

Approved: 3-24-95  
Date

MINUTES OF THE SENATE COMMITTEE ON PUBLIC HEALTH AND WELFARE.

The meeting was called to order by Chair Sandy Praeger at 10:00 a.m. on March 15, 1995 in Room 526-S of the Capitol.

All members were present except:

Committee staff present: Emalene Correll, Legislative Research Department  
Bill Wolff, Legislative Research Department  
Norman Furse, Revisor of Statutes  
Jo Ann Buntten, Committee Secretary

Conferees appearing before the committee:

Tom Hitchcock, Director, Kansas State Board of Pharmacy  
State Representative Susan Wagle, Kansas Speaker Pro Tem  
Bill Dowden, Golden Rule Insurance Company, Indianapolis  
Paul E. Fleener, Kansas Farm Bureau  
Robert D. Durst, Jr., M.D.

Others attending: See attached list

**Hearing on HB 2246 - State board of pharmacy ground for disciplinary actions, costs of proceedings**

Tom Hitchcock, Director, Kansas State Board of Pharmacy, appeared in support of **HB 2246** and briefed the Committee on the bill which amends several of the statutes in the Pharmacy Act and one statute that concerns the Board of Pharmacy as noted in his written testimony. (Attachment 1)

Staff called attention to technical changes needed in the bill: (1) subsections on page 2 and 3 that are referred to in K.S.A. sections in the Pharmacy Act which have an internal reference and need to reflect the new subsection designation; and (2) on page 4, line 22, the word "defendant" be changed to "person".

Senator Ramirez made a motion to adopt the amendments, seconded by Senator Langworthy. The motion carried.

Senator Langworthy made a motion the Committee recommend **HB 2246 as amended** favorably for passage, seconded by Senator Papay. The motion carried.

**Hearing on HB 2010 - Medical savings accounts authorized**

Representative Susan Wagle, sponsor of **HB 2010**, addressed the Committee in support of the bill and noted that the House and Senate passed a similar Medical Savings Account bill last year, but it was vetoed that legislative year by the governor. **HB 2010** creates the Medical Savings Account Act -- \$2,000 for each account holder or \$5,000 for account holder and dependents. Representative Wagle stated that passage of **HB 2010** would give all Kansans the same tax break on health care coverage now enjoyed by those whose employers provide such coverage, encourage market-driven solutions to the escalating cost of health care, restore the connection between rational individual choice and public purpose thus rewarding wellness and frugality instead of waste, and also provide total portability of the health care plan. (Attachment 2)

During Committee discussion the amended fiscal note of **HB 2010** was distributed to the Committee for review. (Attachment 3) In answer to a member's question, Representative Wagle noted that the plan is primarily for self-employed individuals. She pointed out that the Golden Rule Insurance Company in Indianapolis implemented the plan, and their employees who earn approximately \$12,000 to \$18,000 per year felt the plan was very successful. It was also noted that co-payments could be used if that type of plan were

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON PUBLIC HEALTH AND WELFARE, Room 526-S  
Statehouse, at 10:00 a.m. on March 15, 1995.

chosen. If an MSA is implemented, a high deductible plan would be used which moves away from an HMO that controls all of the costs.

Bill Dowden, Golden Rule Insurance Company, Indianapolis, briefed the Committee on the Medical Savings Plan implemented by his company as noted in the packet distributed to the Committee. (Attachment 4)

Paul Fleener, Kansas Farm Bureau, testified before the Committee in support of **HB 2010** as noted in his written testimony. (Attachment 5)

Robert D. Durst, Jr., M.D., outlined some of the advantages of the Medical Savings Plan as noted in his written testimony. (Attachment 6)

The Chair announced the hearing on **HB 2010** will continue on March 16, 1995.

The meeting was adjourned at 11:00 a.m.

The next meeting is scheduled for March 16, 1995.

SENATE PUBLIC HEALTH AND WELFARE COMMITTEE  
GUEST LIST

DATE: 3-15-95

NAME	REPRESENTING
Harold E. Ruff M	KADW
Stacey Empson	Acin, Albert & Weir
Carriann Richey	Golden Rule Insurance Co.
Michelle Peterson	Golden Rule Ins. Co.
WILLIAM A. DOWDEN	GOLDEN RULE INS. Co.
Paul E. Fleener	Kansas Farm Bureau
Joe Furjanic	Kansas Chiropractic Assoc
Tiffany McLaughlin	Baker University School of Nursing
Terry Leatherman	KCCP
LARRY MAGILL	KAIA
David Boss	K. ASSN. LIFE AND ACCIDENT
Druid Hanzlick	KS Dental Ass'n
W.W. Gross	Shawnee Mem Med CTR
KATHAR LANDIS	CHRISTIAN SCIENCE COMM ON PUBLICATION FOR KS
Bob Duestend	Physician -
Chop Wheelen	Ks Medical Soc.
Mary Sprink	D of A - Health Benefits
Susan Wuyke	House
David Hanson	Ks Life Insur Assoc

SENATE PUBLIC HEALTH AND WELFARE COMMITTEE  
GUEST LIST

DATE: 3-15-95

NAME	REPRESENTING
Ray Menendez	K's Dep't Ag cup
Tom Roberts	K SWA

# Kansas State Board of Pharmacy

LONDON STATE OFFICE BUILDING  
900 JACKSON AVENUE, ROOM 513  
TOPEKA, KANSAS 66612-1231  
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STATE OF KANSAS



BILL GRAVES  
GOVERNOR

TOM C. HITCHCOCK  
EXECUTIVE SECRETARY/DIRECTOR

DANA W. KILLINGER  
BOARD ATTORNEY

## HOUSE BILL 2246 SENATE PUBLIC HEALTH AND WELFARE WEDNESDAY, MARCH 15, 1995

MADAM CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS TOM HITCHCOCK AND I SERVE AS THE EXECUTIVE SECRETARY TO THE BOARD OF PHARMACY. I APPEAR BEFORE YOU TODAY ON BEHALF OF THE BOARD IN SUPPORT OF HB 2246 AS AMENDED BY THE HOUSE COMMITTEE AND THE HOUSE COMMITTEE OF THE WHOLE.

THE FIRST REQUESTED CHANGE CAN BE FOUND ON PAGE 2, LINE 14 THROUGH PAGE 3, LINE 2. SUBSECTION (b) IS VERY SIMILAR TO THAT WHICH IS CONTAINED IN K.S.A. 65-2836(i), OF THE HEALING ARTS ACT. THE BOARD ATTORNEY BELIEVES WE NEED A LIKE SECTION IN THE PHARMACY ACT. USUALLY A PROBLEM WITH A LICENSEE CAN BE RESOLVED BY REFERRAL TO THE IMPAIRED PHARMACIST PROGRAM (CIPP COMMITTEE) FOR EVALUATION. HOWEVER, WE OCCASIONALLY HAVE A LICENSEE THAT WILL REFUSE THE BOARD'S REFERRAL AND THIS CHANGE WOULD COMPEL SUCH EVALUATION.

