

MINUTES OF THE HOUSE COMMITTEE ON BUSINESS, COMMERCE & LABOR.

The meeting was called to order by Chairman Al Lane at 9:10 a.m. on March 19, 1996 in Room 526-S of the Capitol.

All members were present except: Rep. Jill Grant - excused
Rep. Gary Merritt - excused

Committee staff present: Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Bev Adams, Committee Secretary

Conferees appearing before the committee: Sen. Bob Vancrum
Janet Stubbs, Kansas Building Industry Association
Jerry Slaughter, Kansas Medical Society
Brad Smoot, American Insurance Association
Wayne Maichel, Kansas AFL/CIO
Joe Furjanic, Kansas Chiropractic Assn.
Phil Harness, Director, Workers Compensation

Others attending: See attached list

Hearing on:
SCR 1623 - Residential building contractors task force

Sen. Vancrum appeared before the committee as a proponent of **SCR 1623**. He has been working for three years to address the problem of inexperienced, unqualified and irresponsible homebuilding. To protect people against ending up with a structurally unsound house or a financially irresponsible builder, some homebuilders recognize that their whole industry needs some minimum standards. The bill calls for the creation of a Task Force on the Regulation of Residential Building Contractors consisting of 15 members. They would conduct a study of the need for regulations or licensure of residential building contractors and work on solutions to the problems that exist in purchasing and constructing safe and structurally sound residences. (see Attachment 1) He ended his testimony by answering questions from the committee.

Janet Stubbs, Kansas Building Industry Association, supports the creation of the task force. She is hopeful that the task force will look at the whole picture of building in Kansas. One area of concern for her is the way inspections are handled and carried out. She ended by answering questions from the committee.

No others were present to testify for or against the bill and Chairman Lane closed the hearing on **SCR 1623**.

Committee Action on:
SCR 1623 - Residential building contractors task force

Rep. Becker made a motion to recommend SCR 1623 favorably for passage. Rep. Ballard seconded the motion. A substitute motion was made by Rep. Packer to table the bill. It was seconded by Rep. Swenson. The motion carried and the bill was tabled.

Committee discussion on:
SB 738 - Employer access to criminal history record information.

A motion was made by Rep. Packer to clean out SB 738, rename it - **Correcting federal conformity issues**, and insert **HB 2988** into it. It was seconded by Rep. Pauls. The motion carried.

Hearing on:
SB 657 - Revising the workers compensation medical fee schedule.

Jerry Slaughter, Kansas Medical Society, appeared in support of the bill (as amended by the Senate). It was introduced at the request of the Kansas Medical Society. The bill requires the director of workers compensation to *revise* the medical fee schedule every two years. Current law requires that the schedule be *reviewed* annually, but does not require that it be revised. They feel that the current fee schedule in effect is out of date, attempts to get directors to review or revise have been unsuccessful, and they do not want health care providers to restrict the numbers of workers compensation patients they see because of the low fees

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON BUSINESS, COMMERCE & LABOR, Room 526-S
Statehouse, at 9:10 a.m. on March 19, 1996.

received. The bill was amended in the Senate to set the date of revisions to coincide with the date that insurers are granted rate modifications. The bill was also amended to allow the director to establish a database of claims and expenditure statistics. (see Attachment 2) Mr. Slaughter concluded his testimony by answering questions from the committee.

Brad Smoot, American Insurance Association, appeared before the committee to object to the amendment added in the Senate, new section 2, that concerns data reporting requirements. At the present time a uniform system is being developed by the Electronic Data Interchange (EDI), to set up a system for state workers compensation reports, including a standardized medical report, and is scheduled for release later the year. He feels that the language concerning data reporting requirements could conflict with new national standards and would like the new section removed from the bill. (see Attachment 3) He ended his testimony by answering questions from the committee.

