

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 February 1, 1995 in Room 529-S of the Capitol.

Members present were: 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: Kathleen Sebelius, Kansas Commissioner of Insurance
Tom Wilder, Kansas Department of Insurance
Richard Huncker, Kansas Department of Insurance
William Sneed, American Investors Life Insurance Company
Sharon Huffman, Kansas Commission on Disability Concerns
Judy Kinard, Mental Health Coalition
Lonny Lindquist, Kansas Mental Health Awareness Council
Keith Hawkins, Pyramid Life Insurance Company

Others attending: See attached list

Senator Steffes made a motion, seconded by Senator Clark, to approve the minutes of the meeting of January 31 as submitted. The motion carried.

The chairman opened the hearing on SB 125, relating to the investment by insurance companies in money market mutual funds which invest in repurchase agreements. Tom Wilder, Kansas Department of Insurance, clarified for the committee that a repurchase agreement is a short term contract where one party sells, for instance, a 90 day bill, and agrees to repurchase it within an agreed upon period of time. Mr. Wilder urged passage of the legislation. (Attachment #1)

William Sneed, American Investors Life Insurance Company, also appeared as a proponent of SB 125 (Attachment #2) There being no questions and no further conferees, the hearing was closed.

Senator Petty moved to pass SB 125 favorably and to place it on the Consent Calendar. The motion was seconded by Senator Lawrence. The motion carried.

The hearing on SB 126, expanding health insurance coverage for late enrollees, was opened. Insurance Commissioner Kathleen Sebelius appeared in support of the bill. (Attachment #3)

Richard Huncker, Kansas Department of Insurance, explained the intent of this legislation and urged its passage. Senator Bond questioned an explanation of Section 1(b) and Section 2. Senator Praeger noted that Section 2 would appear to allow abuse of the system and questioned what impact this would likely have on insurance premiums.

William Sneed, American Investors Life Insurance Company, testified in opposition to Section 2 and requested that this section be stricken from the bill as it could be damaging to other group members. (Attachment #4) There were no further questions and no other conferees; the hearing on SB 126 was closed.

The chairman opened the hearing on SB 133, which would revise the definition of pre-existing conditions for individuals. Ms. Sebelius also testified as a proponent of this legislation (Attachment #3-2). Ms. Sebelius stated that the bill focuses on providing individuals the same time limitations on pre-existing conditions that the 1994 legislature enacted for small employer group policies and also furnished a summary of Kansas statistics on several insurance issues and a recap of the history of the small employer group legislation. Senator Bond observed that only the states of Kansas and Washington have waiting periods as low as 90 days on group policies and that other states have, as a rule, a waiting period of one year for individual policies.

Mr. Huncker of the Insurance Department, also appeared to explain the technical components of this bill. (Attachment #5)

Sharon Huffman, Kansas Commission on Disability Concerns, appeared as a proponent of this bill. (Attachment #6)

CONTINUATION SHEET

MINUTES OF THE Senate Committee on Financial Institutions & Insurance, Room 529-S Statehouse, on February 1, 1995.

Judy Kinard, Kansas Mental Health Coalition, appeared in support of **SB 133**, stating that persons with severe and persistent mental illness are prominent among those who are denied coverage or must wait for it. (Attachment #7)

Lonny Lindquist, Kansas Mental Health Awareness Council, asked the committee to favorably consider this bill.

Keith Hawkins, Pyramid Life Insurance Company, appeared as an opponent of this legislation, stating that, in the long run, this bill would have a negative effect on health insurance premiums as it would allow persons to wait until they are aware of a problem before purchasing insurance. (Attachment #8) In response to Senator Bond's question, Mr. Hawkins stated that it is projected that the industry would see an immediate increase of 10% in premiums and the full ramifications cannot be predicted.

Due to time constraints, the hearing on **SB 133** was continued.

The committee adjourned at 10:00 a.m. The next meeting is scheduled for February 2, 1995.

SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: 2/1/95

NAME	REPRESENTING
Keith Hawkins	Pyramid Life
Bill Sneed	Am Ind Life / NEAA
DAVID A. ROSS	Ks. Disnt. LIFE UNDERWRITERS
KEVIN DAVIS	Am Family Ins Group
Cheryl Allard	HealthNet
John Federico	Pete McBill + Assoc
Anne Kimmel	AARP
Judy Kinard	Ks Mental Health Coal.
Sharon Beyard	XRS
Louvy Lindquist	Ks. M.I. AWARENESS COUNCIL
Mike Montano	Alan Cobb
Esther M. Fitzgerald	KMIAC
Loni Callahan	Kammco
Ride Henker	↑ Ks Insurance Dept ↓
Kathleen Selselias	
Tom Wilder	
Daved Hanson	Ks Life Insur. Assoc
John Petersen	Kuize Penwalt

Kansas Insurance Department

Kathleen Sebelius, Commissioner

420 SW 9th

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

TO: Senate Committee on Financial Institutions and Insurance

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

RE: SB 125 (Investment in Money Market Mutual Funds)

DATE: February 2, 1995

Under current law, an insurance company may invest in money market mutual funds. The statutes limit the investment by an insurance company in money market mutual funds to 25% of the total assets of the company unless the money market fund has the following types of investments in its portfolio: (a) municipal, state or federal bonds or notes; (b) Canadian municipal, provincial or governmental obligations; (c) certain foreign government obligations; or (d) corporate securities or notes.

In addition, insurers are permitted to invest their funds in repurchase agreements. A repurchase agreement is a short term investment contract where an entity such as a bank agrees to sell an asset (typically securities, bonds or notes) and to also repurchase that asset at the expiration of the agreement. The types of repurchase agreements which insurance companies can invest in must be secured by either government or corporate obligations.

The purpose of SB 125 is to allow insurance companies to invest in money market mutual funds which in turn invest in repurchase agreements. Since insurers can directly invest in repurchase agreements, it is logical to allow them to place their moneys in money market mutual funds which invest in repurchase agreements.

*Senate 7141
2/1/95
Attachment #1*

MEMORANDUM

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

FROM: William W. Sneed, Legislative Counsel
American Investors Life Insurance Company

DATE: February 1, 1995

RE: S.B. 125

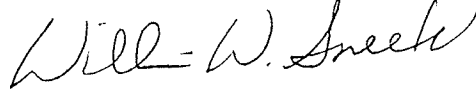
Mr. Chairman, Members of the Committee: My name is Bill Sneed and I represent American Investors Life Insurance Company. American Investors is a wholly-owned subsidiary of AmVestors Financial Corporation. American Investors is an insurance company predominantly active in the annuity business and is a domestic insurer within the State of Kansas.

S.B. 125 would be an amendment to K.S.A. 40-2b24, which is a part of the investment code for life insurance companies. The amendment as proposed by the Kansas Insurance Department would allow the investment in money market mutual funds not being subject to the limitations found in K.S.A. 40-2b21. Simply, this amendment would allow life insurance companies to invest in money market mutual funds that invest the funds in repurchase agreements. Such an investment would be authorized so long as the money market mutual fund met the definition of "qualified investment" as set out in other portions of the investment code. This proposed amendment would clarify the current statute on such investments and would maintain with insurance companies the ability to invest funds in an area that has generally been accepted for insurance company investments. Finally, such investments would still have to meet the investment code criteria, and such, the Insurance Department would still retain oversight of the totality of the investments.

*Senate 7/4/1
2/1/95
Attachment #2*

Thus, on behalf of my client, we support S.B. 125 and respectfully request your favorable consideration.

Respectfully submitted,



William W. Sneed

Kansas Insurance Department

Kathleen Sebelius, Commissioner

420 SW 9th

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

TO: Senate Committee on Financial Institutions and Insurance

FROM: Insurance Commissioner Kathleen Sebelius

DATE: February 1, 1995

RE: Senate Bills 126 and 133

Senate Bills 126 and 133 are designed to provide reforms in the individual and group health care market, which are similar to those enacted by the Kansas Legislature in 1994 for the small group market.

Most of the incremental reform legislation in Kansas has focused on the group market. While we have a plan for uninsureds in Kansas, too many citizens end up in this category because they don't have access to insurance to cover their most serious health needs.

There is no doubt, in the absence of universal coverage, little can be done about cost shifting and some adverse self-selection. Kansas has focused on incremental reform, portability and elimination of waiting periods for pre-existing conditions, which are key elements of widely supported insurance reform. New SB 126 would enable late enrollees to purchase group insurance policies. This reform is identical to the 1994 legislature for the small employer market.