THE SECOND CHANGE IS ON PAGE 4, LINE 10 THROUGH 12 WHICH WOULD ALLOW THE BOARD TO CONSIDER AN INDIVIDUAL'S NONPAYMENT OF ADMINISTRATIVE HEARING EXPENSES DURING REINSTATEMENT PROCEDURE OF A FORMER LICENSEE. THIS HAS HAPPENED TO THE BOARD WITH CONTINUATION OF HEARINGS OF AN INDIVIDUAL THAT REFUSES TO PAY FORMER HEARING COSTS. EVEN FOLLOWING THE CORRECT PROCEDURES IN FILING A CLAIM WITH THE KANSAS SET OFF PROGRAM AGAINST SUCH PERSON, THE BOARD DOES NOT ALWAYS SUCCEED IN THEIR COLLECTION.

THE THIRD REQUEST ON LINE 14 OF PAGE 4, MERELY CHANGES THE MONTH OF MAY TO JUNE. THIS IS REQUESTED BECAUSE THE BOARD DOES NOT MEET IN THE MONTH OF MAY.

WE RESPECTFULLY REQUEST THE FAVORABLE PASSAGE OUT OF COMMITTEE OF HB 2246 AS AMENDED. THANK YOU.

Senate Public Health and Welfare  
Date: 3-15-95  
Attachment No. /

State of Kansas  
House of Representatives



Susan Wagle  
Speaker Pro Tem

Testimony HB 2010

Mr. Chairman and Members of the Senate Public Health and Welfare Committee. Thank you for scheduling this hearing and granting us the opportunity to address health care reform in the framework of the successful implementation of Medical Savings Accounts.

Last year, this House and the Senate agreed that MSA legislation was a meaningful health care reform tool which would equalize the playing field, lower health care costs, empower individuals in decision making, and make health care more available to all Kansans. In the heat of the health care debate, with a single payer plan promoted by a legislatively established health care reform committee and with other bureaucratic solutions at our disposal, the legislature chose to pass MSA legislation--only to have it later vetoed by the Governor.

Now, after an election cycle and much study and analysis, the political experts and pollsters claim that the health care debate was the major issue which decided the recent election. It was the debate that fueled our change in Federal elected officials as well as, I believe, the large turnover here in the Kansas House. I think the message from the electorate is clear. People want less government and they want to make their own health care decisions.

I believe one solution to the high cost of health care and it's availability is the passage of legislation creating MSA's. First, such passage would give ALL Kansans the same tax break on health care coverage now enjoyed by those whose employers provide such coverage. Second, passage would encourage market-driven solutions to the escalating cost of health care. MSA legislation would restore the connection between rational individual choice and public purpose, rewarding wellness and frugality instead of waste. Third, MSA participants also enjoy total portability of their health care plan.

We have some experts here who have flown in to share with you their experience in utilizing Medical Savings Accounts in their businesses. They have brought with them invaluable testimony on the success of MSA's in other states. I feel that they can better answer any technical questions you may have, so I have kept my testimony short.

I have attached to this testimony an analysis of legislation that has been passed in other states that you will want to analyze in your free time.

Comparison of Enacted MSA Legislation			
STATE	ARIZONA	COLORADO	IDAHO
Bill Number	SB 1175 (1994)	HB 1058 (1994)	SB 1548 (1994)
Effective Date	December 31, 1994	January 1, 1995	Tax years beginning after 1993
Additions to Gross Income	Amount withdrawn by the taxpayer during the taxable year from an Individual MSA. §43-1021(17)	Any amount withdrawn from a MSA. §39-22-104(3)(f)	Amount withdrawn by taxpayer in tax year and interest earned in tax year of withdrawal. §63-3022(f).
Subtractions from Gross Income	(1) Amount of contributions made by employer, to extent that the contributions are included in federal adjusted gross income; (2) Amount deposited by taxpayer. §43-1022(2)	Any amount contributed to a MSA by an employer, to extent such amount is not claimed as a deduction on the taxpayer's federal tax return. §39-22-104(4)(h)	(1) Amount of contributions on behalf of taxpayer to extent accepted by account administrator; (2) Interest earned on MSA to the extent included in adjusted gross income. §63-3022(e).
Who May Establish	Residents may establish individual MSAs. §43-1028(A) Employers may contribute to employee's MSA. §43-1028(B)	Employer may offer to establish MSAs or employee may establish on his own behalf. §39-22-504.7(1)&(2)	MSAs must be established through an employer. §41-5302(10).
Maximum Yearly Deposit	For 1995, \$2,000 for account holder plus \$1,000 for each dependant, up to a maximum of 2. Adjusted in future years by change in GDP price deflator. §43-1028(C).	\$3,000. Future adjustments are not addressed. §39-22-504.7(2)(a)	\$3,000 for 1994. Adjusted in future years by change in urban hospital component of CPI. §41-5302(10)(b).
Non-Medical Withdrawals	May withdraw on last business day of calendar year without penalty. Considered Income. Withdrawals at any other time subject to 10% penalty. §43-1028(F).	May withdraw for any reason after the end of the year in which moneys were contributed. Subject to state income tax. §39-22-504.7(3)(b)(III)(B)	May withdraw on last business day of calendar year without penalty. Considered Income. Withdrawals at any other time subject to 10% penalty, and interest earned during year considered income. §41-5305(1) & (2).
Eligible Medical Expense Definition	Expenses paid by or on behalf of an account holder for medical care described in 213(d) of IR code. §43-1028(l)(2)	Any medical expenses that is deductible for purposes of §213(d) of the IR code. §39-22-504.6(2.4)	Expenses paid by taxpayer for medical care that is described in 213(d) of IR Code. §41-5302(5).
Upon Death of Account Holder	Principal and accumulated interest distributed to estate. §43-1028(H).	Principal and accumulated interest distributed to estate. §39-22-504.7(6)(d)	Principal and accumulated interest distributed to estate. §41-5305(4).