Wayne Maichel, Kansas AFL/CIO, appeared before the committee to testify as an opponent of the bill. He feels that the statutes handle the fee schedules adequately, and he sees no reasons for changes. The director already has the authority to review and revise the schedules and these statutes should be adequate. He finished his testimony by answering questions.

Joe Furjanic, Kansas Chiropractic Association, spoke from the audience. He is a proponent of the bill and wanted the committee to know he agreed with the testimony given by Mr. Slaughter.

Phil Harness, Director, Workers Compensation, answered a question from the committee about the Workers Compensation Advisory Council. The council had discussed the law earlier, but not in the form it is now (as amended by the Senate Committee) and had decided to leave the law as it is and watch it for a year. A new fee schedule will come out in May of 1996.

No others were present to testify on the bill and Chairman Lane closed the hearing on **SB 657**.

A motion was made by Rep. Packer to send the bill back to the Workers Compensation Advisory Council for their deliberation. It was seconded by Rep. Pauls. The motion carried.

Committee action on:

SB 738 - new title will be - Correcting federal conformity issues.

A motion was made by Rep. Packer to recommend the passage of **SB 738**, as amended, favorably for passage. It was seconded by Rep. Pauls. The motion carried.

Chairman Lane thanked the committee for a very informative, very pleasant two years. This is the last meeting planned for the committee this year.

HOUSE BUSINESS, COMMERCE & LABOR COMMITTEE
GUEST LIST

DATE March 19, 1996

NAME	REPRESENTING
Terrya Tracy, MD.	KS DWL
Phil Harness	KDHR-Workers Shop
Jerry SAWALTER	KS MEDICAL SOCIETY
Rick Getman	Health Midwest
Tom SWK	KACES
Harry Bown	AIA
Gard Smoot	AIA
Joe Furjanic	KCA
Jim Crawford	Intern
Martha Ann Smith	KMAA
Gene M. Iscobel	KTLA

BOB VANCURM
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MEMBER: WAYS AND MEANS
JUDICIARY
MEMBER: COMMERCE, LABOR AND REGULATIONS
COMMITTEE, NATIONAL CONFERENCE ON
STATE LEGISLATURES
MEMBER: ENVIRONMENTAL TASK FORCE,
COUNCIL ON STATE GOVERNMENTS

TESTIMONY FROM SENATOR BOB VANCURM
TO
HOUSE BUSINESS, COMMERCE & LABOR COMMITTEE
ON
SCR 1623 - TASK FORCE ON RESIDENTIAL HOMEBUILDING INDUSTRY

This committee will recall that for over three years I have been trying to address a problem that exists in Kansas with regard to inexperienced, unqualified and irresponsible homebuilding. I still find it absolutely unbelievable that in most Kansas communities the buyer has absolutely no assurance that someone who calls himself a homebuilder actually has either an understanding sufficient to build a house or deck that will stand up or the financial responsibility to deliver to the buyer what the buyer paid for. For most people their residence is by far the most expensive investment they will ever make and for many people who end up with structurally unsound house or a financially irresponsible builder, there is usually no hope of recovery.

I hope by now you understand this is not about a handful of bad houses in one city. I could certainly bring dozens of examples from nearly every area of the state if this committee was willing to take the time. This will continue to be a growing problem as more and more people stretch to be able to afford their first home, and find builders who are willing to say they will build for less. It really is as much a problem for the residential homebuilder who builds with integrity as it is with the unsuspecting and protected buyer, and some homebuilders have recognized that their whole industry would be helped by requiring some minimum standards.

As you know, the legislature has failed to act on other legislation that I proposed last year. I believe it is critically important that we take an affirmative action immediately to put a stop to unsafe and irresponsible home construction.

