

MINUTES OF THE Senate Committee on Financial Institutions and Insurance.

The meeting was called to order by Chairperson Dick Bond at 9:08 a.m. on January 12, 1995 in Room 529-S of the Capitol.

Members present: Senator Clark, Senator Corbin, Senator Lawrence, Senator Lee, Senator Petty, Senator Praeger, Senator Steffes

Committee staff present: Dr. William Wolff, Legislative Research Department
Fred Carman, Revisor of Statutes
June Kossover, Committee Secretary

Conferees appearing before the committee: Kathy Peterson, Peterson and Associates
Kevin McFarland, Kansas Homes & Services for the Aging
John Smith, Administrator, Credit Union Department
Claire McCurdy, Attorney for Health Care Stabilization Fund
Bill Curtis, Kansas Association of School Boards

Others attending: See attached list

Senator Steffes made a motion, seconded by Senator Clark, to approve the minutes of the meeting of January 11 as submitted. The motion carried.

Kathy Peterson of Peterson and Associates appeared before the committee to request introduction of legislation to require insurance policies to add immunization benefits for newly born children. (Attachment #1.) Senator Bond pointed out that this legislation constitutes a mandate and will have an impact on insurance premiums. Senator Praeger questioned whether projected savings from preventing illness by early inoculation had been factored in and Ms. Peterson replied that it has and that these figures will be included in the testimony when the bill is heard. Senator Praeger made a motion to introduce this legislation. Senator Lee seconded the motion; the motion carried.

Kevin McFarland, Kansas Homes & Services for the Aging, appeared before the committee to request introduction of a bill to reintroduce the language contained in 1994 SB 625 relating to group funded workers' compensation pools. (Attachment #2.) Senator Steffes made a motion, seconded by Senator Praeger to introduce the legislation requested by Mr. McFarland. The motion carried.

John Smith, State Credit Union Department, appeared before the committee to request the following: (Attachment #3.)

1. A technical amendment to KSA 17-2204a to correct a mistake in reference;
2. Amendments to KSA 17-2206 and 17-2211 to provide the administrator authority to promulgate rules and regulations to clarify reporting requirements to the state credit union; and
3. Amendment to KSA 17-2214 to provide additional flexibility to the structure of corporate credit unions.

Senator Steffes moved to introduce this legislation. Senator Lawrence seconded the motion; the motion carried.

Mr. Smith, State Credit Union Administrator, also requested legislation allow for the KBI to do background checks on future employees. (Attachment #4.) Senator Lee made a motion, seconded by Senator Praeger, to introduce this legislation. The motion carried.

Mr. Smith requested, in addition, that legislation be introduced to amend KSA 17-2204 to provide authority for the administrator to promulgate rules and regulations to allow low income credit unions to accept payments to share accounts by nonmembers. (Attachment #5.) Senator Clark moved to introduce this bill; Senator Steffes seconded the motion. The motion carried.

Chairman Bond introduced the Executive Director of the Health Care Stabilization Fund, Mr. Robert Hayes. Claire McCurdy, Attorney for the Health Care Stabilization Fund, requested legislation to clean up KSA 40-3401, to change the language from "Commissioner" to "Board of Governors" and/or "Commissioner and "Board of Governor," where applicable. The legislation will also define "premium" and clarify how the

CONTINUATION SHEET

MINUTES OF THE Senate Committee on Financial Institutions and Insurance, Room 529-S Statehouse, at 9:00 a.m. on January 12, 1995.

surcharge will apply. (Attachment #6.) Ms. McCurdy was asked to provide the committee with an overview of the health of the Health Care Stabilization Fund. Senator Lawrence moved to introduce the legislation requested by the HCSF. Senator Corbin seconded the motion. The motion carried.

Bill Curtis, Kansas Association of School Boards, requested the committee to introduce legislation to amend KSA 12-2618 relating to determining rates and discounts for workers' compensation pools. (Attachment #7.) Senator Petty made a motion, seconded by Senator Clark, to introduce this legislation. The motion carried.

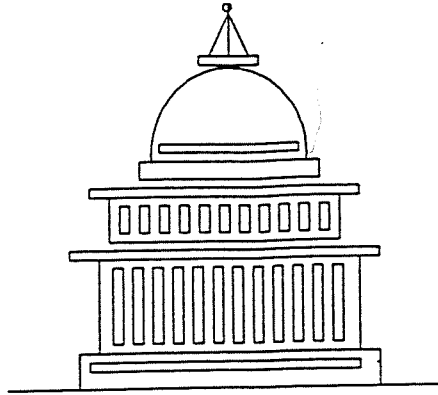
Chairman Bond announced that the committee will meet on Tuesday, Wednesday and Thursday of next week.

The committee adjourned at 9:35 a.m.

SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: 1/12/95

NAME	REPRESENTING
Bill Curtis	Ks Assoc of School Bds
Kevin McFarland	Ks Assoc. of Homes & Services for Aging
Stacey Empson	Hein, Albert & Weir
Danielle Noe	Ks Credit Union Assn
J. B. Newbery	Ks Dept. of Credit Unions
John P. Lindell	Ks Dept of Credit Union
Rich Guthrie	Health Midwest
Roger Franze	Fourth Financial
Bob Dayer	HCSF
Clare McCurdy	Health Care Stabilization Fund.
Bill Sneed	State Farm
Anne Spiess	Ks. Assoc of Counties
Natly Kestner	Connaught Labs.
Joe O'Wright	Farmers Ins. Group
Larry Meyer Jr	KAIA



CHILDREN'S IMMUNIZATION REFORM ACT

SOCIAL AND FINANCIAL IMPACT STATEMENT

Prepared by

Mr. Richard Brock
Consultant/former Chief Assistant
Office of the Commissioner of Insurance
State of Kansas
January, 1995

*Senate 7141
1/12/95
Attachment #1*

**EXPLANATION
IMMUNIZATION REQUIREMENT**

The attached legislative proposal amends K.S.A. 40-2,102. This is the statute which requires insurance policies to include coverage for newborn infants who are ill, injured, or born with a congenital defect or birth abnormality. By amending this particular statute the attached proposal is intended to: (1) add immunization benefits to the coverage already required to be made available for newly born children; (2) specify that such coverage requirement will apply from birth to 2 years of age; (3) statutorily identify the primary vaccines and dosages to be covered; and (4) provide flexibility for additional vaccines and dosages that may be prescribed by the Secretary of Health and Environment.

**LEGISLATIVE PROPOSAL
IMMUNIZATION REQUIREMENT**

AN ACT relating to insurance accident and sickness insurance; immunizations; deductibles and coinsurance requirements prohibited; amending K.S.A. 40-2,102 and repealing the existing section.

BE IT ENACTED BY THE LEGISLATURE, State of Kansas:

Section 1. K.S.A. 40-1,102 is hereby amended to read as follows: 40-2,102. (a) All individual and group health insurance policies providing coverage on an expense incurred basis and individual and group service or indemnity contracts issued by a profit or nonprofit corporation which provides coverage for a family member of the insured or subscriber shall, as to, such family members' coverage also provide that the health insurance benefits payable with respect to a: (1) newly born child of the insured or subscriber from the moment of birth; (2) newly born child adopted by the insured or subscriber from the moment of birth if a petition for adoption as provided in K.S.A. 59-2129 was filed within 31 days of the birth of the child; or (3) child adopted by the insured or subscriber from the date the petition for adoption as provided in K.S.A. 59-2129 was filed.

The coverage for newly born children shall consist of: (1) coverage of injury or sickness including the necessary care and

treatment of medically diagnosed congenital defects and birth abnormalities and (2) routine and necessary immunizations for all newly born children of the insured or subscriber. For purposes of this subsection "routine and necessary immunizations" shall consist of at least 3 doses of vaccine against diphtheria, pertussis, tetanus, polio, Haemophilus B (Hib) and Hepatitis B; 1 dose of vaccine against measles, mumps, and rubella; and such other vaccines and dosages as may be prescribed by the Secretary of Health and Environment. The required benefits shall apply to immunizations administered to each newly born child from birth to 2 years of age and shall not be subject to any deductible, copayment or, coinsurance, requirements.

