Approved: Feb. 23, 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 21, 1995 in Room 527S of the Capitol.

All members were present except: Representative Sawyer, Excused
Representative Vickery, Excused

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

Conferees appearing before the committee: Anita Larson, Security Benefit Group

Others attending: See attached list

Action on HB 2212--Life insurance, clearing corporations
This bill would allow life insurance companies to clear through and register securities with international clearing corporations. Anita Larson of Security Benefit Group in conjunction with the Insurance Department presented an amendment to the Committee which included language that would (Attachment 1): set criteria of ownership and control for clearing corporations to those owned/operated by a bank, trust company, or other entity subject to regulation of federal reserve board, US comptroller of the currency, securities and exchange commissioner. This would repeal the leeway clause.

Representative Dawson moved to accept the amendment as proposed. The motion was seconded by Representative Wilson. Motion carried.

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

Action on HB 2343--Requiring HMO contracts to cover adopted children
This bill would include the birth mother's hospital expenses as long as she used the HMO's facilities.

Representative Merritt moved to pass the bill out favorably. Motion was seconded by Representative Landwehr. Motion carried.

Action on HB 2010--Medical Savings Accounts
The need for additional amendments to the bill to address such needs as including individuals in the plan and providing for use of the penalty money if there is withdrawal from the account. This money usually goes through the Department of Revenue via a rollover mechanism. Employees must be told in advance of this penalty and that the amount in the account is subject to federal and state tax. Any money withdrawn would be treated as income. Retirees could use this instrument as a medical IRA or savings account but persons should be advised to keep it accumulating rather than taking it out unless absolutely necessary. The fiscal note for the bill might be as high as $7 million. The bill which was passed last year included long-term care and dental care and it was suggested that this should be added. Investment advisors, brokers and dealers should be added to the list of persons to be considered as administrators of the account. It was suggested that the amount required for creating the account would be $2,000 per year as it takes that much for an IRA. There should be no cap on how high medical savings account can be.

Representative Wagle provided additional information for the Committee: Enrolled House Bill No. 4878 in the Regular Session of the 1994 Michigan legislature (Attachment 2).

Representative Merritt moved to pass the bill out favorably and then withdrew his motion. Representative Cox will have the amendments drafted to address the Committee concerns and present them on February 22 for consideration.

Action on HB 2248--Coverage for mental illness, health insurance

The Committee acknowledged the importance of this issue and the impact it could have on health insurance premiums. Mr. Wilder of the Insurance Department said he had been unable to get information on rate increases back from the states which have adopted some form of coverage. This is new legislation and there is no track record at this point. Statutorily proponents of a measure are required to furnish cost information for a proposal. No such study has been done in Kansas but the Maryland and California studies indicate the cost would be less than $1 per month per individual according to Terry Larson.

Additional written information from Gene Johnson was distributed to the Committee members (Attachment 4).

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Representative Merritt moved to refer this to an Interim Committee for further study. The motion was seconded by Representative Correll. Motion carried. If the study is not granted, the bill can be revisited next year.

Discussion on HB 2251--Restrictive Use of Genetic Testing

Anita Larson gave reasons for not including life insurance in the genetic testing for health insurance applicants (Attachment 3):

1. Life insurance and disability insurance are not considered entitlements.
2. People might not be as forthright in answering questions as they would not have to deal with the insurance company when the beneficiary collects.
3. Life insurance is individually underwritten.
4. Life insurance is often repriced or can be canceled.
5. There are risk classifications for life insurance.

At this time there is no set definition for genetic testing or information that insurance companies are using.

There was no action on the bill.

Representative Crabb moved to approve the minutes of the February 14 meeting. The motion was seconded by Representative Dawson. Motion carried.

The meeting was adjourned at 4:50 p.m. The next meeting is scheduled for February 22, 1995.

