

Approved: 2-5-98  
Date

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Dennis Wilson at 1:33 p.m. on February 4, 1998 in Room 527-S of the State Capitol.

All members were present except:

Committee staff present: Emalene Correll, Legislative Research Department  
Robert Nugent, Revisor of Statutes  
Beth James, Committee Secretary

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

Others attending: See attached list

The meeting was called to order at 1:33 p.m. by Chairperson Dennis Wilson. The Chairperson opened the hearing on **SB411**.

**SB411: Health insurers; utilization review organizations.**

The Chairperson called Tom Wilder to the podium. (Attachment #1). Mr. Wilder spoke as a proponent on this bill. The proposed legislation deals with utilization review organizations which are entities that examine the appropriateness and efficiency of medical care provided by hospitals and doctors.

There were no other proponents on this bill. There were no opponents on this bill. The Chairperson closed the hearing on this bill.

Chairperson Wilson opened the hearing on **SB412**.

**SB412: Risk-based capital requirements.**

This bill was also introduced at the request of the Kansas Insurance Department. The Chairperson called Tom Wilder to the podium to speak as a proponent of this bill. (Attachment #2). This bill makes a change in the law dealing with the filing of financial reports with the Department. Chairperson Wilson pointed out that on page two, line eight, nine and fourteen the bill refers to percentage points and he wanted to know what they mean. Mr. Wilder did not know and said he would find out.

Chairperson Wilson asked if there were any other speakers on this bill. David Hanson, who represents "The Domestic" commented that Tom Wilder had done a great job and this bill would not adversely affect any of the Kansas Companies.

There were no other proponents on this bill. There were no opponents on this bill. The Chairperson closed the hearing on this bill.

The Chairperson said he would entertain a motion on **SB411**. Representative Kirk made a motion to pass SB411 favorably and to put it on the consent calendar. The motion was seconded by Representative Tomlinson. The Committee voted in favor of the motion.

CONTINUATION SHEET  
HOUSE COMMITTEE ON INSURANCE, FEBRUARY 4, 1998  
ROOM 527 AT 1:30 P.M.

The Chairperson said he would entertain a motion on **SB412**. Representative Tomlinson made a motion to pass **SB412** favorably and to put it on the consent calendar. The motion was seconded by Representative Kirk. The Committee voted in favor of the motion.

The Chairperson brought to the attention of the committee that **HB2705** would be heard tomorrow and that it would be to the Representatives advantage to read up on a report that they all received called The Health Care Reform Legislative Oversight Committee Report.

The meeting was adjourned at 1:49 p.m. The next meeting is scheduled for February 5, 1998.

# HOUSE INSURANCE COMMITTEE GUEST LIST

DATE: 2-4-98

NAME	REPRESENTING
Lee Wright	Farmers Ins Group
Janelle Wilhite	Div. of Budget
Cassie Beach	SMOOTH
Steve Ashley	KS Employers Health Benefits
Allie Jill Denton	KS Assoc. of Health Plans
Jenese Sorenson	State Farm



**Kathleen Sebelius**  
Commissioner of Insurance  
**Kansas Insurance Department**

**MEMORANDUM**

To: House Insurance Committee

From: Tom Wilder

Re: S.B. 411 (Utilization Review Organizations)

Date: February 4, 1998

I am appearing today in support of Senate Bill 411 which was introduced at the request of the Kansas Insurance Department. The proposed legislation deals with utilization review organizations which are entities that examine the appropriateness and efficiency of medical care provided by hospitals and doctors. This review is done by insurance companies to help control the cost of claims and to determine whether medical providers are giving cost-effective and medically necessary care to their patients. A utilization review organization can either be an insurance company or an outside organization which contracts with an insurer.

In 1994, the Kansas Legislature approved legislation which allows the Kansas Insurance Department to license and regulate utilization review organizations. There is an exception in this law in the licensing requirement for review organizations which are certified by either: (a) the Utilization Review Accreditation Commission (URAC), (b) the Kansas City Private Review Group, which was an accreditation group located in Kansas City, Missouri and (c) any other accreditation group approved by the Commissioner.

The Kansas City Private Review Group is no longer in operation. Senate Bill 411 removes them from the list of "approved" accreditation groups listed in the statute.

There was one amendment to the bill made by the Senate Financial Institutions and Insurance Committee. After the bill was introduced, the Department learned that the

*HOUSE Insurance  
Attachment #1-1  
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Utilization Review Accreditation Commission (URAC) has changed its name to the American Accreditation Health Care Commission. Their correct name was amended into Section 1 (K.S.A. 1997 Supp. 40-22a06 (b)(1)).

I would ask that the House Committee approve Senate Bill 411 as amended favorable for passage.

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**Kathleen Sebelius**  
Commissioner of Insurance  
**Kansas Insurance Department**

**MEMORANDUM**

To: House Insurance Committee

From: Tom Wilder

Re: S.B. 412 (Risk Based Capital)

Date: February 4, 1998

I am appearing in support of Senate Bill 412 which was introduced at the request of the Kansas Department of Insurance. This bill makes a change to the law dealing with the filing of financial reports with the Department. This change to the law will bring our statute into compliance with standards of the National Association of Insurance Commissioners ("NAIC").

Risk based capital ("RBC") is the method used by the Department to evaluate the financial solvency of insurance carriers doing business in this state. Those companies must file financial reports with the Department using RBC instructions and formulas developed by the NAIC. These instructions are amended each year by the NAIC to reflect changes in accounting procedures.

Our current law (K.S.A. 1997 Supp. 40-2c01) requires companies to use the 1996 version of the RBC instructions. The bill would change the standard so that carriers use the RBC formulas in effect as of December 31, 1997 and adopted as rules and regulations by the Commissioner.

I would ask that this committee approve S.B. 412 favorable for passage.

*House Insurance  
Attachment # 2  
2-4-98*