If payment of a specific premium or subscription fee is required to provide coverage for a child, the policy or contract may require that notification of birth of a newly born child or the filing of a petition for adoption and payment of the required premium or fees must be furnished to the insurer or nonprofit service or indemnity corporation within 31 days after the date of birth or the filing of the petition for adoption in order to have the coverage continue beyond the 31-day period. (b) All individual and group health insurance policies providing coverage on an expense incurred basis and individual and group service or indemnity contracts issued by a profit or nonprofit corporation which provides coverage for a family member of the insured or subscriber, as to such family members' coverage, shall also offer

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an option whereby the health insurance benefits shall include delivery expenses at birth of the birth mother of a child adopted within 90 days of birth of such child by the insured or subscriber subject to the same limitations contained in such policy or contract applicable to the insured or subscriber. Such offer of an option regarding such delivery expense shall be made to the insured and, to the individual subscribers in the case of a group health insurance policy.

Section 2. K.S.A. 40-2,102 is hereby repealed.

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

SOCIAL and FINANCIAL IMPACT
LEGISLATIVE PROPOSAL
IMMUNIZATION REQUIREMENT

This social and financial impact statement conforms to the requirements of K.S.A. 40-2248 and provides the information required by K.S.A. 40-2249. Specifically, such statement accompanies and supports a legislative proposal which, if enacted, will make "first dollar" insurance coverage for "routine and necessary" immunizations available in health insurance policies covering Kansas children from birth to 2 years of age.

Since this proposal would, in fact, impose a requirement on the content of health insurance policies, it does fall within the traditional definition of a statutory mandate and is therefore subject to the provisions of the aforementioned statutes. It should be noted, however, that this so-called mandate is not directed toward the treatment of a particular disease or illness. Rather, it is directed toward immunizations, a long-standing, common and accepted means of preventing, as opposed to treating, disease. This is an important distinction because this statement will not seek to support a redirection of insurance benefits to a particular type of health condition or provider. In fact, since the state of Kansas already requires immunizations for all school-age children, it can and should be viewed as a reinforcement of an existing public policy.

SOCIAL IMPACT;

K.S.A. 40-2249 (a) (1) The extent to which the treatment or service is generally utilized by a significant portion of the population

Immunizations are, of course, widely utilized and are even required by law in certain instances. Therefore, whether or not they are widely used is not an issue. For purposes of the legislative proposal the question is more narrow in that it seeks to increase the delivery of immunizations before the age of 2. According to the latest available information more than half of all 2 year olds in the United States were immunized against diphtheria, tetanus, pertussis, measles, rubella and mumps in 1991. Specifically, 66.6% of the 2 year olds had received at least 3 doses of vaccine against diphtheria, tetanus and pertussis; 80.4% had been vaccinated for measles and, either alone or in some combination measles/rubella, measles/mumps or measles, mumps and rubella.¹

1. 1993 Statistical Abstract of the United States

For the same year 52.2% of the 2 year olds had received 3 or more doses of polio vaccine¹ The same statistical breakdown is not available for Kansas. However, a retrospective review of immunization records of kindergarten children in the school year 1990-91 indicated that 48.7% of Kansas kindergartners had not been immunized by age 2 and more than 60% of children had not been fully immunized by age 2 in 22 Kansas counties. Corresponding numbers for the 1993-94 school year show some improvement but there were still 44.8% that had not been fully immunized by age 2 and less than 50% of the 2 year olds in 37 Kansas counties had been adequately immunized.² By any measure these are not acceptable numbers. Therefore, it seems clear that a public policy goal of 100% adherence to the immunization schedule recommended by The American Academy of Pediatrics (Exhibit One) or the Centers for Disease Control which recommends 4 doses of DTP, 3 polio doses and 1 dose of Measles/Mumps/Rubella before a child's second birthday is appropriate.

K.S.A. 40-2249(a) (2) The extent to which such insurance coverage is already generally available

Extensive data measuring this factor is not available. Kansas law requires all accident and sickness contracts to be filed with and approved by the Kansas Insurance Department prior to their sale to Kansas residents. The Insurance Department's files are not maintained in a way that segregates and/or accumulates different coverage components or contractual provisions. Thus specific information regarding the content of these filings is not readily available and a manual search would be so difficult and time consuming as to be prohibitive.

Notwithstanding the lack of extensive data, some measure of available insurance coverage for immunizations was obtained during the April 1994 phase of Kansas Operation Immunize 1993-94. Of 5677 respondents at the April 1994 sites, only 17.7% knew their private health plan covered immunizations; 54.7% knew it did not provide such coverage and 27.6% did not know.³ At the same time, this data revealed that 70.4% of the 5677 respondents knew their child or children were covered by private health insurance.⁴ From this limited data, it is apparent that

1. 1993 Statistical Abstract of the United States

2. Immunization 2 Year Retrospective Survey; 4/11/94; KDHE Bureau of Disease Control

3. Kansas Operation Immunize; April 1994; KDHE

4. Ibid.

few health insurance plans cover immunizations. This number would, no doubt, be even further reduced if the number of health plans waiving or otherwise not applying deductibles, copayments or coinsurance features as called for by the legislation had been ascertained. Support for this observation can also be found in a paper prepared for the American Academy of Pediatrics. In this paper, it was reported that a survey of 1364 persons at 3 different sites conducted in the early 1980s found that only 30% of adults and 23% of children had preventive coverage in their health insurance plans.¹

These numbers are not surprising. Insurance companies have not historically demonstrated great interest in using health insurance product design as a means of promoting healthy behavior. In fact, until the mid 1970s and the large scale advent of health maintenance organizations, insurers designed their products solely on the basis of the most marketable way to address the economic consequences of illness or injury. Even Kansas statutes, as do the statutes of most states, refer to "accident and sickness" insurance. It was not until the insurance community was faced with the competition produced by health maintenance organizations, preferred provider networks and other innovations designed to reduce the cost/use of medical care that society began to think of insurance as a means of reducing health care costs by promoting preventive services, wellness programs and other devices to enhance good health. Concurrent with this evolving concept the term "health insurance" began to have real meaning.

K.S.A. 40-2249 (a) (3) If coverage is not generally available the extent to which the lack of coverage results in persons being unable to obtain necessary health care treatment

A contention that the general nonavailability of insurance coverage for immunizations results in persons being unable to obtain immunizations cannot be supported. Public health facilities, Medicaid coverage, relatively low costs, projects like Kansas Operation Immunize 1993-94 and similar considerations argue persuasively that immunizations are widely available and generally accessible in Kansas.

Unfortunately, numerous authorities point to parental apathy, a lack of parental responsibility, inadequate information about the importance of early prevention and other similar factors as playing a very significant role in producing the inadequate immunization rates. On the other hand, 50% of the April 1994 participants in Kansas Operation Immunize indicated they chose that opportunity

1. Premiums for Preventive Pediatric Care Recommended by the American Academy of Pediatrics; Actuarial Research Corporation; February 1991

because of its "free/low cost status."¹ This simply confirms a well-known fact about human nature but it also provides some empirical evidence that the lack of insurance coverage or the absence of first dollar coverage may contribute to low immunization rates.

K.S.A. 40-2249 (a) (4) If the coverage is not generally available, the extent to which the lack of coverage results in unreasonable financial hardship on those persons needing treatment

Generally speaking, if children are covered by a basic hospital, medical, surgical health insurance plan, the relatively low cost of immunizations would preclude the argument that the lack of insurance results in an unreasonable financial hardship. Yet, if the chain of potential circumstances is followed a bit further, it is quite plausible that the lack of insurance coverage can result in the lack of timely and adequate immunizations. If a preventable disease strikes, as can and does happen, financial hardship and great emotional distress can be the ultimate consequence.

K.S.A. 40-2249 (a) (5) The level of public demand for the treatment or service

If the level of public demand for early immunization opportunities was substantially higher, the numerous initiatives undertaken to increase immunization rates would not be necessary. Consequently, since the real focus of the legislation under review is to remove barriers that might result in a higher and earlier public demand for immunizations, the information sought by this statutory provision is not relevant.