Comparison of Enacted MSA Legislation

STATE	ILLINOIS	MICHIGAN	MISSISSIPPI	MISSOURI
Bill Number	HB 1066* (1994)	HB 4878, SB 926 (1994)	HB 647 (1994)	HB 564 (1993)
Effective Date	Tax years beginning after 1993	Tax years beginning after 1993	January 1, 1994	July 1, 1993
Additions to Gross Income	Amount withdrawn from an MSA in taxable year and the interest earned thereon. §203(a)(2) (D-S)	Not addressed.	Amount withdrawn from MSA for purposes other than paying eligible medical expenses or procuring health coverage. §27-7-15(4)(r).	Not addressed.
Subtractions from Gross Income	Amount contributed to an MSA in the taxable year, and any interest earned thereon. §203(a)(2)(S)&(T)	A taxpayer may credit against his state income tax an amount equal to 3.3% of the amount contributed in the tax year to an MSA. SB 926 §1	Amount deposited in a MSA, and any interest accrued thereon. §27-7-15(4)(r).	MSA deposits not subject to taxation while in account. Amount spent on medical expenses and interest accrued thereon are totally exempt from taxation. §18.1(3).
Who May Establish	MSAs must be established through an employer. §5.	Employer may establish MSAs, or a resident individual may establish for himself and his dependents. HB 4878 §3(1)	Employer may establish MSAs, or a resident individual may establish for himself and his dependents. §2(h), 3. §3(1)	Must be established through an employer. §18.1(1)
Maximum Yearly Deposit	For 1994, \$6,000 for 2 taxpayers filing a joint return if both have MSAs, or \$3,000 in all other cases. Amount to be adjusted annually to reflect increases in the CPI. §5.	For 1994, \$3,000. Amount to be adjusted annually to reflect increases in the general price level. HB 4878 §2(k)(1)(B).	For 1994, higher deductible means between \$1250 and \$2250 for individual coverage, and between \$1750 and \$3500 for family coverage. Adjusted in future years by medical cost component of CPI. §2(f).	Not addressed.
Non-Medical Withdrawals	May withdraw on last day of business year without penalty. Considered income. Withdrawals at any other time subject to 10% penalty, and interest earned during year is income. §20(a) & (b)	May withdraw on last business day without penalty. Withdrawals at any other time subject to 10% penalty, & amount must be deducted from the amount used to calculate the credit. HB 4878 §5(1) & (2); SB 926 §1	Funds in excess of higher deductible may be withdrawn for non-medical expenses. Considered income. §5.	Director of Dept. of Insurance to establish by rule a balance which, if exceeded, may be withdrawn by account holder. §18.1(2)
Eligible Medical Expense Definition	Expenses paid by taxpayer for medical care that is described in §213(d) of IR Code. §5.	Expenses paid by taxpayer for medical care that is described in §213(d) of IR Code. HB 4878 §2(f).	Expenses paid by taxpayer for medical care that is described in §213(d) of IR Code. §2(e).	Bona fide medical and health care expenses to be defined by regulation. §18.2.
Upon Death of Account Holder	Principal and accumulated interest distributed to estate. §20(d).	Principal and accumulated interest distributed to estate. HB 4878 §5(4).	Principal and accumulated interest distributed to estate, unless a beneficiary has been designated. §4(3)	Not addressed.

\*Illinois HB 1066 has not been signed by the Governor.



STATE OF KANSAS



DIVISION OF THE BUDGET  
Room 152-E  
State Capitol Building  
Topeka, Kansas 66612-1504  
(913) 296-2436  
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Bill Graves  
Governor

Gloria M. Timmer  
Director

February 27, 1995

AMENDED

The Honorable William Bryant, Chairperson  
House Committee on Financial Institutions and Insurance  
Statehouse, Room 112-S  
Topeka, Kansas 66612

Dear Representative Bryant:

SUBJECT: Amended Fiscal Note for HB 2010 by Representatives  
Wagle, et al.

In accordance with KSA 75-3715a, the following amended fiscal  
note concerning HB 2010 is respectfully submitted to your  
committee.

HB 2010 creates the Medical Savings Account Act. These  
accounts could receive maximum contributions of \$2,000 for each  
account holder or \$5,000 for each account holder and dependents.  
Also, existing law is amended to allow for the deduction from  
federal adjusted gross income of principal contributions and  
interest payments on such accounts. Amounts contributed to such an  
account would be available for disbursement for medical  
expenditures. The maximum yearly contribution to the fund would be  
increased each year by a percentage equal to the national Consumer  
Price Index for the previous year.

If medical care expenses exceed the balance in an account,  
then withdrawals may also exceed the balance, if the holder agrees  
to repay the advance from future installments. Account balances  
may be withdrawn at any time for any purpose, but would be subject  
to a 10 percent penalty on contributions and interest if they are  
not used for eligible medical expenses. Withdrawn amounts would  
also be subject to state income tax in the year of the withdrawal.  
As introduced, the bill would be effective starting in tax year  
1995.

Senate Public Health & Welfare  
Date: 3-15-95  
Attachment No. 3

As amended, the bill would allow broker-dealers, agents, and investment advisors to act as account administrators. Also, amendments would clarify the bill to provide that long-term care expenses could be reimbursed by the account. Another clarification would provide that penalties and taxes on early withdrawals would be payable by the account administrator to the Department of Revenue. As amended, the bill would take effect in tax year 1996.

As introduced, the bill would have an indeterminate effect on State General Fund receipts contained in *The FY 1996 Governor's Budget Report*. Since the amended bill would not become effective until tax year 1996, it would have no impact on receipts until FY 1997.

The Department of Revenue states that no data exist to determine the number of taxpayers who would establish a medical savings account under provisions of the bill. However, the agency anticipates that the bill would reduce receipts to the State General Fund. The amount of that impact would depend on the number of people who participate. For discussion purposes, the following would apply to each 1.0 percent of Kansas taxpayers.

A family of four that deposits a maximum amount in the first year of the program would defer approximately \$200 in Kansas income tax. An individual who deposits the maximum amount of \$2,000 would defer approximately \$80. In tax year 1993, approximately 1.1 million Kansas residents filed individual income tax returns. These are split almost evenly between single and married persons filing jointly. Assuming the bill was in effect in that year, for each 1.0 percent of the taxpayers who had taken advantage of the program, the reduction in State General Fund revenues would have equalled \$1.5 million.

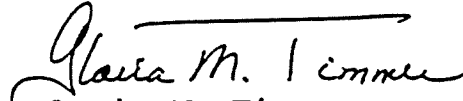
State General Fund receipt reductions could be partially offset if individuals who plan and make deposits to Medical Savings Accounts later decide to use these amounts for other purposes. It is impossible to estimate how many individuals would chose to spend these amounts for other purposes and pay the 10 percent penalty on contributions and interest for early withdrawal. If 10.0 percent of 1.0 percent of Kansas taxpayers contributed the full amount to a Medical Savings Account and later made the decision to pay the 10.0 percent penalty for early withdrawal, State General Fund receipts could total \$385,000. This estimate is for comparison purposes and is based on the same tax year 1993 assumptions used above.

The Department of Revenue also estimates that passage of the bill would place extra demands on both the Income and Inheritance Tax Bureau and the Taxpayer Assistance Bureau of the Department. Depending on what other legislation is passed during this session,

the Honorable William Bryant, Chairperson  
February 27, 1995  
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the agency anticipates that additional staffing would be required to maintain current services to Kansas taxpayers.

Sincerely,

  
Gloria M. Timmer  
Director of the Budget

cc: Lynn Robinson, Revenue

2010

# Options For Golden Rule Employees

## Traditional Plan *or* Medical Savings Plan

Employees may choose either,  
and may switch on each anniversary.