SB 133 is focused on providing for individuals the same time limitations on pre-existing conditions that the 1994 Legislature extended to group and small employer insurance policies.

*Senate 7141
2/1/95
Attachment # 3*

Testimony on SB 126 & SB 133
February 1, 1995
Page Two

The bottom line is that someone is currently covering these costs, and it is not the individual purchasing a health plan with limitations. Either illness is unchecked, causing more severe future occurrences, or the individual seeks treatment without coverage. Too often the health care provider or hospital are left bearing the brunt of unreimbursed expense.

The Kansas reforms, to date, have not focused on the individual insurance market. If our goals are universal coverage, then addressing the private market barriers which prevent individuals from purchasing health insurance are essential. These two measures, which make insurance coverage more portable and restrict the exclusions for pre-existing conditions, are the next logical step in incremental health insurance reforms.

I urge the Committee to favorably consider passage of SB 126 and SB 133.

STATE NAME: KANSAS	
ENACTED STATE PLAN FOR UNIVERSAL COVERAGE	---
REGULATION OF SMALL GROUP INSURANCE	Guaranteed renewal: once a company is covered, an insurer must renew its coverage and may not cancel coverage because of insurance claims or changes in health status. Portability: a person moving between plans (as a result of change in employment, for instance) does not have to fulfill a new waiting period before being covered for pre-existing conditions. Rating bands: limit the difference between the lowest and the highest premium rates charged to different groups of employers with different risk characteristics such as medical conditions, claims experience and duration of coverage. Insurers are free to set different rates for different "case characteristics" such as age, gender, industry and location. Guaranteed Issue: a condition of doing business in the state, insurers must make coverage available to any group that applies regardless of the health conditions of their employees.
COVERAGE FOR TARGETED POPULATIONS	State-funded indigent care program: for persons whose income and assets are below Medicaid eligibility levels but who do not meet "categorical" eligibility standards, which generally restrict Medicaid eligibility to the aged, blind and disabled and families with dependent children. Children's health insurance programs. Kansas Healthy Kids Program and Caring Program.
TAX INCENTIVES	Offers tax credits or other incentives: to encourage individuals, employers or insurers to provide or purchase coverage.
HEALTH INSURANCE RISK POOLS	Offers special programs for the "uninsurable" population: a comprehensive insurance policy for those who are unable to obtain health insurance at a standard rate due to pre-existing or chronic medical conditions such as cancer.
WAIVERS OF INSURANCE MANDATES	Mandate study: commission created to evaluate state laws mandating insurers to provide particular kinds of coverage such as mental health benefits or chiropractic services. Offers basic plans for small businesses: basic, low-option ("no frills") policies that are more affordable because they are stripped of some or all of the more costly state benefit and provider mandates. Commission determines which mandates are waived.
ACCESS COMMISSIONS, TASK FORCES, STUDIES	Monthly reports through June 1994. Kansas Commission on the Future of Health Care, Inc.; established 1992.
GROWTH LIMITS ON FACILITIES	---
IMPROVED PROVIDER AVAILABILITY	Scholarship and/or Loan Forgiveness/Replacement Program: ¹ financial assistance to medical students for tuition, loans or debts in return for practicing for a specified period of time in underserved areas or in specialties where there is a shortage of doctors. EACH/RPCH (Essential Access Community Hospital/Rural Primary Care Hospital) demonstrations: ² a joint federal-state effort to assure the availability of primary, emergency and limited acute inpatient care services in rural areas where it is no longer feasible to maintain full-service hospitals.
MEDICAID	Expanded eligibility for women and children: liberalized Medicaid income eligibility guidelines. ³ Offers 25 optional services: ⁴ services not required by federal law but offered in the state. Demonstration project for Medicaid managed care program: ⁵ typically limits Medicaid recipients freedom of choice among providers by requiring that all Medicaid recipients' health care be coordinated and approved by a primary care "gatekeeper" physician.
MEDICAID DIRECTOR	Ms. Joyce Sugrue (913) 296-3981