HOUSE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE GUEST LIST

DATE: 2/21/95

NAME	REPRESENTING
JEFF SONNICH	KNIGHT
Chuck Stones	KBA
TAD KRAMER	SBG
Michelle Peterson	Golden Rule Ins Co
John Peterson	Fourth Financial Corp
Nadia esquivel	TDM Lobbyist
Judy Kinard	Ks Mental Health Coalition
Johnny Larson	Ks Alliance for the Mentally Ill
Michelle Kellar	KAMT
Lee Wright	Farmers Group
Bill Sneed	HIAA
Kimberly Phillips	State Farm
Tom Wilder	Kan Dept of Insurance
Sharon Huffman	KCDC
Jenny Green	Overland Park Chamber

Session of 1995

HOUSE BILL No. 2212

By Committee on Financial Institutions and Insurance

1-27

AN ACT relating to insurance; concerning life insurance companies; clearing corporations; amending K.S.A. 40-2b20 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 40-2b20 is hereby amended to read as follows: 40-2b20. *(a)* Any life insurance company ~~heretefore or hereafter~~ organized under any law of this state, with the direction or approval of a majority of its board of directors, may:

~~(a)~~ *(1)* Adopt a nominee name unique to such insurance company in which such insurance company's securities may be registered;

~~(b)~~ *(2)* designate a state or national bank having trust powers to obtain a nominee name for such insurance company in which such insurance company's securities may be registered; or

~~(c)~~ *(3)* designate a state or national bank having trust powers as trustee to make any investment authorized by this act in the name of such trustee or such trustee's nominee.

(b) Under the provisions of ~~subsections (b) and (c)~~ *paragraphs (2) and (3)*, the designated state or national bank, in accordance with the provisions of K.S.A. 84-8-108, and amendments thereto, may arrange for such securities to be held in a clearing corporation. Such arrangement must be in accordance with a written agreement, approved by the commissioner of insurance, between the insurance company and its designated bank and must impose the same degree of responsibility on the bank as if such securities were held in definitive form by such bank.

(c) As used in this section "clearing corporation" means a corporation defined in subsection (3) of K.S.A. 84-8-102, and amendments thereto, ~~*except that with respect to securities issued outside of the United States, "clearing corporation" also means a corporation, cooperative or other organization which is organized or existing under the laws of any foreign country and qualified under such laws to clear and settle securities transactions by computerized book-entry. Such foreign clearing corporation shall not be required to be a member of a federal reserve bank or subject to supervision or regulation pursuant to the provisions of the banking laws of the state of Kansas. The commissioner of insurance may declare*~~

(i)

(ii) any organization or system for the clearance and settlement of securities transactions which is operated or owned by a bank, trust company or other entity that is subject to regulation by the United States Federal Reserve Board or the United States Comptroller of the Currency, (iii) any clearing agency registered with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, section 17A, and amendments thereto, or (iv) any other corporation, cooperative or other organization which is deemed satisfactory by the commissioner of insurance, regardless of whether any clearing corporation or agency described in clauses (ii), (iii) or (iv) of this subsection (c) is a member of a federal reserve bank or is subject to supervision or regulation pursuant to the banking laws of the state of Kansas.

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~~a foreign clearing corporation to be unsatisfactory for clearance of securities transactions if the commissioner reasonably determines that the use of such foreign clearing corporation would present an unreasonable risk of loss due to such foreign clearing corporation's poor financial condition or lack of adequate controls and safeguards. If any asset, which otherwise would be admitted under any provision of article 2b of chapter 40 of the Kansas Statutes Annotated is held for clearance by a foreign clearing corporation which has been declared unsatisfactory by the commissioner, then such asset shall be deemed admitted only under K.S.A. 40-2b13, and amendments thereto.~~

Sec. 2. K.S.A. 40-2b20 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

STATE OF MICHIGAN
87TH LEGISLATURE
REGULAR SESSION OF 1994

Introduced by Reps. London, Martin, Saunders, Varga, Bullard, Joe Young, Jr., McBryde, Hammerstrom, Jamian, DeMars, Fitzgerald, Hill, Dolan, Schroer, Shugars, Griffin, McNutt, Llewellyn, Leland, Bobier, Gustafson, Gernaat, Voorhees, Horton, Goschka and Bodem

Reps. Allen, Alley, Anthony, Bankes, Brackenridge, Byrum, Crissman, Cropsey, Dalman, DeLange, Dobb, Dobronski, Gagliardi, Gnodtke, Hillegonds, Jacobetti, Jersevic, Johnson, Kaza, Kukuk, Lowe, McManus, Middaugh, Oxender, Pitoniak, Porreca, Profit, Rocca, Stille, Vorva, Weeks and Wetters named co-sponsors

ENROLLED HOUSE BILL No. 4878

AN ACT to permit the establishment and maintenance of medical care savings accounts; to provide penalties and remedies; to provide for certain tax credits; to prescribe the requirements of and restrictions on medical care savings accounts; and to repeal this act on a specific date.