K.S.A. 40-2249 (a) (6) The level of public demand for individual or group insurance coverage of the treatment or service

If the level of public demand for early immunizations is inadequate, it follows that the demand for insurance coverage within the context of this inquiry is also not high. Again, however, the objective of the proposed legislation is to raise the demand for early immunizations by removing some of the financial barriers that exist. Therefore, neither the lack of public demand for increased access to immunizations or the absence of a demonstrable interest in insurance coverage for immunizations should detract from the merits of the proposal.

1. Kansas Operation: Immunize; April 1994; KDHE

K.S.A. 40-2249 (a) (7) The level of interest of collective bargaining organizations in negotiating privately for inclusion of this coverage in group contracts

Information regarding this topic is unavailable but it can be presumed that any broadening of insurance coverage at no identifiable increase in cost would be welcomed.

K.S.A. 40-2249 (a) (8) The impact of indirect costs which are costs other than premiums and administrative costs, on the question of the costs and benefits of coverage

According to information reported by the Kansas Legislature's 1992 Special Committee on Children's Initiatives "early immunization for a variety of childhood diseases saves \$10 in future medical costs for every dollar invested...."¹ The American Academy of Pediatrics cites various sources which proclaim a benefit/cost ratio of more than 14:1 for measles, mumps, rubella vaccine; 11:1 for pertussis vaccine given in combination with diphtheria and tetanus; and 10:1 for polio immunization. (Exhibit Two) These savings would almost all be realized in the form of indirect costs as defined in this statutory provision that would no longer be incurred. Such savings are the goal of the proposed legislation.

This finding makes it instructive to again remember that the legislative proposal deals with the prevention of disease not treatment. Moreover, the prevention produced by proper and timely immunization is a time tested and proven safe harbor against childhood diseases. Measles, mumps rubella, polio, pertussis and diphtheria are now rare in the United States. Nevertheless, they aren't unheard of and they aren't harmless. For example, information compiled by the Centers for Disease Control indicates that the incidence of measles rose to about 46,000 cases during the period 1989 through 1991 from a record low of 1,497 cases in 1983. Approximately 89 deaths were attributed to measles during this outbreak.²

All states, including Kansas, already recognize the value of immunization by requiring proof of immunization before allowing children to enter kindergarten or first grade. However, there is a problem with waiting until children are entering school to require immunization. In 1990, approximately half of reported

1. Report on Kansas Legislative Interim Studies to the 1992 Legislature; Special Committee on Children's Initiatives; December 1991

2. Removing the Barriers; A New Look at Raising Immunization Rates; Robert Goldberg PhD; The Gordon Public Policy Center; Brandeis University

measles cases were among preschool children.¹ The medical literature agrees the diseases that immunizations protect against to be more severe in very young children. Consequently, both Centers for Disease Control and the American Academy of Pediatrics recommend an immunization schedule which begins at the age of 2 months and is completed by the age of 15 to 18 months with periodic and selected booster shots following at various ages thereafter. In 1979, the Surgeon General set a goal of 90% of 2 year olds immunized against common diseases by 1990.² Yet, as indicated by the results noted elsewhere in this statement, neither the U.S. or the State of Kansas have come close to reaching this goal. It seems obvious, therefore, that any initiative or requirement which would result in more children receiving necessary immunizations at an earlier age than they do now would produce significant reductions in the indirect costs, both economic and emotional, than could otherwise accrue.

FINANCIAL IMPACT;

K.S.A. 40-2249 (b) (1) The extent to which insurance coverage of the kind proposed would increase or decrease the cost of the treatment or service

Requiring insurance contracts to include first dollar coverage for immunizations against childhood diseases cannot increase the cost of immunizations. Despite the unacceptable rate of immunizations by age 2, 97% of all children are immunized as required by the time they enter school.³ Consequently, even though it would be a welcome result, enactment of the proposed legislation will probably not increase the number of children now immunized. Accordingly, enactment of the legislation cannot measurably change the units of the relevant vaccines that are sold or the provider costs associated with their administration.

K.S.A. 40-2249 (b) (2) The extent to which the proposed coverage might increase the use of the treatment or service

Since immunizations are already required for entry into Kansas schools, their use is assumed to be virtually universal. Therefore, enactment of the proposed legislation will not increase the

1. Removing the Barriers; A New Look at Raising Immunization Rates; Robert Goldberg PhD; The Gordon Public Policy Center; Brandeis University

2. Report on Kansas Legislative Interim Studies to the 1992 Legislature; Special Committee on Children's Initiatives; December 1991

3. Removing the Barriers: A New Look at Raising Immunization Rates; Robert Goldberg PhD; The Gordon Public Policy Center; Brandeis University

use of immunizations. It should and is intended to result in the earlier use of immunizations by at least some of the 45% Kansas children who are not now immunized by the age of 2 this factor will have no effect on the ultimate amount of vaccine administered or the number of vaccinations delivered.

K.S.A. 40-2249 (b) (3) The extent to which the mandated treatment or service might serve as an alternative for more expensive treatment or service

In 1990 approximately half of reported measles cases were among preschool children.¹ In the 1980s a resurgence of mumps was attributed to a failure to immunize all susceptible persons.² Also in the 1980s, 10 large cases (>100 cases) of pertussis outbreaks occurred in the U.S.³ Given these examples and these numbers, it is no wonder the 1991 legislative review found that early immunization saves \$10 in future medical costs for every dollar invested.⁴ Presumably, these reported savings already recognize the infectious nature of most childhood diseases but, if not, such savings would be multiplied several times.

Even without these numbers, the economic advantages of immunization are obvious. Smallpox, the virus which led to the development of the first successful vaccine almost 200 years ago⁵ has become so rare that relatively recently scientists were reportedly discussing the wisdom of allowing the virus to become extinct. In 1952 there were 58,000 reported cases of polio but, because of immunization, this number shrank to 8 cases in 1986.⁶ The value of immunization is not debatable and the legislative proposal under consideration is simply intended to encourage greater utilization of this resource by a segment of our preschool population that is still at risk.

1. Removing the Barriers; A New Look at Raising Immunization Rates; Robert Goldberg PhD; The Gordon Public Policy Center

2. Ibid.

3. Ibid.

4. Report on Kansas Legislative Interim Studies to the 1992 Legislature; December 1991

5. Fighting Disease, The Complete Guide to Natural Immune Power; Rodale Press; 1989

6. Life-Span Plus 900 Natural Techniques to Live Longer; Rodale Press; 1990

K.S.A. 40-2249 (b) (4) The extent to which insurance coverage of the health care service or provider can be reasonably expected to increase or decrease the insurance premium and administrative expenses of policyholders

Insurer reaction to a legislative proposal of this kind is difficult to predict but it should have no measureable impact on insurance premiums.

Available information indicates that the total cost of immunizations that would be required by age 2 in the private sector is \$525.¹ In view of the fact that the legislative requirement would affect only a very small segment of the insured population (birth to 2 years of age) and involves a very modest increase in individual claim costs even if no coverage whatsoever is currently provided, the impact should be statistically insignificant.

Notwithstanding the fact that this hypothesis seems reasonable when based solely on the anticipated impact of the proposed mandate, it may be somewhat misleading. While the proposal would affect only children from birth to 2 years of age, it is doubtful that insurers would restrict the coverage to these ages. As a result, the premium impact should probably be based on the assumption that insurers would incorporate immunization coverage for all dependents regardless of age. Consequently, the segment of the insured population affected by enactment of the legislation would be significantly larger. When applied to this population, the 1991 actuarial projection provided the American Academy of Pediatrics estimates that an additional premium of \$1.83 per month per family would be necessary to cover immunizations in employer-sponsored commercial insurance plans.² Similar information is not available with respect to non-group plans but some information is available with respect to a much greater range of preventive services (Exhibit Three). It appears a charge of \$4 to \$5 additional premium per month is rather standard for non-group coverage that includes physical examinations, height, weight and blood pressure measurements, patient histories, vision and hearing screening, laboratory tests, accident prevention information and counseling in addition to immunizations. However, the Academy's actuaries were unable to test the reasonableness of these charges. They did note that 3 insurers in the survey indicated they made no additional charge for the preventive coverage and were able to verify the accuracy of this indication in one case but did not test the other two.