*House Business, Commerce
& Labor Committee
3/19/96
Attachment 1*

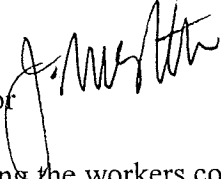


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March 19, 1996

TO: House Business, Commerce and Labor Committee

FROM: Jerry Slaughter
Executive Director 

SUBJECT: SB 657; concerning the workers compensation medical fee schedule

The Kansas Medical Society appreciates the opportunity to appear in support of SB 657, as amended by the Senate, which was introduced at our request. The bill requires the director of workers compensation to *revise* the medical fee schedule every two years. Current law requires that the schedule be *reviewed* annually, but does not require that it be revised. We requested the bill for the following reasons:

- (1) the fee schedule currently in effect was adopted in 1993, based on data from 1990-91, resulting fee levels today that are in some cases 5 years out of date;
- (2) repeated attempts by the provider community to get previous directors to even review, let alone revise, the fee schedule were unsuccessful;
- (3) if fees for treating injured workers fall well below the rest of the commercial marketplace, health care providers may restrict the numbers of workers compensation patients they see, not unlike the situation that exists in the Medicaid program, which has severe access problems in some areas. In Senate hearings, the Director testified that access problems had already developed as a result of the inadequacy of the current fee schedule.

The bill was amended in committee to set the date for revisions to coincide with the date that insurers are granted rate modifications. A further amendment, which appears on page 8, at lines 5-21, would allow the director to establish a comprehensive database of claims and expenditure statistics. The Senate committee added this amendment because it was concerned about the effectiveness of the utilization review being carried out by the division, as required by the law. The committee felt that in order for the division of workers compensation to do effective utilization review it needs good data on actual expenditures by insurers for claims.

The current director is planning to revise the fee schedule this year, and we are appreciative. The planned revision this year will result in an increase in insurance premiums of only 1 - 2%. However, directors change over the years, and without some statutory requirement, future directors may not feel inclined revise the fee schedule no matter how out of date it gets. For these reasons, we respectfully request your support for SB 657. Thank you.

*House Business, Commerce
& Labor Committee
3/19/96
Attachment 2*

BRAD SMOOT

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**Statement of Brad Smoot, Legislative Counsel
The American Insurance Association
Before the House Business, Commerce & Labor Committee
Regarding 1996 Senate Bill 657
March 19, 1996**

I am Brad Smoot, Legislative Counsel for the American Insurance Association (AIA), a trade group of more than 270 property and casualty insurers whose members provide various lines of insurance including workers compensation in Kansas and across the nation. We are pleased to have an opportunity to comment on 1996 Senate Bill 657.

AIA has no objection to the original purposes of S 657. However, the addition of New Section 2 to the bill by the Senate Commerce Committee gives our member companies serious concern. AIA opposes data reporting requirements that are inconsistent with the requirements of the Electronic Data Interchange (EDI) Project sponsored by the International Association of Industrial Accident Boards and Commissions (IAIABC). The IAIABC is a nationwide association of workers compensation administrators which has been developing a uniform system for state workers compensation reports, including a standardized medical report scheduled for release later this year.

The grant of authority contained in Section 2 of S 657 is overly broad. It calls for the development of a "comprehensive data base" and gives the Director of Workers Compensation unlimited authority to request data and determine its configuration. It also introduces another state agency into the workers compensation arena by creating a role for the Department of Health & Environment as the state's statistical agent. Insurer activities in Kansas already are subject to the Insurance Department and the Department of Human Resources.

As you can imagine, it could be very difficult and costly for hundreds of insurance carriers operating in all states to be forced to respond to fifty different data collection demands. Likewise, without a standardized format, states will not be able to evaluate how well they are performing in comparison to their sister states.

We appreciate the Senate's desire to gather more information on workers compensation medical costs, however, the language of S 657 is overly broad and could conflict with new national standards. We believe it could prove costly to Kansas employers who pay for workers compensation coverage and we, therefore, urge the Committee to strike New Section 2 of the bill. Thank you.

*House Business, Commerce
& Labor Committee
3/19/96
Attachment 3*