	INDIVIDUAL		FAMILY	
	Traditional Policy	Medical Savings Account Policy	Traditional Policy	Medical Savings Account Policy
Maximum deductible	\$500	\$2,000	\$500	\$3,000 <sup>3</sup>
+ Maximum copayment	+ \$1,000 <sup>2</sup>	+ -0-	+ \$1,000 <sup>2</sup>	+ -0-
- MSA deposit	- -0-	- \$1,000	- -0-	- \$2,000
Total out-of-pocket exposure	= \$1,500	= \$1,000	= \$1,500	= \$1,000

<sup>1</sup> The figures in this column are per family member up to a maximum of three people.

<sup>2</sup> 20% of the first \$5,000 of expenses above the deductible.

<sup>3</sup> Under the Medical Savings Account Plan, the major medical insurance has a family deductible of \$2,000 or \$3,000. All expenses for the family count.

# 1994 Results of Medical Savings Accounts Plan

- \$734,037 refunded to employees
- 90% of employees chose MSAs.
- Average refund was \$1,002 per employee.
- No rate increase for company or employees for second straight year.
- 98% of employees satisfied with their MSA (Luntz Research).
- Employees liked the MSAs because MSAs:
  - Help lower-income employees go to doctor
  - Pay for preventive care
  - Pay for eyeglasses and dental care
  - Encourage shopping for health care

# MSA Comparison for 1993 to 1994

	<u>1993</u>	<u>1994</u>
Refund to Employees	\$468,549	\$734,037
Average Refund/Employee	\$ 603	\$ 1,002
Rate Increase on Insurance Premium	0%	0%

**Golden Rule Insurance Company**  
**Lawrenceville, IL & Indianapolis, IN**

	<b>Individual Coverage: Traditional Policy</b>	<b>Individual Coverage: MSA Catastrophic Policy</b>	<b>Family Coverage: Traditional Policy</b>	<b>Family Coverage: MSA Catastrophic Policy</b>
Annual Premium	\$1,572.00	\$404.00	\$4,296.00	\$1,862.04
Maximum Deductible	\$500.00	\$2,000.00	\$1,500.00 (3 ded)	\$3,000.00
Maximum Copayment	\$1,000.00	\$0.00	\$3,000.00	\$0.00
Medical Savings Account Deposit	N/A	\$1,000.00	N/A	\$2,000.00
Total Out of Pocket Cost	\$1,500.00	\$1,000.00	\$4,500.00	\$1,000.00
Total Plan Cost - -before and after	\$1,572.00	\$1,404.00	\$4,296.00	\$3,862.04

**Indianapolis, IN  
16 Employees**

	<b>Individual Coverage: Traditional Policy</b>	<b>Individual Coverage: MSA Catastrophic Policy</b>	<b>Family Coverage: Traditional Policy</b>	<b>Family Coverage: MSA Catastrophic Policy</b>
* Annual Premium	\$2,302.68	\$1,002.60	\$5,909.88	\$2,387.16
Maximum Deductible	\$500.00	\$1,500.00	\$1,000.00 (2 ded)	\$2,000.00
Maximum Copayment	** \$500.00	\$0.00	** \$1,000.00	\$0.00
Medical Savings Account Deposit	N/A	\$1,500.00	N/A	\$2,000.00
Total Out of Pocket Cost	\$1,000.00	\$0.00	\$2,000.00	\$0.00
Total Plan Cost - -before and after	\$2,302.68	\$2,502.60	\$5,909.88	\$4,387.16

\* Annual premium includes: Traditional Policy: Major Medical, Life, Prescription Drug Card, Maternity, Preferred Provider Option (for inpatient confinements only)

MSA Catastrophic Policy: Major Medical, Life, Maternity

\*\* Does not include \$5 copayment and 80% coinsurance on brand name prescriptions or \$5 copayment and 100% coinsurance on generic brands.

Information Verified By: Fortis Benefits Insurance Company





**Dayton, OH**  
**10 Employees**

	<b>Individual Coverage: Traditional Policy</b>	<b>Individual Coverage: MSA Catastrophic Policy</b>	<b>Family Coverage: Traditional Policy</b>	<b>Family Coverage: MSA Catastrophic Policy</b>
*Annual Premium	\$1313.88	\$ 744.12	\$5124.72	\$1710.96
Maximum Deductible	\$ 250.00	\$1500.00	\$ 500.00 (2 ded)	\$2000.00
Maximum Copayment	\$ 200.00	\$ 0.00	\$ 400.00	\$ 0.00
Medical Savings Account Deposit	N/A	\$ 750.00	N/A	\$1000.00
Total Out of Pocket Cost	\$ 450.00	\$ 750.00	\$1100.00	\$1000.00
Total Plan Cost --before and after	\$1313.88	\$1494.12	\$5124.72	\$2710.96

\* Annual premium includes: Traditional Policy: Major Medical, Life, Dental  
MSA Catastrophic Policy: Major Medical, Life

Information Verified By: Home Life Financial

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**Richmond, IN  
54 Employees**

	<b>Individual Coverage: Traditional Policy</b>	<b>Individual Coverage: MSA Catastrophic Policy</b>	<b>Family Coverage: Traditional Policy</b>	<b>Family Coverage: MSA Catastrophic Policy</b>
* Annual Premium	\$3,188.88	\$1,127.16	\$8,527.56	\$2,947.20
Maximum Deductible	\$250.00	\$1,500.00	\$500.00 (2 ded)	\$2,000.00
Maximum Copayment	** \$1,000.00	\$0.00	** \$1,000.00	\$0.00
Medical Savings Account Deposit	N/A	\$750.00	N/A	\$1,000.00
Total Out of Pocket Cost	\$1,250.00	\$750.00	\$1,500.00	\$1,000.00
Total Plan Cost - -before and after	\$3,188.88	\$1,877.16	\$8,527.56	\$3,947.20

\* Annual premium includes: Traditional Policy: Major Medical, Life, Disability, Maternity, Dental, Prescription Drug Card  
MSA Catastrophic Policy: Major Medical, Life, Maternity

\*\* Does not include the additional \$10 copayment per physician visit and the \$5 copayment per prescription.

Information Verified By: Chubb Group of Insurance Companies

COPY

Golden Rule®

TO: Pat Rooney

FROM: Shelli Johnson *SSJ*

RE: MSA savings

June 1, 1994

Pursuant to our conversation last week, I am providing you with the details of the experience I had with "shopping around" for a better price on medical care.

After having been told by my primary care physician that I needed to have a couple of tests run at a hospital, I explained to him about my medical savings account and inquired about the cost of the tests. The doctor was uncertain but had his nurses call the local hospital and I was given the following approximate costs:

Test 1 -	\$250.00
Test 2 -	\$295.00
Reading of Test 1 -	\$120.00
Reading of Test 2 -	\$120.00
	-----
	\$785.00

The grand total of the tests and readings was \$785.00. I thought that was way too much, so I asked the doctor to hold off on scheduling the tests until I had time to shop around.