1. Removing the Barriers; A New Look at Raising Immunization Rates; Robert Goldberg PhD; The Gordon Public Policy Center; Brandeis University

2. Premiums for Preventive Pediatric Care Recommended by the American Academy of Pediatrics; Actuarial Research Corporation; February 1991

Despite the possibility that some modest premium increases might be attributed to enactment of the proposed legislation, it is imperative to recognize that the credible and authoritative cost/benefit ratios cited elsewhere in this statement obviously more than offset this impact.

K.S.A. 40-2249 (b) (5) The impact of this coverage on the total cost of health care

To the extent enactment of the subject legislation has a measurable effect on the total cost of health care, it will be favorable. As indicated earlier, the cost of immunizations is quite modest and is, in fact, already incurred by the time children enter school. Therefore, the only measurable effect the proposal could have on total health care costs would be the savings produced by the difference between the costs of immunization and the costs of treating those who contract the disease because they weren't immunized.

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Immunization Protects Children


Routine checkups at your doctor's office or local health clinic are the best way to keep children healthy.

By ensuring that your child gets immunized on schedule, you can provide the best available defense against dangerous childhood diseases. Childhood immunization provides protection against nine major diseases: hepatitis B, polio, measles, mumps, rubella (German measles), pertussis (whooping cough), diphtheria, tetanus (lockjaw), and *Haemophilus influenzae* type b. Is your child fully protected from these diseases?

The chart below includes immunization recommendations from the American Academy of Pediatrics. Check with your doctor or health clinic to find out whether your child needs additional booster shots or if other new vaccines

(continued on back)

Immunization Schedule Recommended by

American Academy of Pediatrics 

	DTP ¹	Polio ²	MMR	Hepatitis B ³	Haemophilus ¹	Tetanus-Diphtheria
Birth				✓		
1-2 months				✓		
2 months	✓	✓			◆	
4 months	✓	✓			◆	
6 months	✓				◆	
6-18 months		✓		✓		
12-15 months			✓		◆	
15-18 months	●					
4-6 years	●	✓				
11-12 years			★	#		
14-16 years				#		✓

¹ The HbOC-DTP combination vaccine may be substituted for separate vaccinations for Haemophilus and DTP.

² Children in close contact with immunosuppressed individuals should receive inactivated polio vaccine.

³ Infants of mothers who tested seropositive for hepatitis B surface antigen (HBsAg+) should receive hepatitis B immune globulin (HBIG) at or shortly after the first dose. These infants also will require a second hepatitis B vaccine dose at 1 month and a third hepatitis B vaccine injection at 6 months of age.

◆ Depends on which *Haemophilus influenzae* type b vaccine was given previously.

● For the fourth and fifth dose, the acellular (DTaP) pertussis vaccine may be substituted for the DTP vaccine.

★ Except where public health authorities require otherwise.

For children who did not get this vaccination in the first 18 months of life, the hepatitis B vaccine series of three shots should be given at preadolescence or at adolescence.

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have been recommended. For the best possible protection against diphtheria, tetanus, and pertussis, your child needs a series of five shots of the combination diphtheria-tetanus-pertussis (DTP) vaccine. These doses should be given at 2, 4, 6, 15 to 18 months of age, and a final booster dose given before school entry (4 to 6 years). For the fourth and fifth dose, the acellular (DTaP) vaccine may be substituted for the DTP vaccine. The DTP vaccine is also available as a combination vaccine with Hib. This combination vaccine can be used in infants scheduled to receive separate injections of DTP and Hib.

For protection against polio, your child needs the series of four oral polio vaccine doses at: 2, 4, 6 to 18 months, and a final dose before school entry at 4 to 6 years of age.

To be completely protected against hepatitis B, your child needs to be vaccinated with a series of three hepatitis B virus (HBV) vaccine shots: at birth, at 1 to 2 months, and again at 6 to 18 months of age. For children who did not get this vaccination in the first 18 months of life, the hepatitis B vaccine series of three shots should be given at preadolescence or at adolescence.

Several vaccines are available for protection against *Haemophilus influenzae* type b. The Academy recommends that your child receive doses at 2, 4, and possibly 6 months of age, with a final dose at 12 to 15 months depending on which vaccine is used. If your child is late getting the first Hib conjugate dose, the total number of doses received may differ from this AAP schedule.

At 12 to 15 months, your child should have a combination shot against measles, mumps, and rubella (MMR). A second MMR vaccination, primarily to boost measles protection, should be given to children 11 to 12 years or older who have not had measles. If there is a measles outbreak in your community or if you live in a high-risk area, the MMR shots may be given on a different schedule.

If you don't have a pediatrician, call your local public health department. Public health clinics usually have supplies of vaccine and may give shots free.

The information contained in this publication should not be used as a substitute for the medical care and advice of your pediatrician. There may be variations in treatment that your pediatrician may recommend based on individual facts and circumstances.

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Immunizations have repeatedly been demonstrated as effective in reducing the incidence of childhood diseases. Today, children receive routine vaccinations against eight diseases: diphtheria, tetanus, pertussis (whooping cough), polio, measles, mumps, rubella (German measles), and serious infections caused by *Haemophilus influenzae* type b (Hib).

- The benefit-cost ratio of measles-mumps-rubella vaccine is more than 14:1.¹
- A 20-year study of measles vaccination revealed cost savings totaling more than \$5 billion.²
- The benefit-cost ratio of pertussis vaccine given in combination with diphtheria and tetanus is 11:1.³
- For polio immunization, the benefit-cost ratio is 10:1.⁴
- For the 18-month Hib vaccine, vaccination of 60% of all children would yield a savings of \$207 million.^{5,*}
- The benefit-cost ratio for the Hib vaccine given at 18 months is about 3.6:1.^{5,*}

1. White CC, Koplan JP, Orenstein WA. Benefits, risks and costs of immunization for measles, mumps and rubella. *Am J Public Health*. 1985;75(7):739-744
2. Bloch AB, Orenstein WA, Stetler HC. Health impact of measles vaccination in the United States. *Pediatrics*. 1985;76(4):524-532
3. Hinman AR, Koplan JP. Pertussis and pertussis vaccine, reanalysis of benefits, risks, and costs. *JAMA*. 1984;251(23):3109-3113
4. Fudenberg HH. Fiscal returns of biomedical research. *J Invest Dermatol*. 1973;61:321-329

5. Hay JW, Daum RS. Cost-benefit analysis of *Haemophilus influenzae* type b prevention: conjugate vaccination at eighteen months of age. *Pediatr Infect Dis*. 1990;9(4):246-252

* In October 1990, the recommended schedule for the *Haemophilus influenzae* type b conjugate vaccine was changed to 2, 4, and 6 months with a booster at 15 months. Since such a high percentage of infections caused by the Hib bacteria occur in the first 12 months of life, it is anticipated that the revised schedule will result in even greater savings.

American Academy of Pediatrics



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Table 7

Non-group Individual Health Insurance
Premiums for Child Supervision

<u>Insurance Company</u>	<u>Product Name</u>	<u>State</u>	<u>Charge for Child Supervision Services Per Child Per Month</u>	<u>Effective Date</u>
American Association of Lutherans	Total Med II	FL	\$4.17	Jan 1989 to present
Benefit Trust	Telemed	AR, FL, MA MN, RI	\$5.00	Current (\$4 in 1989)
Central States Health and Life	Individual Major Medical	FL	\$5.00	Dec 1989 to present
Pyramid Life	G91	FL	\$5.00	Current
Pyramid Life	G91	AR	\$5.58	Current
Pyramid Life	G91	MN	\$4.58	Current
Washington National	Classic Choice	FL	\$7.00	Jan 1990 to present
Time	24 Karat	FL	no additional charge	
First National Life	Major Medical	FL	no separate charge	
Metropolitan Life	Major Medical	FL	no separate charge	

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SENATE BILL No. 625

By Committee on Financial Institutions and Insurance

1-28

9 AN ACT relating to group-funded workers compensation pools; pre-
10 mium deposits; selection of trustees; amending K.S.A. 44-585 and
11 44-591 and repealing the existing sections.

