

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 31, 1995 in Room 529-S of the Capitol.

All members were present.

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

Conferees appearing before the committee: Tom Wilder, State Insurance Department  
William Sneed, Health Insurance Association of America  
John Holmgren, Kansas Health Insurance Association  
Brad Smoot, Blue Cross Blue Shield of Kansas  
David Ross, Kansas Association of Life Underwriters

Others attending: See attached list

Senator Lawrence moved to approve the minutes of the meeting of January 26 as submitted. The motion was seconded by Senator Clark; the motion carried.

The committee considered the reappointment of Bill Caton to the Pooled Money Investment Board and agreed that since he has appeared before the committee a number of times, his presence was not mandatory. (Attachment #1) Senator Hensley made a motion to recommend confirmation of Mr. Caton to the PMIB; Senator Steffes seconded the motion. The motion carried.

The hearing was opened on SB 52. Senator Sandy Praeger, one of the sponsors of this legislation, explained that it will require any company that is dropping coverage because of the health status of the insured to notify the insured of the availability of insurance coverage through the Kansas Health Insurance Act. Senator Bond, who co-sponsored the bill, suggested that the language in section (5)(d) should be amended to include "...shall notify *in writing*..." Senator Praeger made a motion to so amend the bill. The motion was seconded by Senator Lawrence. The motion carried.

Tom Wilder, State Insurance Department, informed the committee that the Insurance Department supports this bill, which was part of their internal recommendations. Senator Lee questioned whether or not the high rates and limited coverage have been investigated by the Insurance Department.

William Sneed, Health Insurance Association of America, testified in support of this bill but suggested that the language be checked to be sure it is consistent with statutory provisions relating to the Kansas Health Insurance Act. (Attachment #2)

John Holmgren, board member of the Kansas Health Insurance Association, advised the committee that his organization supports this bill. (Attachment #3) Mr. Holmgren also presented a brochure explaining managed health care coverage for Kansans. In response to Senator Lee's earlier question, Mr. Holmgren replied that the board has revised maximum benefits to \$75,000 for the second year, \$100,000 for the third year, and \$500,000 lifetime benefits. Senator Bond questioned what impact the increases will have on premiums; Mr. Holmgren stated that it is estimated that the rate increase will be no more than 10%. Mr. Holmgren also requested that the bill be further amended to specify that the Insurance Department would monitor compliance; however, Mr. Wilder stated that this can be accomplished through notification from the Insurance Commissioner.

Bradley Smoot, Blue Cross Blue Shield, also appeared as a proponent of this legislation and offered a copy of the letter Blue Cross Blue Shield uses to notify insureds of the availability of coverage through the KHIA. (Attachment #4)

There being no further questions and no other conferees, the hearing was closed. Senator Praeger made a motion to move SB 52 as amended with the conceptual understanding that the language be consistent with provisions relating to the KHIA. Senator Steffes seconded the motion; the motion carried. Senator Praeger will carry this bill on the Senate floor.

CONTINUATION SHEET

MINUTES OF THE Senate Committee on Financial Institutions & Insurance, Room 529-S Statehouse, on January 31, 1995.

The chairman opened the hearing on **SB 87**. David Ross, Kansas Association of Life Underwriters, supported this legislation and offered an amendment to clarify and strengthen the language. (Attachment #5)

Mr. Wilder stated that the Insurance Department has no position on this bill but does support substituting the recommended language on lines 16-19. There were no further conferees; the hearing on **SB 87** was closed.

Senator Steffes made a motion to amend the bill as requested by Mr. Ross. Senator Lee seconded the motion. The motion carried.

Senator Steffes made a motion, seconded by Senator Lawrence, to recommend **SB 87** favorably as amended. The motion carried. Senator Steffes will carry the bill on the Senate floor.

The committee adjourned at 9:40 a.m. The next meeting is scheduled for February 1, 1995.