The People of the State of Michigan enact:

Sec. 1. This act shall be known and may be cited as the "medical care savings account act".

Sec. 2. As used in this act:

(a) "Account administrator" means any of the following:

(*i*) A state chartered bank, savings and loan association, credit union, or trust company authorized to act as fiduciary and under the supervision of the financial institutions bureau of the department of commerce; or a national banking association or federal savings and loan association or credit union authorized to act as fiduciary in this state.

(*ii*) An insurance company authorized to do business in this state pursuant to the insurance code of 1956, Act No. 218 of the Public Acts of 1956, being sections 500.100 to 500.8302 of the Michigan Compiled Laws, or a health care corporation operating pursuant to the nonprofit health care corporation reform act, Act No. 350 of the Public Acts of 1980, being sections 550.1101 to 550.1704 of the Michigan Compiled Laws.

(*iii*) A broker-dealer, commodity issuer, or investment advisor registered pursuant to the uniform securities act, Act No. 265 of the Public Acts of 1964, being sections 451.501 to 451.818 of the Michigan Compiled Laws, or a federal investment company registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-64.

(*iv*) A third party administrator with a current certificate of authority issued pursuant to the third party administrator act, Act No. 218 of the Public Acts of 1984, being sections 550.901 to 550.962 of the Michigan Compiled Laws.

(*v*) A certified public accountant licensed to practice in this state pursuant to article 7 of the occupational code, Act No. 299 of the Public Acts of 1980, being sections 339.701 to 339.716 of the Michigan Compiled Laws.

(*vi*) An employer if the employer has a self-insured health plan under ERISA.

(*vii*) An employer that participates in the medical care savings account program.

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(b) "Account holder" means the resident individual who establishes a medical care savings account or for whose benefit a medical care savings account is established.

(c) "Deductible" means the total deductible for an employee or account holder and all the dependents of that employee or account holder for a calendar year.

(d) "Dependent" means the spouse of the employee or account holder or a child of the employee or account holder if the child is any of the following:

(*i*) Under 23 years of age and enrolled as a full-time student at an accredited college or university or under 19 years of age.

(*ii*) Legally entitled to the provision of proper or necessary subsistence, education, medical care, or other care necessary for his or her health, guidance, or well-being and not otherwise emancipated, self-supporting, married, or a member of the armed forces of the United States.

(*iii*) Mentally or physically incapacitated to the extent that he or she is not self-sufficient.

(e) "Domicile" means a place where an individual has his or her true, fixed, and permanent home and principal establishment, to which, whenever absent, he or she intends to return. Domicile continues until another permanent home or principal establishment is established.

(f) "Eligible medical expense" means an expense paid by the taxpayer for medical care described in section 213(d) of the internal revenue code.

(g) "Employee" means the individual for whose benefit or for the benefit of whose dependents a medical care savings account is established. Employee includes a self-employed individual.

(h) "ERISA" means the employer retirement income security act of 1974, Public Law 93-406, 88 Stat. 829.

(i) "Higher deductible" means a deductible of not less than $1,000.00 and not more than $3,000.00 for 1994. This minimum and maximum shall be adjusted annually by the department of treasury to reflect increases in the general price level as defined in section 33 of article IX of the state constitution of 1963.

(j) "Medical care savings account" or "account" means an account established in this state pursuant to a medical care savings account program to pay the eligible medical expenses of an employee or account holder and the dependents of the employee or account holder.

(k) "Medical care savings account program" or "program" means 1 of the following programs:

(*i*) A program established by an employer that previously provided a health coverage policy, certificate, or contract or self-insured health plan that includes all of the following:

(A) The purchase by an employer of a qualified higher deductible health plan for the benefit of an employee and his or her dependents.

(B) The contribution on behalf of an employee into a medical care savings account by his or her employer of all or part of the premium differential realized by the employer based on the purchase of a qualified higher deductible health plan for the benefit of the employee but not less than $1,000.00. The employee may contribute into the account in addition to a contribution by the employer all or part of the difference between the employer's contribution and the maximum contribution as determined pursuant to this sub-subparagraph. A contribution under this sub-subparagraph shall not exceed $3,000.00 for 1994. For each year after 1994, this maximum shall be adjusted annually by the department of treasury to reflect increases in the general price level as defined in section 33 of article IX of the state constitution of 1963.