12
13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. K.S.A. 44-585 is hereby amended to read as follows:
15 44-585. (a) Premium contributions to the pool shall be based upon
16 appropriate manual classification and rates, plus or minus applicable
17 experience credits or debits, and minus any advance discount ap-
18 proved by the trustees, not to exceed 15% of manual premium. The
19 pool must use rules, classifications and rates as promulgated by the
20 national council on compensation insurance and must report premium
21 and loss data to a rating organization.

22 (b) At least 70% of the annual premium shall be placed into a
23 designated depository for the sole purpose of paying claims. *If so*
24 *approved by the commissioner of insurance, the annual premium to*
25 *be designated to such depository may be determined to be the net*
26 *amount of premium after all or a portion of the specific and ag-*
27 *gregate excess insurance premium costs have been paid.* This shall
28 be called the claims fund account. The remaining annual premium
29 shall be placed into a designated depository for the payment of taxes,
30 fees and administrative costs. This shall be called the administrative
31 fund account.

32 (c) Any surplus moneys for a fund year in excess of the amount
33 necessary to fulfill all obligations under the workmen's compensation
34 act for that fund year may be declared to be refundable by the
35 trustees not less than 12 months after the end of the fund year,
36 upon the approval of the commissioner. Such approval can be ob-
37 tained only upon satisfactory evidence that sufficient funds remain
38 on deposit for the payment of all outstanding claims and expenses,
39 including incurred but not reported claims. Any such refund shall
40 be paid only to those employers who remained participants in the
41 pool for an entire year. Payment of previously earned refunds shall
42 not be contingent on continued membership in the pool.

43 Sec. 2. K.S.A. 44-591 is hereby amended to read as follows: 44-

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1 591. To ensure the financial stability of the operations of each group-
2 funded workers' compensation pool, the board of trustees of each
3 pool is responsible for all operations of the pool. The board of trustees
4 shall consist of not less than three nor more than 11 persons ~~whom~~
5 ~~a pool elects~~ *selected according to the bylaws of the pool* for stated
6 terms of office to direct the administration of a pool, and whose
7 duties include approving applications by new members of the pool.
8 The majority of the trustees must be members of the pool, but a
9 trustee may not be an owner, officer or employee of any service
10 agent or representative. All trustees must be residents of this state
11 or officers of corporations authorized to do business in this state.
12 The board of trustees of each fund shall take all necessary precautions
13 to safeguard the assets of the fund, including all of the following:

14 (a) Designate an administrator to administer the financial affairs
15 of the pool who shall furnish a fidelity bond to the pool in an amount
16 sufficient to protect the pool against the misappropriation or misuse
17 of any moneys or securities. The commissioner shall determine the
18 amount of the bond and the administrator shall file evidence of the
19 bond with the commissioner. The bond is one of the conditions
20 required for approval of the establishment and continued operation
21 of a pool.

22 (b) Retain control of all moneys collected or disbursed from the
23 pool and segregate all moneys into a claims fund account and an
24 administrative fund account. The amount allocated to the claims fund
25 account shall be sufficient to cover payment of any aggregate loss
26 fund as defined in the aggregate excess policy. Only disbursements
27 that are credited toward the aggregate loss fund are made from the
28 claims fund account. All administrative costs and other disbursements
29 are made from the administrative fund account. The administrator
30 of the pool shall establish a revolving fund for use by the authorized
31 service agent which is replenished from time to time from the claims
32 fund account. The service agent and its employees shall be covered
33 by a fidelity bond, with the pool as obligee, in an amount sufficient
34 to protect all moneys placed in the revolving fund.

35 (c) Audit the accounts and records of the pool annually or at any
36 time as required. The commissioner may prescribe the type of audits
37 and a uniform accounting system for use by pool and service agents
38 to determine the solvency of the pool.

39 (d) The trustees shall not extend credit to individual members
40 for payment of a premium.

41 (e) The board of trustees shall not borrow any moneys from the
42 pool or in the name of the pool without advising the commissioner
43 of the nature and purpose of the loan and obtaining approval from

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1 the commissioner.

2 (f) The board of trustees may delegate authority for specific func-
3 tions to the administrator of the pool. The functions which the board
4 may delegate include such matters as contracting with a service
5 agent, determining the premium chargeable to and refunds payable
6 to members, investing surplus moneys and approving applications
7 for membership. The board of trustees shall specifically define all
8 authority it delegates in the written minutes of the trustees' meet-
9 ings. Any delegation of authority is not effective without a formal
10 resolution passed by the trustees.

11 Sec. 3. K.S.A. 44-585 and 44-591 are hereby repealed.

12 Sec. 4. This act shall take effect and be in force from and after
13 its publication in the statute book.

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Kansas State Department of Credit Unions

Legislative Proposal # 1

BILL SUMMARY:

1. The amendment to K.S.A. 17-2204a is a "clean up" item by correcting the referral of K.S.A. 17-2204a(7) to K.S.A. 17-2204a(g). The referral to K.S.A. 17-2204a(7) is incorrect and refers to a statute that was changed from (7) to (g) during the 1992 recodification of credit union statutes. The amendment will correct the oversight and provide the correct referral.
2. The amendments to K.S.A. 17-2206 and 17-2211 will provide the administrator authority to promulgate rules and regulations to clarify reporting requirements to the state credit union department. The administrator will also use the authority to develop regulations concerning safety and soundness issues such as specifications for credit union disaster plans and additional clarification concerning what is an acceptable supervisory committee audit.

Although K.S.A 17-2260 provides authority for rules and regulations, the attorney general has provided an opinion that this authority exists for certain sections of the credit union statutes and does not include K.S.A. 17-2206 and K.S.A. 17-2211.

3. The amendment to K.S.A. 17-2214 will provide additional flexibility to the structure of our corporate credit unions.

PROPOSED BILL NO. _____

By

AN ACT relating to credit unions; concerning the regulatory authority of the administration; amending K.S.A. 17-2204a and K.S.A. 1994 Supp. 17-2206, 17-2211 and 17-2214 and repealing the existing sections.

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

Section 1. K.S.A. 17-2204a is hereby amended to read as follows: 17-2204a. (a) Notwithstanding any other provision contained in the laws of this state providing for investments by credit unions, such credit unions may invest, through their board of directors and under written investment policies established by the board, in the bonds, debentures or other similar obligations issued under the authority of and pursuant to the act of congress known as the farm credit act of 1971, as amended. The total amount of such bonds, debentures or other similar obligations of any one obligor or maker shall at no time exceed 15% of the shares, undivided earnings and reserves of the credit union.

(b) Credit unions may invest, through their board of directors and under written investment policies established by the board, in capital stock of a credit union services corporation in an amount not to exceed 2% of their shares, undivided earnings and reserves. "Credit union services corporation" means a corporation organized to perform only business administration services for two or more credit unions each of which owns a portion of the capital stock of such corporation and at least one of which is subject to supervision by the state credit union administrator.

(c) Subject to written guidelines issued by the administrator, a credit union may invest its funds, through its board of directors and under written investment policies established by the board, in investment securities defined by the

administrator. Except for obligations of wholly owned government corporations, or obligations which provide a return of principal and interest which is guaranteed by an agency of the federal government, the total amount of such investment securities of any one obligor or maker held by the credit union shall at no time exceed 15% of the shares, undivided earnings and reserves of the credit union.

(d) Except as provided in subsection ~~(7)~~ (g) of K.S.A. 17-2204, and amendments thereto, a credit union is prohibited from participating directly or indirectly in: (1) The purchase or sale of a standby commitment; (2) a futures contract; (3) in adjusted trading; or (4) in a short sale of a security. A credit union's directors, officials, committee members and employees, and immediate family members of such individuals, may not receive pecuniary consideration in connection with the making of an investment or deposit by the credit union.