I called several hospitals and was given a wide range of costs. Finally, I found one that was almost too good to be true. St. Vincent's did both tests and readings for a grand total of \$114.00! That's a savings of \$671.00.

Pat, I know if I had not had a medical savings account, I would never have even thought to ask about the cost of the tests, not to mention thinking of shopping around for a better price.

*St Vincent is one of the finest hospitals in the city! ↓*

Golden Rule Insurance Company

Home Office  
Golden Rule Building  
712 Eleventh Street  
Lawrenceville, Illinois 62439  
Telephone (618) 943-8000

Golden Rule Insurance Company

Golden Rule Building  
7440 Woodland Drive  
Indianapolis, Indiana 46278-1719  
Telephone (317) 297-4123

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FOR IMMEDIATE RELEASE

January 12, 1995

Contact: Kellyanne Fitzpatrick  
(703) 358-0080

**GOLDEN RULE EMPLOYEES TRUMPET MEDICAL SAVINGS ACCOUNTS;  
97% BELIEVE MSA'S ARE "IMPORTANT" INCLUSION  
IN NATIONAL HEALTH CARE REFORM**

A near-unanimous 98% of Golden Rule Insurance employees who are currently covered under the company's Medical Savings Account (MSA) health plan are satisfied with the plan, according to a survey released by The Luntz Research Companies, a polling and communications firm in the nation's capital.

Even more incredible is the *intensity* of support for the MSA among its current enrollees. An overwhelming 95% of MSA-covered Golden Rule employees are either "extremely" (63%) or "mostly" (32%) satisfied. Satisfaction persists among all age and income groups. What's more, seven in ten rate the MSA as "excellent" and 27% "good," with just 2% saying it is "fair" and no one calling it "poor." Fully 88% prefer the MSA plan to other health insurance plans they had in the past.

"Medical Savings Accounts are the answer to many of the health care reform questions being asked by consumers and Congress alike," declared Frank Luntz, President of Luntz Research. "This survey of Golden Rule employees proves it. Within the health care environment, no other potential reform measure has tested so well among individuals who have actually 'been there' and are using it."

"This survey is one of the most definitive statements on the value of MSA's to date, because it comes from rank-and-file health care consumers, not politicians or special interest groups," added Kellyanne Fitzpatrick, Senior Account Executive with Luntz Research. "These are real people, with real stories to tell. Their satisfaction with the plan and their intent to remain with it (97% are staying on) helps sound a clear message that MSA's should be a primary component of national health care reform. Add MSA's to portability and guaranteed renewability, and this Congress can hit a health care home run."

The survey, which was commissioned by Golden Rule Insurance Company of Indianapolis, Indiana, posed a number of questions to 500 Golden Rule employees who have opted for the MSA health insurance plan about their use of, and attitudes toward, the MSA plan and its popular "money-back" feature.

Chairman of the Board J. Patrick Rooney introduced the MSA plan as an option to Golden Rule employees in the Spring of 1993, an option which most employees have elected. Upon seeing the survey results, Mr. Rooney commented: "We have happy employees. That's important. People stop me in the elevator to tell me how much they like their MSA's; they see a difference. Our employees never got any money back on their old insurance."

This year, Golden Rule employees with the MSA plan received an average of \$1,002, some 60% more than the average refund received in 1993. According to the survey, about half of the employees who received refunds planned to spend the money on living expenses, holiday gifts and other items, while the other half would keep the money in an interest-bearing MSA reserve account or invest the money in other ways.

Since the refunds were distributed in December, 31 additional employees have signed up for the Golden Rule MSA plan. Only two have dropped out, bringing the total MSA enrollment to more than 90% of all employees company wide.

Other key findings in the survey include: 27% of the employees are using some health services for the first time because of the MSA plan, with a majority (53%) predicting that they and their families would use additional services covered under the plan, such as vision and dental care, in the future. In a similar vein, 22% of those polled say that preventive care is the first or second best feature of the MSA plan.

"In fact, the verbatim responses show us that Golden Rule employees feel more in control of their health care under the new plan," Fitzpatrick added. "They say their choice of doctors has been increased, not compromised. They are receiving better coverage for their families than they did under previous plans, and are delighted to receive a refund at the end of the year to boot."

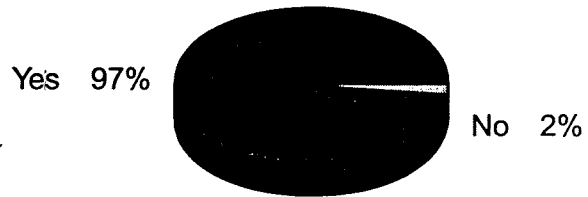
This does not surprise Rooney, who hears similar comments from his employees throughout the year. "The MSA's pay for more benefits than the old insurance -- like mammograms and dental care. The employees recognize this and act responsibly in seeking health care for them and their families," he said. "The lower-income single mothers like the MSA's because they eliminate the up-front deductible and provide first-dollar coverage so the money's there for them to get care for their children."

The survey was conducted by telephone from December 23-30, 1994, and has a margin of error of  $\pm 4.4\%$  at the 95% confidence level.



Golden Rule Employees - MSA Survey

### Do you intend to stay in the Medical Savings Account?



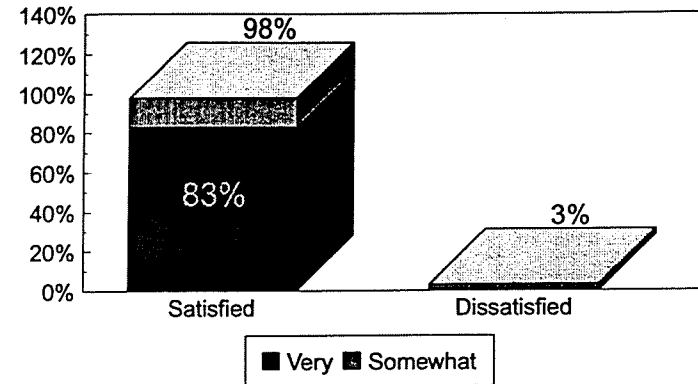
The Luntz Research Companies 12/94



Golden Rule Employees - MSA Survey

### Satisfaction with way claims were handled

(Among 63% who have filed claims)