A COMPARISON OF BASIC PROVISIONS

	S.B. 566	S.B. 612	H.B. 3076
Coverage	Individuals who are uninsurable	Groups; small employer groups of 3 to 50	On and after January 1, 1998, no individual or group may be denied insurance coverage under any sickness and accident insurance providing hospital, medical, or surgical expense benefits based on one or more pre-existing medical conditions or any other exclusionary clause
Waiting Periods/ Pre-existing Conditions	On and after May 1, 1994, the waiting period may not exceed 90 days	90 days for groups and small employer groups	90 days for individual uninsurable plan; individual policies; group policies; small employer health care plan; "mail order" policies; small employer health benefit plan (2610 groups)
Portability		Waiting periods for coverage are waived for movement from an individual policy, from one group to another, from an ERISA plan, from a multiple employer welfare association, and from a municipal funded pool. Portability exists for 31 days from the date of termination of coverage under one type to the beginning of another.	For individual policies, the waiting period is waived to the extent any pre-existing condition limitation was satisfied under a previous policy; also waiting periods for coverage are waived for movement from an individual policy, from one group to another, from an ERISA plan, from a multiple employer welfare association, and from a municipal funded pool. Portability exists for 31 days from the date of termination of coverage under one type to the beginning of another.
Rating		Small employer group policies (3 to 50 employees) are subject to rate compression.	Upon the effective date of the act, the whole state would be considered one community for the purposes of community rating which would apply to individual and group policies and would be phased in by December 31, 1997.
ERISA		Portability from such groups	Subject to the state obtaining a waiver of the ERISA preemption, an employer currently providing health coverage must continue to provide such coverage (unless financially distressed). The mandate lasts until January 1, 1998.

**A Comparison of Basic Provisions
H.B. 2633**

3-5

Points of Disagreement	Senate Position	House Position	Conference Committee
Pre-existing Conditions	1 year for groups and small employer groups (can be waived for time served in another type of coverage)	90 days for individuals, groups (can be waived for time served)	House Position
Stop Loss Provision	No Recommendation	Required for small employer groups 3 to 50	Senate Position
Mental Health Amendment	No Recommendation	Covers illnesses of the brain for small employer groups	Senate Position
Medicaid Portability	No Recommendation	Waiting period waived for persons moving from Medicaid to other plan	Senate Position
Community Rating	Rate compression for small employer groups of 3 to 50	Phased in by end of 1997. Insurance Commissioner determines factors to be included in determining the rate.	Senate Position
Mandated Payment for Services to Certain Providers	No Recommendation	Insurers <i>et al</i> may not evade, circumvent, or elude compliance with mandate to pay providers.	Senate Position
Health Care Reform Committee	S.B. 816 creates Legislative Oversight Committee appointed by LCC. Advisory services from major agencies. Subcommittees of persons involved in reform.	S.B. 816 was on General Orders but was not debated. (H.B. 3075 was heard in House Public Health and Welfare but not acted upon.)	Senate position as amended by House Public Health and Welfare
Joint Committee on Health Care Decisions.	Statutes Repealed	Retain	Senate Position

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: February 1, 1995

RE: S.B. 126

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. 126. S.B. 126 is an amendment to the group sickness and accident insurance laws within the State of Kansas. The proposed amendment would expand the ability of an insured to gain access to group insurance from outside of that individual's enrollment period.

Certainly, we recognize that this is a public policy decision that the legislature must make. We recognize that on balance you must look at the types of criteria an individual must meet in order to gain access to health insurance. However, we believe it is equally important that the legislature recognize that on the other side of the equation is the issue that some "gatekeeping" mechanism is necessary in all forms of insurance to protect the total insured population from adverse selection. Any time you lessen the requirements for access, those gatekeeping provisions become less effective and more susceptible to adverse selection.

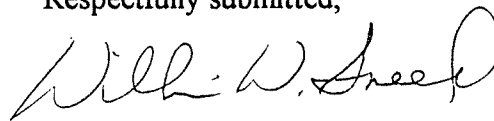
*Senate 4/41
2/1/95
attachment #4*

Certainly, several of the items listed in the amendment are being proposed because of an action not within the control of the insurer. However, on page two, lines three through five, it appears that the amendment would allow an individual to switch coverages if such coverages were provided in a "cafeteria" arrangement.