(e) Nothing contained in this section shall be construed to prohibit any funds of a credit union from being invested as now provided by law.

Sec. 2. K.S.A. 1994 Supp. 17-2206 is hereby amended to read as follows: 17-2206. (a) Credit unions shall be subject to the exclusive supervision of the administrator and shall make and keep current such books and records, prepare reports and establish plans and programs concerning the safety and soundness of the credit union as may be required by rules and regulations adopted by the administrator and shall make a report of condition to the administrator at least semiannually, on blank forms to be supplied by the administrator, notice of which reports shall be sent out by the administrator. Returns shall be verified under oath of the president or chairperson of the board, whichever has been elected by the board of directors pursuant to K.S.A. 17-2209, and amendments thereto, and treasurer, and additional reports may be required by the administrator. Copies of a current balance sheet shall be furnished without charge by the administrator to any person upon request. Any credit union which

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neglects to make the above reports shall forfeit to the treasurer of the state up to \$50 for each day of such neglect at the discretion of the administrator.

(b) Each credit union shall be examined at least once every 18 months by the administrator or the administrator's duly authorized deputy or agent. In lieu of any particular examination, the administrator may accept an examination report made by or under the authority of the national credit union administration or its successor or successors, by any such other appropriate federal agency or by an independent auditor or certified public accountant licensed to do business in the state of Kansas if such audit and report meet the standards which the administrator may by regulation promulgate. The administrator may order other examinations, and the administrator's agents shall at all times be given free access to all books, papers, securities and other sources of information in respect to the credit union. The administrator shall have the power to subpoena witnesses, compel their attendance, require the production of evidence, administer oaths and examine any person under oath in connection with any subject relating to a duty imposed upon or a power vested in the administrator. If a credit union neglects to make the required reports or to pay the charges required, including charges for delay in filing reports, for 15 days, the administrator shall notify the credit union of the administrator's intention to revoke the certificate of approval. If the neglect or failure continues for another 15 days, the administrator may revoke the certificate of approval and shall cause one of the administrator's agents to take possession of the business of such credit union and retain possession until such time as the administrator may permit such credit union to resume business or its affairs are finally liquidated.

(c) The administrator may issue cease and desist orders or orders for corrective action or both, made over the administrator's official signature, having determined that a credit union is engaged, has engaged, or is about to engage, in

an unsafe or unsound practice, or is violating, has violated, or is about to violate, any law, rules and regulations or any condition imposed in writing by the administrator or any written agreement made with the administrator.

(d) If the administrator determines that a credit union is insolvent, is in a deteriorating condition, as defined in rules and regulations promulgated by the administrator, or, within a reasonable time, has failed to comply with any order mailed to the last address filed by the credit union with the administrator, the administrator, as conservator or liquidating agent, pursuant to any order shall immediately, or within a reasonable time thereafter, take possession of or appoint an agent to take possession of the business and property of the credit union and retain possession, as conservator or as liquidating agent, until such time as the administrator may permit it to resume business or its affairs are finally liquidated.

(e) Each credit union shall pay to the administrator a fee for examination, established in accordance with this subsection. Prior to June 1 of each year, the administrator, after advising the credit union council, shall establish such annual fees as the administrator determines to be sufficient to meet the budget requirements of the department of credit unions for the fiscal year beginning July 1. Such fees shall be due and payable 30 days after receipt of billing from the department of credit unions.

(f) For a corporate credit union, the administrator may accept an audit report by a certified public accountant in lieu of the credit union departmental examination of such credit union. If the administrator accepts a certified public accountant audit in lieu of the administrator's examination of such corporate credit union, the administrator may assess such corporate credit union a fee established in accordance with subsection (e).

(g) All administrative proceedings instituted or conducted by the administrator pursuant to this act shall be conducted in

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accordance with the Kansas administrative procedure act, K.S.A. 77-501 et seq., and amendments thereto.

(h) The administrator, as conservator or liquidating agent:

(1) By operation of law, shall succeed to all rights, titles, powers and privileges of the credit union, and of any member, account holder, officer or director of such credit union with respect to the credit union and the assets of the credit union;

(2) shall take over the assets of and operate the credit union with all the powers of the members or shareholders, the directors and the officers of the credit union and shall be authorized to conduct all business of the credit union;

(3) may collect all obligations and money due the credit union;

(4) may perform all functions of the credit union in the name of the credit union which is consistent with the appointment as conservator or liquidating agent;

(5) shall preserve and conserve the assets and property of such credit union;

(6) may fix a reasonable amount for compensation of the conservator or liquidating agent as an expense of operation or liquidation of the credit union;

(7) may take such actions as may be necessary to put the credit union in a sound and solvent condition;

(8) may take such action as may be appropriate to carry on the business of the credit union and preserve and conserve the assets and property of the credit union; and

(9) as liquidating agent, place the credit union in liquidation and proceed to realize upon the assets of the credit union and liquidate such credit union in accordance with the provisions of K.S.A. 17-2230, and amendments thereto.

Sec. 3. K.S.A. 1994 Supp. 17-2211 is hereby amended to read as follows: 17-2211. (a) The supervisory committee shall supervise the acts of the board of directors, credit committee and officers. The supervisory committee may suspend by a

unanimous vote any officer of the credit union or any member of the credit committee or the board of directors, until the next members' meeting, which members' meeting shall be held not less than seven nor more than 21 days after such suspension, and at which meeting such suspension shall be acted upon by the members.

(b) By a majority vote the supervisory committee may call a meeting of the shareholders to consider any violation of this act or of the bylaws, or any practice of the credit union which, in the opinion of the committee, is unsafe and unauthorized.

(c) The committee shall fill vacancies in their own number until the next annual meeting of the members or vacancies shall be filled in such a manner as is provided in the bylaws.

(d) Subject to rules and regulations adopted by the administrator, the supervisory committee shall make or cause to be made a thorough annual audit of the receipts, disbursements, income, assets and liabilities of the credit union and shall make a full report to the directors, which report shall be presented at the annual meeting and shall be filed and preserved with the records of the credit union. The supervisory committee shall make or cause to be made such supplementary audits as it deems necessary or as may be ordered by the administrator, and submit reports of the supplementary audits to the board of directors. The administrator may accept in lieu of any required audit, an audit by a certified public accountant or other independent accountant.

(e) Subject to rules and regulations adopted by the administrator, the supervisory committee shall make, or cause to be made, a certification of members' accounts using either of the following methods:

(1) A controlled certification of 100% of members' accounts at least once each two years; or

(2) a controlled random statistical sampling in accordance with American institute of certified public accountants' guidelines which tests sufficient accounts in number and scope to assure accuracy of the members' accounts at least once each year.

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Sec. 4. K.S.A. 1994 Supp. 17-2214 is hereby amended to read as follows: 17-2214. (a) Subject to rules and regulations prescribed by the administrator, corporate credit unions shall have the following additional powers to:

(1) Provide access for its shareholders on a mutual basis to financial systems and the services and products of financial institutions;

(2) provide its shareholders with research and consulting services concerning financial matters, institutions and products;

(3) provide financial system support services and facilities;

(4) establish and execute financial programs to assist its shareholders in meeting their needs;

(5) provide safekeeping or trustee services to or on behalf of its shareholders;

(6) issue shares or classes of shares with such terms and conditions as may vary from other shares authorized by this act as the administrator shall approve including, but not limited to, and notwithstanding the provisions of K.S.A. 17-2230, and amendments thereto, the subordination of such shares to other shares of the credit union and the liability for a designated class of shares to be reduced in accordance with K.S.A. 17-2225, and amendments thereto, without reducing the liability on all other shares, except that, such shares shall have a redemption priority in liquidation or termination of membership no earlier than provided to other shares authorized by this act; and

(7) purchase from or sell to its members participation interests in loans made by the corporate credit union or its members.

(b) A corporate credit union may lend to each member no more than 25% of its assets, except that other credit unions, operating under the provisions of this act, may lend to each other only with the approval of the administrator, up to 25% of the shares, undivided earnings and reserves of the lending credit union.