SENATE CONFIRMATION QUESTIONNAIRE  
APPOINTMENTS BY GOVERNOR JOAN FINNEY

Name: WILLIAM F. CATON

Home Address: 9340 SW GLICK

City, State, Zip Code: AUBURN, KANSAS 66402

Home Phone: 913 / 256-2431

Business Address: JAYHAWK TOWER, SUITE 1000, 700 SW JACKSON

City, State, Zip Code: TOPEKA, KANSAS 66603-3758

Business Phone: 913 / 296-6747

Date of Birth: 7-22-51 Place of Birth TOPEKA, KANSAS

Party Affiliation REPUBLICAN KBI Check(Yes/No) YES

Appointed as: MEMBER - POOLED MONEY INVESTMENT BOARD

Effective 7/1/94 for the 3<sup>rd</sup> term  
ending 6/30/98 Succeeding himself

Salary -0- Statutory Authority 75-4221a

Statutory Requirements \_\_\_\_\_

1. EDUCATION:  
High School HAYDEN HIGH SCHOOL - TOPEKA, KANSAS

Year Graduated 1969

Postsecondary	Degree, etc.	Dates
<u>WASHBURN UNIVERSITY</u>	<u>BACHELOR BUS.ADMIN.</u>	<u>1974</u>
_____	_____	_____
_____	_____	_____

Senate 7/1/95  
Attachment #1

2. MEMBERSHIP IN BUSINESS, TRADE AND PROFESSIONAL ORGANIZATIONS DURING PAST 10 YEARS:

Dates	Name	Location
<u>1976 TO PRESENT</u>	<u>KANSAS BANKERS ASSOCIATION</u>	<u>TOPEKA, KANSAS</u>
<u>1980 TO PRESENT</u>	<u>COMMUNITY BANKERS ASSOCIATION</u>	<u></u>
<u>1993 TO PRESENT</u>	<u>GOVT.FIN. OFFICERS ASSOCIATION</u>	<u>WASHINGTON, DC</u>

3. HAVE YOU EVER BEEN ELECTED OR APPOINTED TO ANY PUBLIC OFFICE IN KANSAS?  X  Yes   No  
If so, please list dates and offices held.

Date	Office
<u>1978-1982</u>	<u>CITY OF AUBURN COUNCILMAN</u>
<u>1982-1985</u>	<u>MAYOR - CITY OF AUBURN</u>
<u>1991 TO PRESENT</u>	<u>CONSUMER CREDIT COMMISSIONER</u>
<u>1992 TO PRESENT</u>	<u>KANSAS DEVELOPMENT FINANCE AUTHORITY - PRESIDENT</u>
<u>1993-1994</u>	<u>POOLED MONEY INVESTMENT BOARD</u>

4. HAVE YOU EVER BEEN EMPLOYED BY OR HELD A POSITION OR OFFICE WITH ANY FEDERAL, FOREIGN STATE, OR LOCAL GOVERNMENTAL ENTITY OR AGENCY?  NO   
If so, please list dates and offices held:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. HAVE YOU BEEN A REGISTERED LOBBYIST OR EMPLOYED A REGISTERED LOBBYIST AT ANY TIME DURING THE PAST 5 YEARS?  NO

If you were a registered lobbyist, did you receive any compensation?  NO

List groups you represented or for which you employed a lobbyist:

NONE   
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. EXPERIENCE OR INTERESTS WHICH QUALIFY YOU FOR THE OFFICE TO WHICH YOU HAVE BEEN APPOINTED:

20 YEARS BANKING EXPERIENCE INCLUDING EIGHT YEARS OF DIRECT

RESPONSIBILITY FOR INVESTMENT PORTFOLIO

7. SUMMARY OF BUSINESS OR PROFESSIONAL EXPERIENCE: MERCHANTS NATIONAL BANK - TOPEKA, KANSAS

20+ YEARS BANKING EXPERIENCE - SECURITY STATE BANK - AUBURN, KANSAS

2½ YEARS - CONSUMER CREDIT COMMISSIONER

2 YEARS - PRESIDENT OF KANSAS DEVELOPMENT FINANCE AUTHORITY

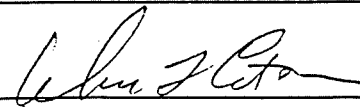
8. HAVE YOU EVER BEEN A MEMBER OF THE ARMED FORCES OF THE UNITED STATES? NO

If so, please list dates of service, branch of service and date and type of discharge:

9. HAVE YOU EVER BEEN ARRESTED, CHARGED OR HELD BY FEDERAL, STATE OR OTHER LAW ENFORCEMENT AUTHORITIES FOR VIOLATION OF ANY FEDERAL LAW, STATE LAW, COUNTY OR MUNICIPAL LAW, REGULATION OR ORDINANCE (EXCLUDING TRAFFIC VIOLATIONS FOR WHICH A FINE OF \$100 OR LESS WAS IMPOSED)? NO