A cafeteria plan is generally recognized as an insured looking at several options and composing an insurance program best suited for his or her needs. By allowing an individual to move freely through the cafeteria plans and not during the time of enrollment, an individual could procure a high deductible, bare-bones policy and, prior to a known event, switch over to a low dollar deductible, high benefit package in order to cover a specific (and anticipated) event. Thus, if the Committee does move forward with this bill, we would respectfully request that this particular provision of the amendment be stricken.

As we have stated, we recognize that it is a public policy decision on the access criteria used in insurance programs. We certainly realize that that must be balanced in the totality of any program. However, we must urge the Committee to move cautiously when loosening access criteria, and in particular, we strongly urge that new subsection (2) be stricken from the amendment.

Respectfully submitted,



William W. Sneed

LEGISLATIVE TESTIMONY

ON BEHALF OF SENATE BILL NO. 133

PRESENTED BY

RICHARD G. HUNCKER

ACCIDENT AND HEALTH SUPERVISOR

KANSAS INSURANCE DEPARTMENT

A PRE-EXISTING CONDITION IS A SICKNESS THAT STARTED OR
AN INJURY THAT OCCURRED BEFORE THE POLICY OR CERTIFICATE OF
INSURANCE WAS ISSUED. PRESENTLY THERE ARE PROVISIONS IN MOST
HEALTH INSURANCE POLICIES WHICH EXCLUDE LOSSES RESULTING FROM

*Senate 7/41
2/1/95
Attachment # 5*

EXISTING CONDITIONS UNTIL THE POLICY OR CERTIFICATE HAS BEEN IN FORCE FOR A SPECIFIED PERIOD OF TIME. GENERALLY, THIS TIME PERIOD IS TWO YEARS FOR INDIVIDUAL HEALTH INSURANCE AND 90 DAYS FOR GROUP HEALTH INSURANCE.

THE INTENT OF SENATE BILL NO. 133 IS TWOFOLD. FIRST, THE BILL INCORPORATES INTO KANSAS INSURANCE LAWS A DEFINITION OF PRE-EXISTING CONDITION WHICH IS THE SAME FOR BOTH SMALL EMPLOYER SPONSORED HEALTH PLANS AND OTHER GROUP TYPE PROGRAMS PROVIDING HOSPITAL, MEDICAL OR SURGICAL EXPENSE COVERAGE. SUCH REVISION WOULD ALLOW A COMPANY TO IMPOSE A WAITING PERIOD NOT TO EXCEED 90 DAYS FOR CONDITIONS, INCLUDING RELATED CONDITIONS FOR WHICH DIAGNOSIS, TREATMENT OR ADVICE WAS SOUGHT OR RECEIVED IN THE 90 DAYS PRIOR TO THE EFFECTIVE DATE OF COVERAGE. PRESENTLY, SMALL EMPLOYER SPONSORED HEALTH PLANS MAY DEFINE A PRE-EXISTING CONDITION AS A CONDITION WHICH

EX ED IN THE SIX MONTH PERIOD PRIOR TO THE EFFECTIVE DATE
OF COVERAGE.

THE SECOND OBJECTIVE OF THE BILL IS TO PROPOSE A
SIGNIFICANT INSURANCE REFORM DEALING WITH INDIVIDUAL POLICIES
WHICH PROVIDE HOSPITAL, MEDICAL, SURGICAL EXPENSE COVERAGE.
THIS REFORM MEASURE ALSO RELATES TO THE MANNER IN WHICH A
POLICY'S PRE-EXISTING CONDITION PROVISION IS DEFINED.

FOR THE MOST PART, VERY FEW HEALTH INSURANCE REFORMS
HAVE BEEN UNDERTAKEN IN KANSAS WITH RESPECT TO THE SALE AND
ISSUANCE OF INDIVIDUAL HEALTH INSURANCE COVERAGE. AT THIS
TIME, INSURERS OFFERING INDIVIDUAL, HOSPITAL, MEDICAL SURGICAL
EXPENSE POLICIES CAN DENY IF THEY WANT TO, CLAIM PAYMENTS UP
TO TWO YEARS FOR PRE-EXISTING CONDITIONS. IN ADDITION,
KANSAS INDIVIDUAL INSURANCE LAWS ALLOW AN INSURER TO GO

BA TO THE DATE OF BIRTH OF AN INDIVIDUAL TO DETERMINE TH.
EXISTENCE OF A PRE-EXISTING CONDITION. FOR EXAMPLE, A
REOCCURRENCE OF A MEDICAL PROBLEM OF AN INSURED AT AGE 30
WHICH ORIGINALLY OCCURRED AT AGE 4 MAY NOT BE COVERED UNTIL
THE INSURED'S POLICY HAD BEEN IN FORCE FOR 2 YEARS.