(*ii*) A program established by an employer that did not previously provide a health coverage policy, certificate, or contract or self-insured health plan that includes all of the following:

(A) The purchase by an employer of a qualified higher deductible health plan for the benefit of an employee and his or her dependents.

(B) The contribution on behalf of an employee into a medical care savings account by his or her employer of all or part of the deductible of the plan purchased pursuant to subparagraph (*ii*)(A). The employee may contribute into the account in addition to a contribution by the employer all or part of the difference between the employer's contribution and the maximum contribution as determined pursuant to this sub-subparagraph. A contribution under this sub-subparagraph shall not exceed $3,000.00 for 1994. For each year after 1994, this maximum shall be adjusted annually by the department of treasury to reflect increases in the general price level as defined in section 33 of article IX of the state constitution of 1963.

(*iii*) A program established by an account holder that includes all of the following:

(A) The purchase by the account holder of a qualified higher deductible health plan for the benefit of the account holder and his or her dependents.

(B) A contribution by the account holder not to exceed $3,000.00 for 1994 into a medical care savings account. For each year after 1994, this maximum shall be adjusted by the department of treasury to reflect increases in the general price level as defined in section 33 of article IX of the state constitution of 1963.

(l) "Qualified higher deductible health plan" means a health coverage policy, certificate, or contract or health plan that provides for payments for covered benefits that exceed the higher deductible and that is purchased or established by an account holder or by an employer for the benefit of an account holder or employee for whom the account holder or employer makes deposits into a medical care savings account.

Sec. 3. (1) For tax years beginning after 1993, both of the following apply:

(a) An employer, except as otherwise provided by statute, contract, or a collective bargaining agreement, may offer a medical care savings account program to the employer's employees.

(b) A resident individual may establish a medical care savings account program for himself or herself or for his or her dependents.

(2) Before making any contributions, an employer that offers a medical care savings account program shall inform all employees in writing of the state and federal tax status of contributions made pursuant to this act.

(3) Upon agreement between an employer and account holder, an account holder may have his or her employer contribute either to the account holder's medical care savings account or continue to make contributions under the employer's existing health insurance policy or program.

Sec. 4. (1) An account administrator shall administer the medical care savings account from which the payment of claims is made and has a fiduciary duty to the person for whose benefit the account administrator administers an account.

(2) Not more than 30 days after an account administrator begins to administer an account, the account administrator shall notify in writing each employee and account holder on whose behalf the account administrator administers an account of the date of the last business day of the account administrator's business year.

(3) The account administrator shall utilize the funds held in a medical care savings account solely for the purpose of paying the eligible medical expenses of the employee or account holder or his or her dependents or to purchase a health coverage policy, certificate, or contract. Funds held in a medical care savings account shall not be used to pay medical expenses of the employee or account holder or his or her dependents that are otherwise reimbursable including but not limited to medical expenses payable pursuant to an automobile insurance policy, worker's compensation insurance policy or self-insured plan, or another health coverage policy, certificate, or contract.

(4) The employee or account holder may submit documentation of medical expenses paid by the employee or account holder in the tax year to the account administrator, and the account administrator shall reimburse the employee or account holder from the employee's or account holder's account for eligible medical expenses.

(5) If an employer makes contributions to a medical care savings account program on a periodic installment basis, the employer may advance to an employee, interest free, an amount necessary to cover medical expenses incurred that exceed the amount in the employee's medical care savings account at the time the expense is incurred if the employee agrees to repay the advance from future installments or when he or she ceases to be an employee of the employer.

Sec. 5. (1) An employee or account holder may withdraw money from his or her medical care savings account for any purpose other than a purpose described in section 4(3) only on the last business day of the account administrator's business year.

(2) Subject to subsection (3), if the employee or account holder withdraws money for any purpose other than a purpose described in section 4(3) at any time other than the last business day of the account administrator, the administrator shall withhold from the amount of the withdrawal and on behalf of the employee or account holder shall pay a penalty to the department of treasury equal to 10% of the amount of the withdrawal.

(3) The amount of a disbursement of any assets of a medical care savings account pursuant to a filing for protection under title 11 of the United States Code, 11 U.S.C. 101 to 1330 by an employee, account holder, or person for whose benefit the account was established is not considered a withdrawal for purposes of this section.

(4) Upon the death of the employee or account holder, the account administrator shall distribute the principal and accumulated interest of the medical care savings account to the estate of the employee or account holder.