10. DISPOSITION OF ANY INTERESTS THAT MIGHT HAVE PRESENTED A POTENTIAL CONFLICT OF INTEREST FOR THIS POSITION.

Return to: Mary Holladay  
Appointment Secretary  
Office of the Governor  
2nd Floor, State Capitol  
Topeka, KS 66612

  
Signature



(S)

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APR 13 1994

BILL GRAVES  
SECRETARY OF STATE

**KANSAS COMMISSION ON GOVERNMENTAL STANDARDS AND CONDUCT**

**STATEMENT OF SUBSTANTIAL INTERESTS FOR STATE EMPLOYEES**

**INSTRUCTIONS.** This statement (pages 1 through 4) must be completed by each state employee or as a designee by their agency head (K.S.A. 46-247, 46-248, 46-282, and 46-285). Failure to complete and return this statement may result in a fine of \$10 per day for each day it remains unfiled. Also, any individual who intentionally fails to file as required by law, or intentionally files a false statement, is subject to prosecution for a class B misdemeanor.

Please read the "Guide" and "Definition" section provided with this form for additional assistance in completing sections "C" through "G". If you have questions or wish assistance, please contact the Commission office at 109 West 9th, Topeka, KS or call 913-296-4219.

**A. IDENTIFICATION:**

**PLEASE TYPE OR PRINT**

C	A	T	O	N						W	I	L	L	I	A	M						F
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Last Name

First Name

MI

P	E	G	G	Y	A																
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Spouse's Name

9	3	4	0	S	W	G	L	I	C	K	R	D			
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Number & Street Name, Apartment Number, Rural Route, or P.O. Box Number

A	U	B	U	R	N	K	S	6	6	4	0	2				
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City, State, Zip Code

9	1	3	**	2	5	6	**	2	4	3	1
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Home Phone Number

9	1	3	**	2	9	6	**	6	7	4	7
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Business Phone Number

**B. AGENCY EMPLOYED BY:**

K	S		D	E	V	E	L	O	P	M	E	N	T	F	I	N	A	N	C	E	AUTHORITY
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List Name of Agency or University (You may use abbreviations but no acronyms)

														P	R	E	S	I	D	E	N	T
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Division (May use acronyms)

Position

\* The last four digits of your social security number will aid in identifying you from others with the same name on the computer list. This information is optional.

\* 

2	2	4	9
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**E. RECEIPT OF COMPENSATION:** List all places of employment in the last calendar year, and other businesses from which you or your spouse received \$2,000 or more in compensation (salary, thing of value, or economic benefit conferred on in return for services rendered or to be rendered), which was reportable as taxable income on your federal income returns.

1. YOUR PLACE(S) OF EMPLOYMENT OR OTHER BUSINESS IN THE PRECEDING CALENDAR YEAR. IF SAME AS SECTION "B", CHECK HERE \_\_\_\_.  
If you have nothing to report in Section "E"1, check here \_\_\_\_.

	NAME OF BUSINESS	ADDRESS	TYPE OF BUSINESS
1.	OFFICE OF CONSUMER CREDIT COMMISSIONER	TOPEKA, KS	STATE AGENCY
2.			

2. SPOUSE'S PLACE(S) OF EMPLOYMENT OR OTHER BUSINESS IN THE PRECEDING CALENDAR YEAR. If you have nothing to report in Section "E"2, check here \_\_\_\_.

	NAME OF BUSINESS	ADDRESS	TYPE OF BUSINESS
1.	AUBURN/WASHBURN USD 437	TOPEKA, KS	PUBLIC SCHOOL
2.			

**F. OFFICER OR DIRECTOR OF AN ORGANIZATION OR BUSINESS:** List any organization or business which you or your spouse hold a position of officer, director, associate, partner proprietor at the time of filing, irrespective of the amount of compensation received holding such position. Please insert additional page if necessary to complete this section. If you have nothing to report in Section "F", check here \_\_\_\_.