AS YOU ARE NO DOUBT AWARE, THE KANSAS LEGISLATURE HAS
BEEN VERY ACTIVE IN PASSING GROUP HEALTH INSURANCE REFORM
MEASURES THE LAST THREE OR FOUR YEARS. THE KANSAS INSURANCE
DEPARTMENT BELIEVES THAT THE NEXT STEP IN HEALTH INSURANCE
REFORM IS TO MAKE A SIGNIFICANT CHANGE IN THE KANSAS
INDIVIDUAL INSURANCE LAWS AS PROPOSED IN SENATE BILL NO. 133.

IN READING SENATE BILL NO. 133, YOU WILL NOTE THAT THE
PRE-EXISTING CONDITION LANGUAGE FOR INDIVIDUAL HOSPITAL,
MEDICAL AND SURGICAL EXPENSE COVERAGE IS ESSENTIALLY THE SAME

STORY LANGUAGE AS THAT SET FORTH FOR GROUP HEALTH POLICIES. INSTEAD OF THREE DIFFERENT STATUTORY DEFINITIONS APPLICABLE TO HOSPITAL, MEDICAL AND SURGICAL EXPENSE COVERAGE ISSUED IN KANSAS, SENATE BILL NO. 133 ATTEMPTS TO SIMPLIFY AND STANDARDIZE THE USE OF THE DEFINITION OF PRE-EXISTING CONDITIONS IN HEALTH INSURANCE POLICIES.

SENATE BILL NO. 133 IS NOT THE FIRST TIME THERE HAS BEEN LEGISLATIVE ACTIVITY INVOLVING THE DEFINITION OF PRE-EXISTING CONDITIONS.

BILLS ENACTED WHICH ADDRESS THIS ISSUE INCLUDE: 1991 HOUSE BILL NO. 2001. THIS BILL DEFINED THE PRE-EXISTING CONDITION WAITING PERIOD FOR SMALL AND LARGE EMPLOYER GROUPS TO BE 90 DAYS PRIOR TO THE EFFECTIVE DATE OF COVERAGE AND ALLOW A 1 YEAR WAITING PERIOD AFTER THE EFFECTIVE DATE OF COVERAGE.

1992 SENATE BILL NO. 561 REVISED THE DEFINITION OF A
PRE-EXISTING CONDITION APPLICABLE ONLY TO SMALL EMPLOYER
SPONSORED GROUP PLANS (3-25 EMPLOYEES) TO BE A CONDITION WHICH
EXISTED IN THE 6 MONTHS BEFORE THE EFFECTIVE DATE OF COVERAGE
AND TO ALLOW A 1 YEAR WAITING PERIOD AFTER THE EFFECTIVE
DATE OF COVERAGE.

1994 HOUSE BILL NO. 2633 RESTRICTED THE WAITING PERIOD
FOR PRE-EXISTING CONDITIONS FOR BOTH SMALL EMPLOYER SPONSORED
GROUPS (50 OR FEWER EMPLOYEES) AS WELL AS OTHER GROUP HEALTH
INSURANCE COVERAGES. THE WAITING PERIOD APPLICABLE FOR
PRE-EXISTING CONDITIONS IS LIMITED TO A 90 DAY PERIOD AFTER
THE EFFECTIVE DATE OF COVERAGE.

1994 SENATE BILL NO. 566 AMENDED THE DEFINITION OF A
PRE-EXISTING CONDITION FOR THE KANSAS UNINSURABLE HEALTH

IN ANCE PLAN. THE DEFINITION NOW READS 6 MONTHS PRIOR TO THE EFFECTIVE DATE OF COVERAGE AND 90 DAYS AFTER THE EFFECTIVE DATE OF COVERAGE. PRIOR TO MAY 1, 1994, THE WAITING PERIOD WAS ONE YEAR AFTER THE EFFECTIVE DATE OF COVERAGE.

