate company declared bankruptcy in 1991 and has subsequently been liquidated. Senate Bill 95 has an appropriation of approximately \$59,000 which represents the shortfall the Guaranty Fund had in making all depositors recover their investments up to \$10,000.

Investment certificate companies have been around since the turn of the century. They generally raised capital by selling investment certificates to local investors similar to certificates of deposits that financial institutions sold to depositors. Their primary purpose was to provide reasonably priced consumer loans to borrowers who usually did not qualify for conventional bank loans. In the late 1970's, interest rates soared to all time highs and investment certificate companies found it very difficult to raise capital because bank's C.D.'s were paying in the range of 15% and had no risk because of FDIC insurance. These investment certificates, prior to the Guaranty Fund Act, were not insured and investors assumed a higher degree of risk for a higher return on their investment.

The sole purpose of the Guaranty Fund Act was to provide the investment certificate industry with a guaranty fund that would aid the companies in retaining current investors, attract new investors and compete with commercial banks, savings and loans and credit unions for deposits. The legislation creating the Guaranty Fund was designed by the industry, for the industry, and was even overseen by the industry. The statute never seemed to address the financial stability and viability of the Guaranty Fund itself.

Although the statute specifically excluded the State from any liability arising from the Guaranty Fund Act, the State has acknowledged some responsibility in the shortfall previously mentioned. My initial projections concluded the Guaranty Fund could possibly be up to \$1,000,000 short in paying off the investors, but a successful liquidation of the company's assets brought that figure down to \$59,000.

I believe repeal of the Guaranty Fund Act is appropriate as I doubt the State wants to learn another hard lesson in the "deposit insurance" business.

Wm. F. Caton
Attachment 4

Mr. Chairman and members of the committee,

I am David Ross representing the Kansas Association of Life Underwriters. I appear before you today in support for HB2280. HB2280 will permit persons having accelerated benefits riders on their life insurance policies the flexibility to use these benefits for at-home nursing care. Currently, persons having accelerated benefits riders may only utilize these benefits when permanently confined to a nursing care facility. When this statute was passed in 1991, there were very few organizations providing at-home nursing care for people. Since then, the escalating cost for nursing care has prompted the search for at-home alternatives not only because it is less expensive but also because it is more appealing to people.

Accelerated benefits currently permits people to collect from the face amount of their life insurance policy up to 100% while living for terminal illnesses and nursing home care. Some companies charge an additional premium for this benefit while others do not. Your support for HB 2280 will provide policyholders with greater flexibility to address a situation that can financially drain the assets accumulated through-out a persons lifetime.

I urge your support for HB2280.

David Ross

Attachment 5

2-13-95

Kansas Insurance Department

Kathleen Sebelius, Commissioner

420 S.W. 9th

Topeka, Kansas 66612-1678 (913) 296-3071

To: House Financial Institutions and Insurance Committee

From: Tom Wilder, Director of Governmental Relations
Kansas Department of Insurance

Date: February 12, 1995

Re: H.B. 2280 (Acceleration of Life and Annuity Benefits)

House Bill 2280 would allow life insurance or annuity policy holders to accelerate their benefits to provide for home care. The current law allows for acceleration of benefits where the insured is unemployed or totally and permanently disabled. In many cases these policies provide for payment for nursing home or long term care home benefits. The proposal would require insurers to provide an option to the insured for acceleration of benefits to pay for home care.

The Kansas Department of Insurance supports H.B. 2280 which would give insureds an additional option for the use of their funds to pay for long term care. Home care is often a viable and less expensive alternative to confinement in a nursing home.

The Department of Insurance recently testified on another benefits proposal, House Bill 2200 which makes additional changes to K.S.A. 40-401. H.B. 2200 provides that an annuity company may waive early surrender charges if the annuitant or their spouse is confined to a hospital or nursing home or is diagnosed with a terminal illness. The two bills should be merged and passed favorably by this committee.

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Attachment 6
2-13-95