	BUSINESS NAME AND ADDRESS	POSITION HELD	HELD BY WHOM
1.	SECURITY STATE BANK AUBURN KS	CHAIRMAN OF THE BOARD	WILLIAM
2.	SECURITY STATE BANK AUBURN KS	DIRECTOR	PEGGY
3.			
4.			
5.			



G. **RECEIPT OF FEES AND COMMISSIONS:** List each client or customer who pays fees or commission to a business or combination of businesses from which fees or commissions you or your spouse received an aggregate of \$2,000 or more in the preceding calendar year. *The phrase "client or customer" relates only to businesses or combination of businesses.* In the case of partnership, it is the partner's proportionate share of the business, and hence of the fee which is significant, without regard to expenses of the partnership. An individual who receives a salary as opposed to portions of fees or commissions is generally not required to report under this provision. Please insert additional page if necessary to complete this section.  
 If you have nothing to report in Section "G", check here  X .

	NAME OF CLIENT / CUSTOMER	ADDRESS	RECEIVED BY
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			

H. **DECLARATION:**

I, WM. F. CATON, declare that this statement of substantial interests (including any accompanying pages and statements) has been examined by me and to the best of my knowledge and belief is a true, correct and complete statement of all of my substantial interests and other matters required by law. I understand that the intentional failure to file this statement as required by law or intentionally filing a false statement is a class B misdemeanor.

4/11/94  
 Date

  
 Signature of Person Making Statement

NUMBER OF ADDITIONAL PAGES \_\_\_\_\_.

Return your completed statement to the Secretary of State, State House, Topeka, Kansas 66612.

C. **OWNERSHIP INTERESTS:** List any corporation, partnership, proprietorship, trust, joint vent and every other business interest, including land used for income in, which either you your spouse has owned within the preceding 12 months a legal or equitable interest exceed \$5,000 or 5%, whichever is less. If you or your spouse own more than 5% of a business, must disclose the percentage held. Please insert additional page if necessary to compl this section.  
 If you have nothing to report in Section "C", check here \_\_\_\_.

BUSINESS NAME AND ADDRESS	TYPE OF BUSINESS	DESCRIPTION OF INTERESTS HELD	HELD BY WHOM	PERCENT OF OWNERSHIP INTERESTS
1. SECURITY STATE BANK AUBURN KS 66402	BANK	STOCKHOLDER	<input type="checkbox"/> You <input type="checkbox"/> Spouse <input checked="" type="checkbox"/> Jointly	<input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> 25
2.			<input type="checkbox"/> You <input type="checkbox"/> Spouse <input type="checkbox"/> Jointly	<input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> _____
3.			<input type="checkbox"/> You <input type="checkbox"/> Spouse <input type="checkbox"/> Jointly	<input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> _____
4.			<input type="checkbox"/> You <input type="checkbox"/> Spouse <input type="checkbox"/> Jointly	<input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> _____
5.			<input type="checkbox"/> You <input type="checkbox"/> Spouse <input type="checkbox"/> Jointly	<input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> _____
6.			<input type="checkbox"/> You <input type="checkbox"/> Spouse <input type="checkbox"/> Jointly	<input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> _____
7.			<input type="checkbox"/> You <input type="checkbox"/> Spouse <input type="checkbox"/> Jointly	<input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> _____

D. **GIFTS OR HONORARIA:** List any person or business from whom you or your spouse eit individually or collectively, have received gifts or honoraria having an aggregate value \$500 or more in the preceding 12 months.  
 If you have nothing to report in Section "D", check here X.

NAME OF PERSON OR BUSINESS FROM WHOM GIFT RECEIVED	ADDRESS	RECEIVED BY:
1.		
2.		
3.		

## MEMORANDUM

TO: The Honorable Dick Bond, Chairman  
Senate Financial Institutions and Insurance Committee

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

DATE: January 31, 1995

RE: S.B. 52

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Mr. Chairman, Members of the Committee: My name is Bill Sneed and I am Legislative Counsel for the Health Insurance Association of America ("HIAA"). The HIAA is a health insurance trade association consisting of over 300 insurance companies that write over 80% of the health insurance in the United States today. Please accept this memorandum as our testimony in regard to S.B. 52. S.B. 52 would amend K.S.A. 40-2122. This statute defines the criteria that an individual must meet in order to procure insurance through the Kansas Health Insurance Association. The Kansas Health Insurance Association is generally referred to as the uninsurable pool. This is a statutory mechanism where individuals who cannot procure health insurance from the standard markets are able to obtain such coverage through this pool.