IN THE TESTIMONY ON THIS BILL, YOU WILL PROBABLY HEAR THAT RATES WILL INCREASE FOR INDIVIDUAL ~~INSURANCE~~ HEALTH POLICIES AS A RESULT OF THE REDUCED PRE-EXISTING CONDITION WAITING PERIOD. ALSO, YOU MAY HEAR THAT COMPANIES WILL BE MORE SELECTIVE IN WHO THEY WILL INSURE. IN ADDITION, YOU WILL PROBABLY HEAR TESTIMONY THAT COMPANIES WILL HAVE A GREATER TENDENCY TO ATTACH RIDERS EXCLUDING OR ELIMINATING COVERAGE ATTRIBUTED TO EXISTING HEALTH PROBLEMS.

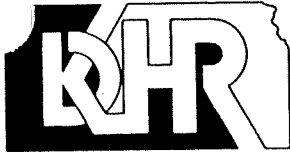
ALL OF THE ABOVE MAY BE TRUE. HOWEVER, A LEADING INSURER OF INDIVIDUAL HOSPITAL, MEDICAL SURGICAL EXPENSE

COVERAGE IN THIS STATE ISSUES TWO INDIVIDUAL PRODUCTS WHICH CONTAIN A PRE-EXISTING CONDITION PROVISION WHICH COULD BE CONSTRUED TO BE MORE FAVORABLE THAN THAT PERMITTED UNDER CURRENT KANSAS INSURANCE LAW. BLUE CROSS AND BLUE SHIELD OF KANSAS AFFORD-A-CARE POLICY REQUIRES CONTINUOUS COVERAGE FOR 240 DAYS BEFORE BENEFITS ARE AVAILABLE FOR FIVE SPECIFIED HEALTH CONDITIONS. OTHER HEALTH CONDITIONS, UNLESS EXCLUDED FROM COVERAGE, ARE PAYABLE ON AND AFTER THE EFFECTIVE DATE OF COVERAGE. ANOTHER INDIVIDUAL PRODUCT OFFERED BY BLUE CROSS AND BLUE SHIELD IS CALLED FIRST CHOICE. THIS POLICY ALSO HAS A SIMILAR WAITING PERIOD AS THE AFFORD-A-CARE POLICY BUT RIDERS ARE NOT ATTACHED TO EXCLUDE EXISTING HEALTH PROBLEMS. THE COMPANY DOES HOWEVER, CHARGE PREMIUM BASED ON AN INDIVIDUAL'S HEALTH HISTORY.

PLEASE KEEP IN MIND, WE HAVE NOT SEEN ANY MAJOR
DISRUPTIONS IN THE HEALTH INSURANCE MARKET PLACE AS A RESULT
OF THE HEALTH INSURANCE REFORMS ENACTED IN KANSAS. WE NOW
HAVE MORE SMALL GROUP HEALTH INSURANCE CARRIERS WRITING
COVERAGE THAN WE HAD BEFORE. WE HAVE MORE PEOPLE WITH
HEALTH PROBLEMS COVERED. WE HAVE NOT SEEN ANY OUTLANDISH
RATE ADJUSTMENTS AS A RESULT OF NEW REFORM MEASURES. WHAT WE
HAVE SEEN HOWEVER, IS A CHANGE IN THE MARKETING STRATEGY OF
INSURANCE COMPANIES IN THAT THEY ARE NOW INSURING RISKS THAT
THEY WOULD HAVE PREVIOUSLY DECLINED. SENATE BILL NO. 133
COMPLIMENTS THE HEALTH CARE REFORM PREVIOUSLY UNDERTAKEN IN
KANSAS. THEREFORE, WE HIGHLY RECOMMEND THE PASSAGE OF SENATE
BILL NO. 133.

RGH:crah

AH9



Kansas Department of Human Resources

Bill Graves, Governor
Wayne L. Franklin, Secretary

VOICE
(913) 296-1722
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FAX
(913) 296-1984

COMMISSION ON DISABILITY CONCERNS
1430 S.W. Topeka Boulevard
Topeka, Kansas 66612-1877

TOLL FREE
OUTSIDE TOPEKA
1-800-295-5232 (KCDC)
ADA INFORMATION
CENTER (BBS)
(913) 296-6529

Testimony Presented to
Senate Financial Institutions and Insurance Committee
February 1, 1995
SB 133

By Sharon Huffman
Legislative Liaison

Mr. Chair, members of the Committee, thank you for this opportunity to speak before you today in support of Senate Bill 133.