(c) Subject to written policies adopted by its board of directors and approved by the administrator, a corporate credit union may:

(1) Make loans to;

(2) receive payments on shares, share certificates or investments in any other account of the corporate credit union from; or

(3) invest its funds in shares, stock or obligations of, organizations established to provide operational and financial services associated with the routine operations of credit unions.

Any investments in the capital stock of or loans to such organizations shall not exceed, in the aggregate, 2% of such credit union's shares and unimpaired capital.

(d) Subject to approval by the administrator, a corporate credit union may provide in its bylaws for a class or classes of associate members of the corporate credit union. Associate members shall have all rights, privileges and responsibilities of members except the right to vote as provided in K.S.A. 17-2207, and amendments thereto.

Sec. 5. K.S.A. 17-2204a and K.S.A. 1994 Supp. 17-2206, 17-2211 and 17-2214 are hereby repealed.

Sec. 6. This act shall take effect and be in force from and after its publication in the statute book.

Kansas State Department of Credit Unions

Legislative Proposal #2

BILL SUMMARY:

1. The amendment to K.S.A. 17-2234 will assist in ensuring that future employees of the credit union department have not been convicted of crimes that would render them unsuitable for employment in a position requiring physical presence in a credit union where cash and negotiable items are available. Language for the amendment was provided by the attorney general's office.

Senate 7141
1/12/95
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Attachment # 4

By

AN ACT relating to the state department of credit unions; concerning security background checks for employees thereof; amending K.S.A. 1994 Supp. 17-2234 and repealing the existing section.

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

Section 1. K.S.A. 1994 Supp. 17-2234 is hereby amended to read as follows: 17-2234. (a) There is hereby established the state department of credit unions, which shall be under the administrative supervision of the administrator as directed by law. The administrator may appoint or employ an attorney to assist the department in its functions under this act, and in accordance with the civil service law, such special assistants, deputies or examiners, and other employees, as may be necessary for the purpose of administering and enforcing the provisions of this act.

(b) Each special assistant, deputy, examiner and other such employees as may be necessary for the purpose of administering and enforcing the provisions of this act shall submit to a security background check prior to being employed in such position. Upon the commencement of the interview process, every candidate shall be given a written notice that a security background check is required. The security background check shall be limited to criminal history record information as provided by K.S.A. 22-4701 et seq., and amendments thereto. If the criminal history record information reveals any conviction of crimes of dishonesty, such conviction may be used to disqualify a candidate for any position within the office of the department of credit unions. If the criminal history record information is used to disqualify a candidate, the candidate shall be informed in writing of that decision. Upon determining whether to hire or

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disqualify a candidate, the candidate's criminal history record information report shall be destroyed. The candidate's personnel file shall only contain a statement that a security background check was performed and the date thereof.

(c) The state department of credit unions shall submit an employment candidate's fingerprints to the Kansas bureau of investigation and to the federal bureau of investigation for the purpose of determining whether the applicant has a criminal record.

Sec. 2. K.S.A. 1994 Supp. 17-2234 is hereby repealed.

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

Kansas State Department of Credit Unions

Legislative Proposal #3

BILL SUMMARY:

1. The amendment to K.S.A. 17-2204 will provide authority for the administrator to promulgate rules and regulations to allow low-income credit unions to accept payments to share accounts by nonmembers. Existing state statute does not allow for payment to shares by nonmembers or provide authority for the administrator to promulgate rules and regulations governing low income credit unions. Providing for non member payment to shares and adoption of specific rules and regulations for this type of activity is basic to the success of establishing and maintaining low income credit unions in low wealth, under served or non served communities.

Senate Hall
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Attachment # 5

PROPOSED BILL NO. _____

By

AN ACT concerning credit unions; relating to payments to share accounts by nonmembers; when; amending K.S.A. 1994 Supp. 17-2204 and repealing the existing section.

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

Section 1. K.S.A. 1994 Supp. 17-2204 is hereby amended to read as follows: 17-2204. A credit union shall have the following powers:

(a) It may receive the savings of its members in payment for shares, make contracts, sue and be sued, and provide negotiable checks, money orders, travelers checks, any other money type instruments or transfer methods, safe deposit boxes or similar safekeeping facilities to its members.

(b) It may make loans to members through the credit committee or authorized loan officer in the way and manner provided in K.S.A. 17-2201 et seq., and amendments thereto.

(c) It may invest, through its board of directors and under written investment policies established by the board:

(1) In all types of shares and accounts of a corporate credit union, located in the state of Kansas and under the supervision of the administrator;

(2) in shares or accounts of any savings and loan association or mutual savings bank the accounts of which are insured by an insurer approved by the state in which it operates for guaranteeing the shares or accounts of such institutions;

(3) in the bonds or other obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby;

(4) in obligations of, or obligations issued by, any state or political subdivision thereof, including any agency, corporation or instrumentality of a state or political

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subdivision, except that no credit union may invest more than 10% of its shares, undivided earnings and reserves in the obligations of any one issuer exclusive of general obligations of the issuer;

(5) in savings banks, state banks, trust companies and national banks, the accounts of which are insured by an insurer approved by the state in which it operates for guaranteeing the shares or accounts of such institutions.

(6) Unless the administrator authorizes otherwise, the funds of the credit union shall be used first for loans to members and preference shall be given to the smaller loans in the event the available funds do not permit all loans which have been approved by a loan officer or have passed the credit committee to be made.

(d) It may enter into agreements with financial institutions or organizations for the extension of credit or debit services.

(e) It may do all things necessary to obtain, continue, pay for and terminate insurance of its shares and share certificates with the national credit union share insurance fund or its successor or successors or with an insurer approved by the state commissioner of insurance or guarantee corporation approved by the administrator under the provisions of this act for such purpose.

(f) It may receive from its members or other insured credit unions payments on shares and share certificates and may invest its funds in shares, share certificates or other accounts of insured credit unions. Except for investments in corporate credit unions, such investments may not exceed 25% of the investing credit unions' shares, undivided earnings and reserves.

(g) A corporate credit union, as defined by subsection (e) of K.S.A. 17-2231, and amendments thereto, may buy and sell investment securities, as defined by the administrator, but the total amount of such investment securities of any one obligor or maker held by such credit union shall at no time exceed 15% of the shares, undivided earnings and reserves of the credit union except that this limit shall not apply to obligations of the United States government or any agency thereof.

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(h) Credit unions may enter into agreements to discount or sell student loans made pursuant to federally insured student loan programs under public law 89-329, title IV part (b) of the higher education act of 1965 as amended.

(i) A credit union may discount or sell to such corporate credit union or any financial institution or organization any real estate loan made by the credit union.

(j) Credit unions may enter into agreements with a corporate credit union to discount or sell to such corporate credit union any obligation of the United States government or any agency thereof, or of any state, municipality or any agency thereof, if the obligation at the time of purchase was a legal investment for credit unions.

(k) It may provide that shares and share certificates may be withdrawn for payment to the account holder or to third parties, in such manner and in accordance with such procedures as may be established by the board of directors.

(l) Every credit union incorporated pursuant to or operating under the provisions of this act may exercise such powers, including incidental powers, as shall be necessary or requisite to enable it to carry on effectively the purposes and business for which it is incorporated.

(m) A credit union may receive from the national credit union central liquidity facility created by title III of the federal credit union act, 12 U.S.C. 1795, et seq., payments on: (1) Shares which may be issued at varying dividend rates; (2) share certificates which may be issued at varying dividend rates and maturities; and (3) investments in any other accounts of the credit union. A credit union may invest its funds in the capital stock of the national credit union central liquidity facility.

(n) Subject to written guidelines issued by the administrator, a credit union may purchase notes made by individual borrowers to a financial institution at such prices as may be agreed upon by the board of directors of the purchasing credit union. No purchase may be made, however, under authority

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of this subsection, unless approved in writing by the administrator, if, upon the making of that purchase, the aggregate of the unpaid balances of notes of nonmembers purchased under authority of this subsection would exceed 5% of the shares, undivided earnings and reserves of the credit union.