The amendment would require that all insurance companies who are members of the pool must notify individuals who have been denied health insurance coverage, for whatever reason, of the availability of coverage through the Kansas Health Insurance Association.

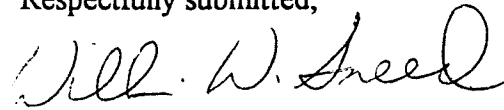
Please be advised that my client supports this measure, and in many instances, members of our Association are already providing this notification. We would, however, note that

*Senate 7/41  
1/31/95  
Attachment #2*

when working the bill the Committee may wish to consider that such notification be in writing in order to avoid any future disputes.

Again, on behalf of my client, we do support S.B. 52, and respectfully request your favorable consideration.

Respectfully submitted,



William W. Sneed

TESTIMONY FOR THE INSURANCE AND FINANCIAL  
INSTITUTIONS COMMITTEE - SENATE BILL 52

Senator Richard Bond, Chairman

My name is John Holmgren and I come before you today as a board member representative of the Kansas Health Insurance Association, established in 1992 under state statute to assist those with pre-existing medical conditions to obtain health insurance where denied such insurance because of having pre-existing conditions. I am an advocacy member of the board, a consumer member. There is one other consumer member and 10 insurance industry persons also on the board representing major insurers. The board, I feel, has done an excellent job for Kansans anxious about their insurance, and having pre-existing condition problems.

Before my retirement recently, I was an administrator of several health care organizations, including hospitals. I have noted for a number of years the desperate need for many pre-existing condition people to have the kind of affordable insurance now being made available in Kansas under this new law. It is to your credit that this law went into effect in 1992. Since that time, over 582 subscribers have been signed up and the number grows slowly each month as the publicity on the program takes effect.

Senate bill 52 will help a great deal to inform people in Kansas needing this kind of help. Maureen Coveney, a representative from LaHood and Associates, the administering carrier in Overland Park, is here today with passout material describing the coverage and optional programs available under this alternative form of insurance.

My understanding is that today, a number of insurance companies in Kansas do refer persons to LaHood where there are pre-existing conditions that they may have difficulty in covering, and where the company does not have the right coverage at the right cost for those people. But Senate bill 52 will make it more important and a reminder for all those who come in contact with people looking for coverage and having pre-existing condition

difficulty in doing so, to inform them of the Kansas Health Insurance Association program, and the 800 number that puts them in contact with LaHood. Also, one argument raised by insurance agents with our board is that we would have received more subscriber signers if the commission of \$50 was raised. However, the board feels that the commission is adequate as it is a referral fee only, and the agent has no administrative responsibility for service to the client, once the referral to LaHood is made.

The Board has become involved in increasing the statewide publicity on the program and this should help to make the two contract options, one low cost and one higher cost, more known and useful. Another approach to increase the salability of the program is a revision to the annual maximum benefit from \$50,000 the first year to \$75,000 the second year, with a \$500,000 lifetime maximum benefit.

This major change, we feel, will help sell the package in the future, along with other monitoring and revisions very carefully processed during meetings of the board, with actuarial considerations, legal review, and general administrative interest.

In conclusion, and in summary, Senate Bill 52 is an excellent enhancement of the Kansas Health Insurance Association Plan and we urge its passage.

Thank your for this opportunity to appear before you in support of Senate Bill 52.

John Holmgren

Member, Kansas Health Insurance Association Board

January 31, 1995

**BRAD SMOOT**  
ATTORNEY AT LAW

EIGHTH & JACKSON STREET  
MERCANTILE BANK BUILDING  
SUITE 808  
TOPEKA, KANSAS 66612  
(913) 233-0016  
(913) 234-3687 FAX

10200 STATE LINE ROAD  
SUITE 230  
LEAWOOD, KANSAS 66206  
(913) 649-6836

STATEMENT OF BRAD SMOOT, LEGISLATIVE COUNSEL  
BLUE CROSS BLUE SHIELD OF KANSAS  
SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE  
REGARDING 1995 SENATE BILL 52  
JANUARY 31, 1995

I am Brad Smoot, Legislative Counsel for Blue Cross and Blue Shield of Kansas, a not-for-profit domestic mutual insurance company serving thousands of Kansans. Thank you for this opportunity to speak in support of 1995 Senate Bill 52.