(5) If an employee is no longer employed by an employer that participates in a medical care savings account program and the employee, not more than 60 days after his or her final day of employment, transfers the account to a new account administrator or requests in writing to the former employer's account administrator that the account remain with that administrator and that account administrator agrees to retain the account, the money in the medical care savings account may be utilized for the benefit of the employee or his or her dependents subject to this act and is included for purposes of calculating the credit under section 264 of the income tax act of 1967, Act No. 281 of the Public Acts of 1967, being section 206.264 of the Michigan Compiled Laws. Not more than 30 days after the expiration of the

60 days, if an account administrator has not accepted the former employee's account, the employer shall mail a check to the former employee at the employee's last known address equal to the amount in the account on that day. If an employee becomes employed with a different employer that participates in a medical care savings account program, the employee may transfer his or her medical care savings account to that new employer's account administrator. If an account holder becomes an employee of an employer that participates in the medical care savings account program, the account holder may transfer his or her account to the employer's account administrator.

Sec. 6. The commissioner of insurance shall report on or before January 1, 1998 to the senate and house of representatives standing committees on insurance and health issues all of the following:

(a) The availability of health care coverage under and market share of medical care savings account programs.

(b) Results of a survey of employer and employee satisfaction with medical care savings account programs.

(c) The results of a loss ratio study relative to medical care savings account programs.

Sec. 7. This act is repealed effective January 1, 1999.

Sec. 8. This act shall not take effect unless Senate Bill No. 926 of the 87th Legislature is enacted into law.

This act is ordered to take immediate effect.

Co-Clerk of the House of Representatives.

Secretary of the Senate.

Approved _____

Governor.

2-4

The Security Benefit
Group of Companies

Security Benefit Life Insurance Company
Security Benefit Group, Inc.
Security Distributors, Inc.
Security Management Company

700 Harrison St.
Topeka, Kansas 66636-0001
(913) 295-3000

February 20, 1995

Subj: House Bill No. 2251; Genetic Testing

Dear Chairman and Committee Members:

On behalf of Security Benefit Life Insurance Company, I attended the hearing on House Bill 2251 pertaining to genetic testing.

During the hearing, the question was posed as to why House Bill 2251 does not prohibit the use of genetic testing in the underwriting of life insurance and disability income. Genetic testing is an issue of great importance both to the insurance industry and the insurance purchasing public. Security Benefit would appreciate the opportunity to respond to the question and asks that the Committee consider the following during its deliberations on this proposal.

<u>Risk classification</u>

Risk classification constitutes the essential framework or foundation for the present private system of insurance. It is a process that involves the separation of applicants into different categories, each category containing insureds with similar risk characteristics and expectations of loss.

Risk classification protects insurers and their insureds by perpetuating insurers' financial soundness. It enhances overall fairness in the underwriting process to the advantage of all applicants as well as all existing policyholders . Without risk classification, the existing private insurance market could not exist. We do not believe that insurance consumers desire a fundamental restructuring of the current insurance marketplace.

The socialization of risk involves very significant costs. The nature of the costs obviously will vary depending upon the nature of the public protection system devised. The cost may include: the subsidization of unhealthy people by healthy people; increased taxes or employer mandates to provide coverage; or mandatory participation in a public system.

<u>Risk classification and genetic testing</u>

Genetic information includes, but is not limited to, the results of genetic tests. Insurers have used genetic information in the underwriting process for a long

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time. Medical scientists regard most medical information as having at least some genetic component. Applications for insurance policies commonly seek information on family history, cholesterol, hypertension, coronary heart disease, cancer and diabetes and many other impairments that may have a genetic basis. Many applicants for insurance are requested to undergo blood and other tests for conditions or diseases such as high cholesterol that may have a genetic component. Consequently, a limitation or prohibition of underwriting on the basis of genetic information or genetic tests would limit or prohibit traditional medical underwriting.

No accepted definition of "genetic tests"

There are no generally accepted definitions of the terms "genetic tests" or "genetic information." As we learn more and more about the genetic mechanisms of disease, we are finding it increasingly difficult to make distinctions between "genetic" diseases and "nongenetic" diseases. Consequently, it will become increasingly difficult to deal with genetic information as special and separate from other forms of health related information because diseases are increasingly understood as having both genetic and environmental components.

Life and disability income insurance coverages

We believe that life and disability income insurance coverages are different than health insurance. We believe that the following distinctions are important.