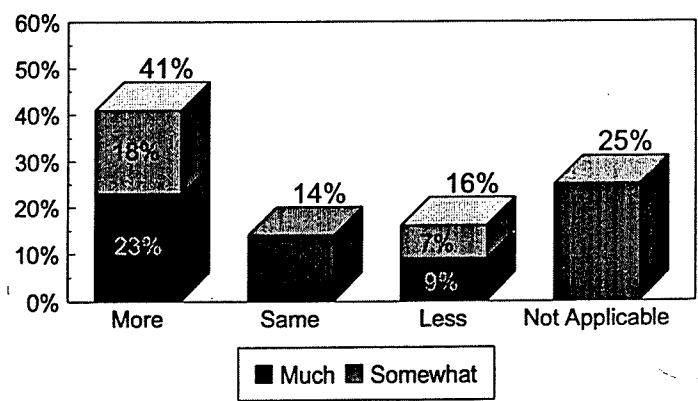


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Golden Rule Employees - MSA Survey

### Was this year's refund more or less than last year's?

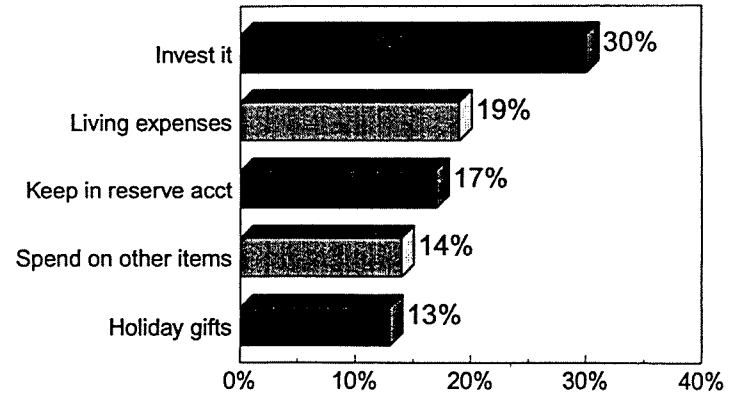


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Golden Rule Employees - MSA Survey

### How do you plan to use your refund?



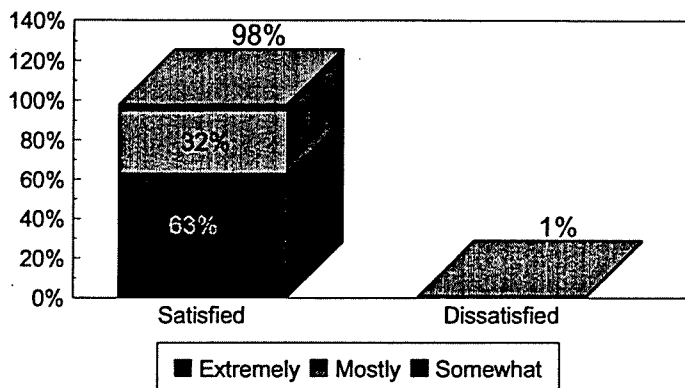
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4-12



Golden Rule Employees - MSA Survey

### How satisfied are you with the Medical Savings Account?

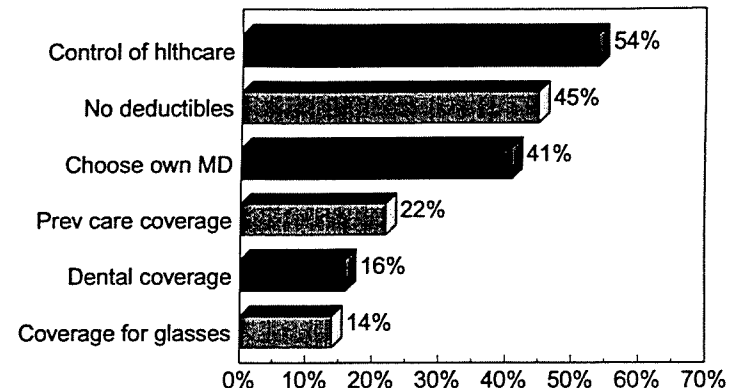


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Golden Rule Employees - MSA Survey

### Which of the following benefits associated with having a MSA account do you like? (First and Second Choices)

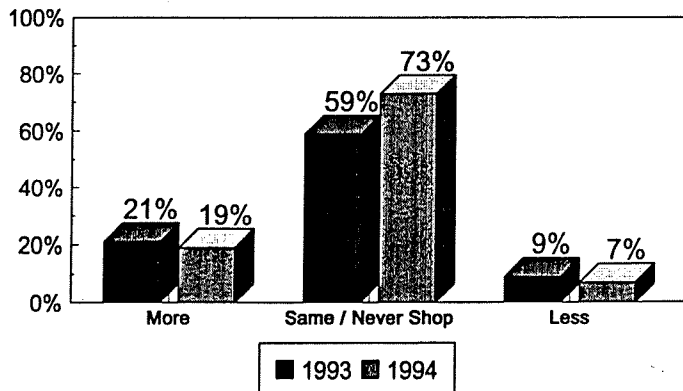


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Golden Rule Employees - MSA Survey

### Since choosing the MSA plan, how often do you shop around/ compare prices of other plans?

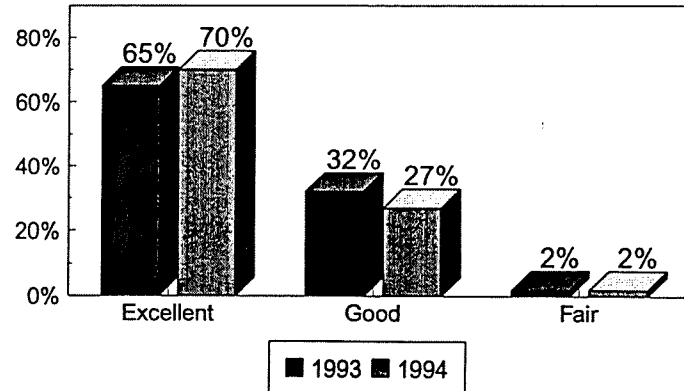


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Golden Rule Employees - MSA Survey

### How would you rate the Medical Savings Account health insurance plan overall?



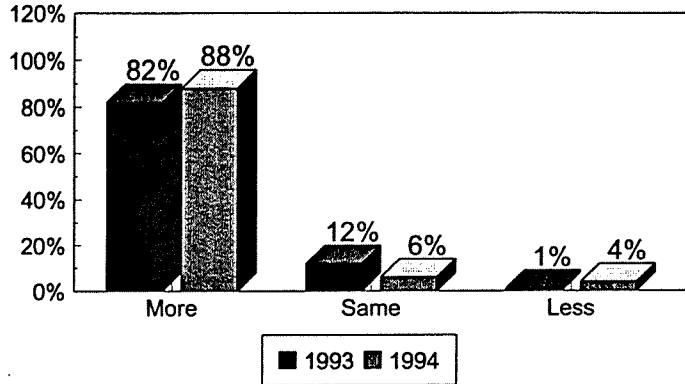
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Golden Rule Employees - MSA Survey

Do you like the MSA more or less as health insurance plans you've had in the past?