This bill would require all insurance carriers to notify persons who are denied coverage about their rights to apply for insurance with the Kansas Health Insurance Association. The Association, created under authority of HB 2511, guarantees affordable coverage for individuals who have been unable to find health insurance through ordinary channels. The Association is a necessary piece of an insurance fabric designed to encourage insurance availability without mandating employer or individual coverage.

The notice provision required by SB 52 will help educate the public about the availability of individual insurance coverage. Blue Cross Blue Shield of Kansas currently advises persons denied non group coverage of their opportunities with the Association.

Thank you for this opportunity to comment on the above legislation and I would be pleased to respond to questions.

*Senate 7141  
1/31/95  
Attachment # 4*



P.O. Box 5264  
Topeka, KS 66605

January 12, 1995

Dear

Thank you for returning your Health Profile form. Any health conditions indicated by you on the Health Profile form were used to access Blue Cross and Blue Shield of Kansas' ability to offer you one of the First Choice options.

In view of the medical conditions that you provided on your Health Profile form we are unable to offer you one of the First Choice options. However, our Hospital Indemnity coverage is available to you. I'm enclosing information on the Hospital Indemnity Plan. This plan pays a cash benefit directly to you for medically necessary hospital admissions. Please refer to enclosed Hospital Indemnity brochure and the premiums sheets applicable to you.

Enrollment is simple. To enroll in the Hospital Indemnity Plan, simply sign and return the enclosed Enrollment Form. Your Hospital Indemnity Plan will become effective the first of the month following receipt of your form in our office.

You may qualify for coverage through the Kansas Health Insurance Association. The purpose of this Association is to provide insurance for Kansas residents who are unable to obtain coverage for existing medical conditions. Should you want more information regarding the Kansas Health Insurance Association's Plan, please contact LaHood and Associates, Inc., at 1-800-255-6065.

If you have further questions, please feel free to contact my office. I can be reached at 1-800-874-1823 or locally call 291-8881. Our office hours are 8-4:30 Monday through Friday.

Sincerely,

Barbara Hunter-Ward  
Small Business Specialist



Mr. Chairman and members of the committee,

I am David Ross representing the Kansas Association of Life Underwriters.  
I want to thank you for the opportunity to appear before you today in support of SB87.

SB 87 is an attempt to bridge a gap that has developed between the insurer and the provider relative to "reasonable and customary charges" that are to be paid for medical procedures. The patient in most cases enters into two contracts prior to receiving medical attention. First, they have a contract with the medical provider to pay for medical services received. Secondly, the patient has a contract with an insurer that agrees to pay for "reasonable and customary charges" incurred for medical services the patient receives from the provider. This is not a perfect world and frequently the provider submits a bill for services that is greater than the insurer believes to be "reasonable and customary" for similar procedures they are accustomed to pay for or that the insurers statistical data for similar procedures performed in the same area does not support a payment for a greater amount so they refuse to pay more. Sometimes, the insurer and the provider reach an agreement. When they do not reach an agreement, the provider hires a collection agency or a lawyer to collect the money that has not been paid for a fee that is generally 50% of the remaining balance. The provider loses in this situation. The insurer tells the patient that the data they have developed does not justify a greater payment and gives the patient their best wishes. The patient vows to look for coverage elsewhere and complains to the insurance department. The insurer loses in this situation. The patient doesn't have a computer bank of medical statistics or professional experts to defend the insurers decision so the patient is stuck with the bill.

SB 87 requires the insurer to define a method for resolution of disputes for policy benefits that exceed the amount that has been determined to be "reasonable and customary" or standards of similar import and for benefit payments determined from statistical valid samples. I would like to suggest an amendment to strengthen the language as follows:

Any policy containing such a provision shall include a claim appeal procedure whereby any claim for benefits which exceed the amount of benefits determined payable by the policy shall be reviewed by the insurer at the request of the policyholder. The claim appeal procedure utilized by the insurer shall include providing the policyholder a detailed explanation of the determination of the usual, customary, and reasonable charge or standard of similar import applicable to the specific claim being appealed.

Senate 7/41  
1/31/95  
Attachment 5