- By many, health insurance is considered a "right." Whereas, life and disability income insurance coverages are not viewed as "entitlements."

- Life insurance and disability income policies provide benefits directly to a beneficiary or to the insured, respectively. Health insurance contracts provide indemnification or reimbursement for the cost of medical services incurred by the insured. As a result, there is more incentive for an applicant to seek to obtain a windfall through purchase of life or disability insurance than through purchase of a health insurance contract.

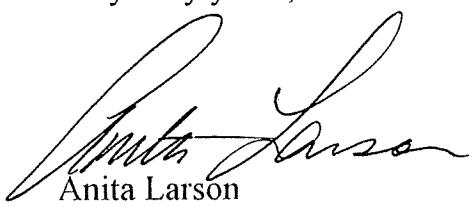
- Life and disability income insurance is individually underwritten. Both the underwriting and the pricing of these policies are performed at the inception of the contracts. Once issued, neither the terms of nor the premiums for these policies can be changed regardless of changes in the nature of the insured risk or the length of time during which the contract is in effect. Life and disability income policies cannot be terminated except for non payment of premium.

- Most health insurance is not individually underwritten. It is group rated, repriced annually and can be canceled under certain circumstances. Because life and disability income is individually underwritten, such insurers are more vulnerable than health insurers to adverse selection which could result from limitations on access to and use of relevant underwriting information.

  During the hearing on House Bill 2251, Representative Garner stated that this proposal was not introduced in response to a specific or existing problem. Although it is often wise to be proactive and not reactive, in this instance it may be advisable to delay action until problems, if any, are identified.

  We appreciate the opportunity to respond to the question raised pertaining to life insurance and disability income.

  Very truly yours,



  Anita Larson
  Assistant Counsel
  Security Benefit Life Insurance Company

Kansas Alliance on Alcohol & Other Drug Services Inc.

409 N.W. Third • P.O. Box 414 • Abilene, Kansas 67410
1-800-313-1959 (913) 263-1959 Fax (913) 263-3103

February 16, 1995

Representative Bill Bryant, Chairman,
House Financial Institutions and Insurance
Statehouse
Topeka, KS 66612

Reference: House Bill 2248

Dear Representative Bryant:

During my testimony on February 14, 1995 regarding HB 2248, I was asked by Representative Ray Cox what the fiscal note might be on including alcohol and drug addiction in all forms of health insurance offered in the State of Kansas. If I remember correctly, in 1985 when the mandates were placed on alcohol and drug addictions, the cost at that time was about one dollar per person, per month, for that coverage.

I have checked with Commissioner Andrew O'Donovan, Alcohol and Drug Abuse Services/SRS, to see if he knew if there was such a cost on the national level. He indicated that to the best of his knowledge, during the Reagan Administration, information was gathered nationally and it was determined that coverage for alcohol and drug abuse would run in the neighborhood of $1.47 per person, per month. Further studies indicate that in no way would the cost per person per month, exceed $2 for full coverage.

Commissioner O'Donovan suggested that I contact the State of Washington because they have done considerable amounts of research in this area. I contacted a Chris Hanson in the State of Washington on February 15, 1995 and obtained the following information.

Mr. Hanson indicated that Washington is presently offering co-pay at the rate of $100 per day for a maximum of five days, with unlimited maximum benefits. Outpatient co-pay at the rate of $15 per visit with unlimited benefits. This would cost insurer, per person, $1.13 per month. This indicated that if hospitalized for alcohol and drug addiction, the maximum the individual would pay for that hospital stay would be $500. If that person was treated on outpatient basis, he would have unlimited benefits but it would cost him $15 per visit for those unlimited benefits.

Mr. Hanson also indicated to me that in the State of Washington most of their treatment centers were free-standing, away from hospitals, and their costs were considerably less than what a total hospital treatment program could offer. We have seen this being developed in the State of Kansas in that hospital stays are limited in duration and those patients are then treated on an outpatient basis.

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Mr. Hanson also indicated that they had compiled their figures and calculated their premium from commercial insurance actuarial data, using the commercial figures to establish this rate of premium.

I have requested an entire report on what is being done in the State of Washington and will share that information with you as soon as it is received by my office.

Respectfully,

Gene Johnson

Gene Johnson
Legislative Liaison
Kansas Alcoholism and Drug Addiction Counselors Association
Kansas Alliance on Alcohol & Other Drug Services Inc.
Kansas Community Alcohol Safety Action Project Coordinators Association