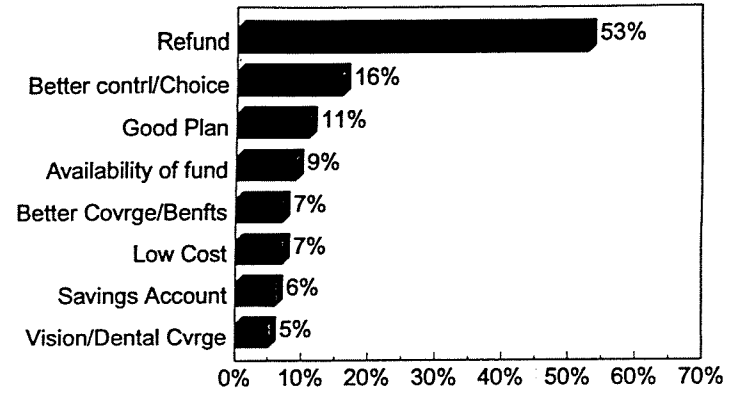


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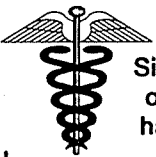


Golden Rule Employees - MSA Survey

Why do you like the MSA plan better than the ones you've had in the past?

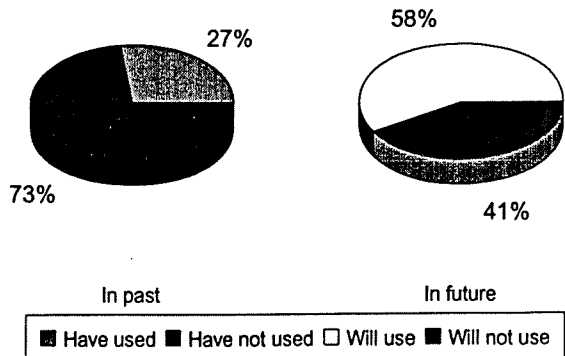


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Golden Rule Employees - MSA Survey

Since being covered under the MSA plan, have you or your family used any medical services that you haven't used before/Will you use services that you haven't now that you have the plan?

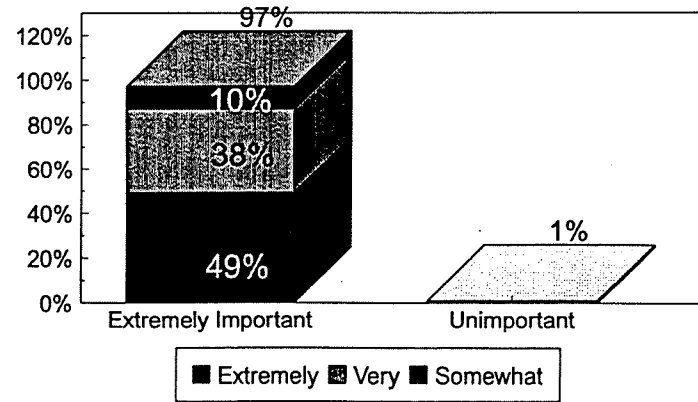


The Luntz Research Companies 12/94



Golden Rule Employees - MSA Survey

How important is it to include MSA as part of a national health care reform package?



The Luntz Research Companies 12/94

41-7



# PUBLIC POLICY STATEMENT

## SENATE PUBLIC HEALTH AND WELFARE COMMITTEE

### RE: H.B. 2010 - Medical Savings Accounts

March 15, 1995  
Topeka, Kansas

Presented by:  
Paul E. Fleener, Director  
Public Affairs Division  
Kansas Farm Bureau

Chairperson Praeger and members of the committee:

Thank you very much for the opportunity to appear before your committee today. We are here to give our strong support to H.B. 2010, legislation which will assist families as they make plans for how they will meet some of their medical expenses. This bill would establish a mechanism for the creation of medical savings accounts.

For the record, my name is Paul E. Fleener. I am the Director of Public Affairs for Kansas Farm Bureau. Our members have been reviewing the health care delivery system for quite a period of time. We recognize some reforms need to be made. One of the important ones is the topic of the legislation you have before you today. Our policy on health care is attached to our testimony.

Nearly a year ago - March 18, 1994 - we testified before the Senate Assessment and Taxation Committee on H.B. 2933, similar

legislation which would have helped in the establishment of Individual Medical Accounts. Whatever the name ... IMA, MSA, the time has come. Individuals must take a greater responsibility in developing and maintaining healthy lifestyles. There is an appropriate role for government in the health care area. We believe that is to help create a climate of opportunity for families and individuals, and one way to do that is with the structure of a medical savings account. You can help create that "climate of opportunity." You can help individuals help themselves and their dependents in setting aside some pre-tax dollars for the purchase of coverage for medical, dental and long-term health care needs. That is the purpose of H.B. 2010.

Medical Savings Accounts provide several opportunities. Two of the more important ones are these: 1) People can seek medical care without worry of facing out-of-pocket deductibles; and 2) Employees can buy services not covered by their employer's plan. That is part of the assistance government can do best in allowing and encouraging self-insurance, self-help programs.

A year ago when there were no fewer than 14 health care reform proposals before the congress, the Medical Savings Account concept was included in all but one or two of the plans. We believe this is an idea whose time has come. We encourage the committee to help Kansans help themselves in the way that H.B. 2010 would permit ... through the establishment of Medical Savings Accounts.

Thank you for the opportunity to testify in support of H.B. 2010. If there are questions, I would be happy to respond.



Adopted by Voting Delegates November 19, 1994

KFB Annual Meeting

Health Care

PHW-4

Access to high quality and affordable health care is essential to all Kansans. Access and affordability will not be achieved by mandating employers to pay health insurance costs for employees, nor by enacting a single-payer, government-based health care plan.

Health care is primarily the responsibility of the individual. Health care policy changes should endorse the following principles:

1. Promotion of personal wellness, fitness and preventive care as basic health goals;
2. Minimal government intervention in decisions between providers and receivers of health care; and
3. Tax policies that encourage individuals to prepare for future health care needs.

We support the following measures which will assist in preserving this vital service to rural Kansas:

1. Encouraging students to enter the health care professions, serve residencies in rural areas, and establish and maintain practice in rural areas. Providers in urban areas should be encouraged and given incentives to participate in respite, locum tenens and sabbatical programs for rural physicians;
2. State scholarship programs for all health care professionals, requiring scholarship recipient graduates to provide service in underserved areas. Create a strong disincentive for any scholarship recipient "buying out" of that required service;
3. Expedite visas for foreign doctors who are qualified, willing to work in rural areas, and sponsored by a rural hospital or clinic;
4. Programs which implement joint use and cooperation between and among health care facilities, school districts, municipal and county governments to enhance health education, preventive health care, and efficiency of health care delivery;

5. Establish innovative managed care programs through incentives for government, providers and private insurers where medical services are offered through a network of physicians and hospitals at discounted costs; and
6. Authorization and support by the Kansas Board of Regents for Kansas State University/University of Kansas School of Medicine (Kansas City and Wichita) for the joint effort underway to develop the Rural Health Dynamics Program.