(o) Subject to rules and regulations adopted by the administrator, a credit union, if designated by the administrator as a low-income credit union, may accept payments to share accounts by nonmembers.

Sec. 2. K.S.A. 1994 Supp. 17-2204 is hereby repealed.

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

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SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE

JANUARY 12, 1995

HEALTH CARE PROVIDER INSURANCE AVAILABILITY ACT (HCPIAA)
K.S.A. 40-3401, et. seq.
1995 PROPOSED LEGISLATIVE CHANGES

presented by Health Care Stabilization Fund staff

Robert D. Hayes, Executive Director
Claire McCurdy, Attorney

Senate 7141
1/12/95
Attachment # 6

HEALTH CARE PROVIDER INSURANCE AVAILABILITY ACT (HCPIAA)
K.S.A. 40-3401, et. seq.
LEGISLATIVE CHANGES NEEDED BY 1995 KANSAS LEGISLATURE

I. STATUTORY CHANGES TO THE HCPIAA

A. ELECTION OF LEVEL OF COVERAGE

K.S.A. 40-3403(1) requires every health care provider to make an election of coverage level pursuant to one of the options available in the HCPIAA. The statute states:

"... Notice of the election shall be provided by the insurer providing the basic coverage in the manner and form prescribed by the commissioner and shall continue to be effective from year to year unless modified by a subsequent election made prior to the anniversary date of the policy..." (1994 Senate Bill No. 854, Section 1, subsection (1))

Now that management and administration of the HCSF will reside with the HCSF Board of Governors the election of level of coverage should be given by the insurer to the Board, not the Insurance Commissioner. This is a technical amendment that can be accomplished simply by substituting the Board in the statute where the Insurance Commissioner currently appears.

B. PROOF OF COVERAGE

K.S.A. 40-3403a requires that in the event a health care provider's HCSF coverage is terminated the health care provider must obtain equivalent insurance elsewhere as a condition of continued licensure. The current statute requires the proof of other coverage to be submitted to the commissioner:

"Any health care provider whose fund coverage has been terminated under subsection (i) of K.S.A. 40-3403 and amendments thereto shall, as a condition of licensure, maintain professional liability insurance coverage equivalent to that provided by the fund and shall submit to the commissioner of insurance satisfactory proof of such coverage, as required by the commissioner."

As with the notice of the election of the level of coverage a health care provider chooses, this proof of insurance should now be submitted to the Board of Governors of the HCSF, not the Insurance Commissioner.

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C. HEALTH CARE PROVIDER INSURANCE AVAILABILITY PLAN (HCPIAP)

K.S.A. 40-3413 creates the plan for professional liability insurance coverage for those health care providers who are unable to obtain it by ordinary means. Under the current law these plans are to be submitted to the Insurance Commissioner for approval. The 1994 legislation did not include the approval process for these plans in the transfer of responsibilities from the Insurance Commissioner to the HCSF Board of Governors. While there are some regulatory aspects to the approval process that likely should remain with the Insurance Commissioner, at a minimum the rates, forms, and ratemaking rules regarding medical professional liability insurance should require joint approval of both the Insurance Commissioner and the Board of Governors.

D. CERTIFICATES OF SELF-INSURANCE

K.S.A. 40-3414 allows health care providers who meet certain criteria to be self-insured. Under current law a certificate of self-insurance must be obtained from the Insurance Commissioner before a health care provider can legally operate as a self-insured entity. As with the plans submitted pursuant to K.S.A. 40-3413, there are regulatory functions that are appropriately fulfilled by the Insurance Commissioner (e.g. actuarial calculations). The actual assessment and collection of the HCSF surcharge from self-insured entities, however, should properly be with the Board of Governors. As a result, this is another section of the law the legislature should amend to require joint approval of self-insured status by both the Insurance Commissioner and the Board of Governors.

E. REPORT OF SUSPECTED VIOLATIONS

K.S.A. 40-3416 requires the Insurance Commissioner to report those health care providers who are practicing without the basic coverage required by the HCPIAA to the various licensing agencies that regulate their practice. Since the Commissioner is no longer responsible for the administration of the HCSF it is unlikely the Commissioner would be aware of a health care provider who is practicing without the basic professional liability coverage required by the act. Instead, the statute should be amended to require the Board of Governors to make such reports. This is another technical amendment that requires substituting the HCSF Board of Governors for the Insurance Commissioner in the law.

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F. REPORTS BY INSURERS OF CLAIMS AND ACTIONS

K.S.A. 40-3421 requires insurers who provide professional liability insurance to health care providers in the state to report all claims and actions for damages to the appropriate health care provider regulatory agency and the "state department of insurance on forms prescribed by the commissioner of insurance ..." Since in the past the Insurance Commissioner has always received these reports in his capacity as administrator of the HCSF, it is appropriate for the Board of Governors as administrator of the HCSF to receive these reports now.

II. OTHER STATUTORY CHANGES NEEDED

A. DEFINITION OF "PREMIUM"

The insurance code currently defines "premiums" to include finance charges and other service charges in connection with the cost of an insurance policy. As it relates to health care providers who pay a surcharge into the HCSF this means in some instances (e.g. where a health care provider pays the liability premium in installments) the health care provider's surcharge is calculated on the sum of the actual premium due and any finance or service charges. K.S.A. 40-3404 states the HCSF surcharge

"shall be an amount equal to a percentage of the annual premium paid by the health care provider for the basic coverage required to be maintained as a condition to [sic] coverage by the fund by subsection (a) of K.S.A. 40-3402 and amendments thereto."

The language of the HCPIAA seems to indicate the surcharge is to be levied based upon only the actual premium. When K.S.A. 40-3404 is read together with the definition of premium in the insurance code however, this is unclear. Consequently, the law needs to be clarified to make it clear the surcharge is to be based only on the actual premium, and should not include any finance or service charges added to a particular health care provider's premium payment. The best way to accomplish this is to amend K.S.A. 40-3404 by adding language to indicate the surcharge shall be based on premium and related expenses, but shall not include any finance or interest charges in connection with installment payments.

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44-584. Same; certificate of authority, renewal, suspension, revocation; examinations. (a) The application for a new certificate ~~or renewal of an existing certificate~~ shall be signed by the trustees of the trust fund created by the pool. Any application for a ~~renewal of an existing~~ new certificate shall meet at least the standards established in subsections (f), (g), (h), (i), (j), (k), (l), (m), and (n) of K.S.A. 44-582 and amendments thereto. After evaluating the application ~~for a new certificate~~ the commissioner shall notify the applicant that the plan submitted is approved or conversely, if the plan submitted is inadequate, the commissioner shall then fully explain to the applicant what additional requirements must be met. If the application is denied, the applicant shall have 15 days to make an application for hearing by the commissioner after service of the denial notice. The hearing shall be conducted in accordance with the provisions of the Kansas administrative procedure act.

(b) An approved certificate of authority shall remain in full force and effect until such certificate is suspended or revoked by the commissioner. An existing pool operating under an approved certificate of authority must, however, file with the commissioner, within 120 days following the close of the pool's fiscal year, a current financial statement on a form approved by the commissioner showing the financial ability of the pool to meet its obligations under the worker compensation act and confirmation of specific and aggregate excess insurance as required by law for the pool. If an existing pool's certificate of authority is suspended or revoked, such pool shall have the same rights to a hearing by the commissioner as for applicants for new certificates of authority as set forth in subsection (b) above.

~~(b) All certificates granted hereunder shall expire on April 30 of each year unless sooner suspended or revoked by the commissioner.~~

44-585. Same; premiums; contributions; deposit of premiums; refunds. (a) Premium contributions to the pool shall be based upon appropriate manual classification and rates, plus or minus applicable experience credits or debits, and minus any advance discount approved by the trustees, not to exceed 15% of manual premium. The pool must use rules, classifications and rates *loss cost data* as promulgated by the national council on compensation insurance for workers compensation *if the pool has been in operation for less than five years. If the pool has been in operation for more than five years, the board of trustees may determine such rates and discounts as approved by the commissioner.*

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Attachment #7