

Approved: March 6, 1997
Date

MINUTES OF THE Senate Committee on Financial Institutions and Insurance.

The meeting was called to order by Chairperson Don Steffes at 9:00 a.m. on February 21, 1997 in Room 529-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee: Tom Wilder, Kansas Insurance Department
Steve Kearny, Cigna

Others attending: See attached list

Hearing on SB 281 - Deposits of Insurance Commissioner

Tom Wilder, Kansas Insurance Department, testified that the Insurance Commissioner holds jointly with insurance companies more than \$241 million as solvency deposits (Attachment 1). This money is made up of cash, securities, real estate deeds, mortgages or other assets. This bill would define what types of banking institutions in which these deposits could be held. The bill includes savings and loans and savings banks as part of those qualifying. Technical amendments and amendments addressing the need to define banks within the statute were presented to the Committee.

Senator Feleciano moved to adopt the technical and defining amendments and as presented and to report the bill favorably as amended. Motion was seconded by Senator Praeger. Motion carried.

Subcommittee Report on SB 204 - Group and individual policies of insurance

Senator Praeger reported that the Subcommittee has addressed the following issues:

1. Conformity with Kassebaum/Kennedy Act so Kansas can retain authority over its insurance market
2. Made technical changes
3. Reduced the number required in a small group from 3-50 to 2-50
4. Excluded short term policies from the mandate
5. Provide some protection for rating in portability
6. **SB 47** - Long term care insurance definition of pre-existing condition has been folded into **SB 204**.
7. Assures that Kansas mental health mandates are in compliance with Kassebaum/Kennedy.
8. Recommending an interim study on individual insurance market

Colorado legislation defined small groups as groups of one this past year. The results of that decision will be available in March.

Continued Hearing on SB 286 - Patient Protection Act

There were no additional conferees. The Committee expressed the following concerns:

1. After patient is stabilized, "prior" authority is required for determination of next type of care or treatment.
2. Are decision makers available for 24-hour coverage?
3. What are the qualifications for "authorized representatives?"
4. Should contracted physicians be considered "authorized representatives?"

Steve Kearney, Cigna, reminded the Committee that the bill does not require prior authorization for emergency medical treatment. The plan adds that if further treatment is necessary they must have authorization and the issue appears to be if 24-hour coverage is provided by such representatives. The Insurance Department would have to approve the plan including verifying there are enough providers within the program to adequately care for individuals.

CONTINUATION SHEET

MINUTES OF THE Senate Committee on Financial Institutions & Insurance, Room 529-S Statehouse, on February 21, 1997.

Amendments from Senator Praeger addressing the above concerns and of a technical and clarifying nature including changing "health carrier" to "health insurer" on Page 2 as well as defining the term in other sections of the bill were presented.

Senator Biggs moved for adoption of the Praeger amendment and technical and clarifying amendments as presented. The motion was seconded by Senator Barone. Motion carried.

Senator Praeger moved that the bill be reported favorably as amended. Motion was seconded by Senator Clark. Motion carried.

Overview on SB 372 - Non-profit hospital sales act

Senator Praeger presented information to the Committee on the sale of community hospitals to for-profit organizations (Attachment 2 which is on file in 128-South through the 1998 Session). Questions addressed were: Should public hearings held, what assets would be transferred to the for-profit company, regulations regarding money being paid to hospital or management personnel for devaluing or under-valuing assets. Rewards might include large salary packages, big promotions, large retirement funds.

Many times such community-based hospitals are public investments which were either started or maintained through charitable or benevolent gifts. They provide health education and are many times supported through volunteer efforts. How are such things valued? The need for independent evaluators of assets should be required to determine such values. Many times when two not-for-profit hospitals merge, the local hospital loses control. There are times when a sale of the facility is the best answer. Such merger or buy-out programs of hospitals is a new concept to this country and there are no guidelines or long-term experiences to draw on. Most conversions are paid with stock but there are cash transactions such as when HCA bought Wesley Hospital in Wichita. HCA has recently purchased Bethany in Kansas City, Kansas.

Problems regarding the uncompensated provision of indigent care was discussed. IF HCA takes over the not-for-profit hospitals in the Kansas City area, will the KU Med Center become the only unit providing the care unless the State pays the bill? Hospitals are required to provide indigent care if they want to retain their tax exempt status.

Some states require the first right of refusal be designated as the community so this can give the community the opportunity to buy back their facility.

Senator Barone requested the approval of the minutes of the February 12 and 13 meetings. Motion was seconded by Senator Becker. Motion carried.

The meeting adjourned at 10:01 a.m. The next meeting is scheduled for February 24, 1997.

SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: 2/21

NAME	REPRESENTING
John Federico	Pete McGill + Assoc
Cindy Wiklund	Kli Student
Jerry Mautz	KMG
Max Hanson	KMG
Dudley Hansen	SRS - Medical
Bill Sneed	HIAA
Julie Hein	Hein + Weir
Tom Wilder	Kansas Insurance Dept
Jim Schwartz	KECH
Callee Winton	Bottenberg & Associates
Susan Baker	Hein + Weir
Jim Mang	KBA
Martha Hodgesmith	Attorney General
Reck Guthrie	Health Midwest
STEVE KEARNEY	CIWA
Brenda Kramer	Security Benefit
Kevin Davis	Am Family
Roger Fraude	BK IV
Zonda DeLauney	Ks Insurance Dept.

SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: 2/21

NAME	REPRESENTING
Kevin Goodheart	Ks. Farm Bureau Agents Assoc.
Kristin Van Vorst	Dumana
Tom Young	AARP
Ellen Piekalkiewicz	Assoc. of CMHCs
David Hansen	Ks Insur Assoc
Guy D. Smith	DOA State of Kansas
Brend Swort	CBS



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

MEMORANDUM

To: Senate Financial Institutions
and Insurance Committee

From: Tom Wilder

Re: Senate Bill 281 (Insurance Department Deposits)

Date: February 21, 1997

I am appearing today in support of S.B. 281 which clarifies the types of financial institutions that insurance companies can use when putting up solvency deposits with the Insurance Department. This bill is companion legislation to Substitute for S.B. 86 that was recently approved by this committee.

The Kansas Insurance Code requires insurers to place deposits in the form of cash, securities, real estate deeds, mortgages or other assets with the Commissioner to evidence the solvency of the company. These deposits are put in a joint custody arrangement with the Department whereby the financial institution can not release any of the assets without the approval of both the insurance company and the Insurance Commissioner.

The current statute allows deposits to be placed at a "Kansas domiciled bank." The Department is concerned that this language may prohibit the use of financial institutions such as Bank IV. The language in the bill is similar to that adopted in Substitute for S.B. 86.

I would ask that the committee approve S.B. 281 favorably.

*Senate F.D.I.
Attachment 1
2/21/97*