In order to provide affordable health insurance coverage to all Kansans, we encourage consideration of the concept of "community based health insurance rates." If the insurance industry continues to use a review of health care utilization as a method of establishing rate increases in Kansas it should use a running average to establish rates.

We believe the financial stability of some hospitals is being threatened by the increasing number of non-paying patients. We will support the following:

1. Amend state law to allow hospitals greater access to small claims courts so they may collect more debts from those who can pay;
2. Establish a statewide risk pool for those who cannot access health insurance due to pre-existing conditions; and
3. Change the health care coverage rules to make preventive care as well as emergency care available to the medically needy.

Denial of claims for pre-existing conditions, once an individual has been covered by insurance, changes jobs, or has filed a claim for such condition, should be prohibited.

For many of our elderly, nursing home care will be a necessity. For others, remaining in their own homes will be far preferable. We believe health care programs for senior citizens in Kansas should maximize the independence of the elderly for as long as possible. Development of local Home Health Care organizations would assist both affordability and availability of health care. The Kansas Legislature should provide more flexibility in the allocation of per diem rates for nursing staff.



*Dermatology, P.A.*  
ROBERT D. DURST, JR., M.D.

1706 S.W. 10TH STREET  
TOPEKA, KANSAS 66604  
TELEPHONE 357-5166

March 15, 1995

The Honorable Sandy Praeger  
Chairwoman  
Senate Committee on Public Health and Welfare  
Kansas Legislature  
State House  
Topeka, KS 66612

Dear Senator Praeger and Members of the Committee:

Please empower the people of Kansas by approving HB2010 to allow medical savings accounts.

Of every health care dollar spent in this country, 76 cents are paid by someone other than the actual patient, i.e. by government, by insurers, or by employers. Consequently, in most situations many patients benefit minimally when they spend wisely. It is no surprise that costs are soaring.

A key element of the medical savings model is that it empowers the individual patient by setting aside a significant pool of money each year to pay medical bills during the year with any resultant under-spending returning to the patient. The money remaining at the end of the year may be taken as a cash bonus, after the required taxes are paid or rolled over into deferred saving accounts to be used for future medical expenses or retirement purposes.

The advantages of the medical saving account (MSA) model are: 1) the dollars spent by the patient are the patient's dollars and they become real dollars to the patient which are spent more prudently; and 2) most families receive money back at the end of the year; 3) people are financially encouraged to pursue a more healthy life style; and 4) most families again have first dollar coverage for their medical expenses.

Most years most patients with MSA will have first dollar coverage for their medical bills; however, for those years when the set aside is not sufficient there needs to be a means to carry over the excess funds from one year to another year without tax penalty to cover those years when medical expenses are higher. This can be done in Kansas with HB2010 enacting medical saving account legislation.

Senate Public Health & Welfare  
Date: 3-15-95  
Attachment No 6

For every dollar generated in the physicians office there are four dollars generated outside the office. (Physicians expenses are approximately 20% of the total health care expenses) In dermatology most of that outside expenses goes for prescriptions. Nationally for every dollar spent in a dermatologist office, three dollars are spent in the pharmacy. Twenty years ago when I came to Topeka, I knew that many patients struggled to pay for the prescriptions necessary to treat many of the diseases I was trained to treat. I knew that the hospital price for many drugs was far less than what my patients had to pay. My philosophy was that if my patients could afford the medication to get well, I would gain a good reputation for curing patients. Over twenty years time this has worked.

During my first year in Topeka, I was able to help several pharmacies negotiate with the drug companies a price so the local pharmacies could make a profit at selling my most commonly prescribed medications at a fraction of cost they sold for previously. For years I have had the satisfaction of writing prescriptions that I conservatively estimate I have saved over a million dollars for my patients during the past twenty years.

More and more, as I hand one of these prescriptions to a patient and tell them they can have it filled anywhere,(.... however, the least expensive places will be...), they tell me that they have insurance that covers prescriptions for a small co-pay. They go where it is the most convenient because they don't care whether it costs \$10 per jar or \$40 per jar (real numbers!!) because they have insurance. Believe it or not about two thirds of my patients seem to feel this way. More recently my patients hand my prescription back to me and ask me to double or triple the quantity since with their insurance it "won't cost them any more", although my standard prescription is freely refillable for a period of one year.

Several years ago my wife was having stomach problems and a drug was prescribed. A half month's supply was nearly one hundred dollars which we purchased. Later that month she was talking to her father, a financially prudent man. Her father said he had stomach problems the year before. He thought he had taken the same medicine and might have some left. Fortunately he has an insurance plan through his employer with good medical benefits; however they do have to send off for any medications they need to take on a continuing basis "to save money". When he checked his medicine cabinet he had nearly five hundred dollars of the stomach medicine. He was surprised he had so much, and did not realize it was that expensive. The reason he kept plenty of extra medicine on hand was in case the prescriptions he had to mail "to save money" were delayed.

Last year, a new drug for psoriasis was introduced which was quite different than anything else we have used, with what appears to be significantly less side effects. After writing a few prescriptions, I called a pharmacist friend and asked what

was the price of this new drug. He said a 100 gram tube (approximately 3 ounces or about half the size of an average toothpaste tube) was \$120 wholesale. My mouth fell open, and I gasped "who can afford a \$150 dollar tube cream". He reminded me that many of my patients had insurance that covered prescriptions.

Think about how carefully two patients would apply the new psoriasis cream in order to maximize its effectiveness. One patient knows that every dollar he saves is a dollar being returned to him at the end of the year. Another patient applies this cream whose insurance "covers all he needs". It is not hard to see which system is the most economical.

Personally, I know I am more prudent writing prescriptions, ordering tests and performing procedures when I know the patient has to pay out of pocket. I have worked in various cost containment programs over the past twenty-five years and although I follow the rules, I know I don't work as hard for these large organizations as I do the individual patient. If my patients were charged with spending their own money in my office this would save hundreds of dollars a day, thousands in Topeka, millions a day nationally and billions for our country annually. MSA encourage patients and physicians to work together towards the common goal of restoring the patients health at the lowest possible cost.

There are those who say MSA's largely benefit the rich. This is not true. MSA's save health care dollars and return these dollars to the individuals and families who save them. The dollars returned to the lower income groups are more precious to this group because this group has so few discretionary dollars to spend.

Medical saving accounts (MSA) work. The MSA concept has worked for the Golden Rule Insurance Company, Dominion Resources and Quaker Oats Company and will work for Kansans. MSA empowers the patient to control their own health care dollars and directly rewards those who save health care dollars. Under the present system of health care coverage you only get your money's worth when you spend health care dollars.

I urge you to pass HB2010 to establish Medical Saving Accounts for Kansas.

Sincerely,

*Robert D. Durst, Jr., M.D.*

Robert D. Durst, Jr., M.D.