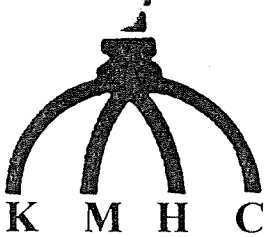
The Kansas Commission on Disability Concerns (KCDC) advocates for the rights of people with disabilities to be equal citizens and equal partners in Kansas society.

Obtaining health insurance is at times a difficult, if not impossible task for persons with disabilities. KCDC believes that SB 133 takes a big step towards making health insurance more accessible to individuals with pre-existing medical conditions, and therefore would like to express our support of the bill and urge this committee to pass the bill favorably.

It is our dream that this committee would take even greater strides in the future and move to eliminate all waiting periods for pre-existing conditions. Until such time, many individuals and families will continue to be forced into poverty because of the high cost of medical care.

Thank you very much for allowing me to speak today.

*Senate 7141
2/1/95
Attachment #6*



KANSAS MENTAL HEALTH COALITION

Stuart Frager, Ph.D., Chair
2700 W. 6th Street
Topeka, Kansas 66606

P. O. Box 675, Topeka, Kansas 66601-0675
Telephone: (913) 233-0755 Fax: (913) 233-4804

"Joining together in one voice on critical needs of persons with mental illness."

Public Testimony on SB 133

Judy Kinard - Kansas Mental Health Coalition

Senator Bond and Members, Senate Financial Institutions and Insurance Committee

The Kansas Mental Health Coalition is comprised of Consumers, Families, Advocates and Providers.

We support the proposed revision, allowing a company to impose a waiting period not to exceed 90 days.

People with severe and persistent mental illnesses are prominent among those who are either denied coverage or must wait for it. Lack of coverage impairs access to appropriate treatments which often results in moving out of the work force and toward dependence on the public system.

Please support SB 133. It is a significant step in the right direction.

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

OPPOSITION TO SENATE BILL NO. 133
By the Pyramid Life Insurance Company

Chairman Bond and Members of the Senate Financial Institutions and Insurance Committee,

I am Keith Hawkins, Vice President and General Counsel of Pyramid Life Insurance, a Kansas Company that sells only individual health insurance to self employed Kansans or those not covered through their employer. We strongly oppose Senate Bill No. 133 if it is intended to limit the pre-existing exclusion provision on individual health insurance policies. If this bill passes, we project a rate increase to consumers of at least 5 to 10%. We oppose any type of health care reform that increases medical care costs.

To fully understand the effect Senate Bill No. 133 would have, you need to consider the difference between individual major medical and small group, as well as between individual major medical and other individual health insurance products. Although individual major medical is fully underwritten, the pre-existing condition exclusion is still necessary to protect against anti-selection. Severely restricting this exclusion will have the effect of encouraging consumers to wait until they become ill to purchase coverage. The threat is even greater with limited benefit supplemental coverages that are not underwritten as fully in order to keep costs down. Anti-selection is not the same problem for group and small employer health benefit plans because they are better able to spread the risk. The point is, without the protection of the current exclusion, individual health insurance premiums will increase and those Kansas' consumers conscientious enough to purchase coverage before they become ill will bear the additional cost.

We encourage you not to confuse what is being proposed under Senate Bill No. 133 with "portability". We are already required to give credit for pre-existing periods satisfied in replacements of specified disease, Medicare supplement and long term care policies. We would not oppose a similar requirement for major medical.

*Senate File
2/1/95
Attachment #8*

I would also like to remind the Committee that the Legislature has created an insurance pool for those Kansans with known pre-existing conditions. The Kansas Health Insurance Association insures individuals who have been declined, rated-up or had coverage waived.

For those consumers who suspect they have a health condition but do not disclose it on the application, a shortened pre-existing exclusion would force the insurer to rescind all coverage instead of exclude coverage for the existing condition only.

We urge you to seriously consider the above-mentioned effects Senate Bill No. 133 will have on the individual self-employed and self-insured Kansan before voting for this bill. Thank you for your time and attention.

Respectfully submitted,



Keith Hawkins
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