Approved: 2-17-98
Date

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Dennis Wilson at 1:35 p.m. on February 5, 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 1:35 p.m. by Chairperson Dennis Wilson. Minutes of the February 4, 1998 meeting were handed out for the members to go over during the meeting. The Chairperson opened the hearing on **HB2705.**

HB2705: **Technical correction to Kassebaum-Kennedy health insurance legislation.**

Chairperson Wilson called Tom Wilder to the podium to speak as a proponent on this bill. (Attachment #1). Mr. Wilder first spoke about what impact the Kassebaum-Kennedy law (**SB204**) has had. He said the Department has not noticed a great deal of impact on the health market in Kansas. But, as the contracts come in to effect after July 1, 1998 they will have a better idea this summer or the beginning of next year. But, there are two things that they have noticed. One has to do with agent compensation. The law requires that insurers that cover small employers have to guarantee issue those products. Agents have complained that some insurance companies have designed compensation strategies to try to discourage them from taking small employer groups that might have unhealthy people in their business. For an example: the insurance company may base the compensation payments on the health of the group, or they may slow down processing of applications from the small employer, if they thought there were employees in that group with medical problems. And, some agents thought that their insurance companies were keeping a list of agents who brought them businesses who had employees with poor health.

The other thing the Department noticed was that they seem to have irritated a good portion of the health industry with their interpretation of the life time and annual caps that you would put on the benefits related to mental health coverage and medical and surgical benefits. The Department is going to issue a bulletin next week to try to clarify how they are interpreting those two laws together.

Mr. Wilder then went over the changes that they are introducing in this bill. Mr. Wilder concluded that **HB2705** is intended to clean up the health insurance statutes based on the provisions adopted last year in **SB204**.

Chairperson Wilson asked where in this bill is the confusion that you spoke about, that you are going to clear up next week in relationship to the mental health paroday. Mr. Wilder apologized to the committee. He said he misspoke. The confusion is not in this bill. It is a separate statute. And, it has something to do with the Kassebaum-Kennedy changes that were made last year.

There were no other proponents on this bill and there were no opponents. Chairperson Wilson closed the hearing on this bill.

CONTINUATION SHEET
HOUSE COMMITTEE ON INSURANCE, FEBRUARY 5, 1998
ROOM 527 AT 1:30 P.M.

The Chairperson said he would entertain a motion on the minutes from February 4, 1998. Representative Burroughs made a motion to accept the minutes of February 4, 1998. The motion was seconded by Representative Myers. The committee voted in favor of the motion.

The meeting was adjourned at 1:55 p.m. The next meeting is February 10, 1998.

HOUSE INSURANCE COMMITTEE GUEST LIST

DATE: 2-5-98

NAME	REPRESENTING
Tom Wilder	Kansas Insurance Department
Blythe Ridenour	Intern Rep. Johnson
Janelle Wilhite	Budget
Michelle Peterson	Golden Rule Ins. Co.
Venora Sn Venaman	HIAA
Danielle Noe	Governor's Office
Lee Wright	Farmers Ins. Group
David Hanson	Ks Insur Assns
Callie Jill Denton	KS Assoc of Health Plans
Carrie Rencht	Smart

Kathleen Sebelius
Commissioner of Insurance

Kansas Insurance Department

MEMORANDUM

To: House Insurance Committee

From: Tom Wilder

Re: House Bill 2705 (Kassebaum-Kennedy Act Revisions)

Date: February 5, 1998

This legislation makes a number of revisions to the Kassebaum-Kennedy Act which was approved by the Kansas Legislature last year in 1997 S.B. 204. The changes are based on a review of the new law by the Insurance Department and technical corrections suggested by the Revisor of Statutes. House Bill 2705 includes the following changes to the Kansas Insurance Code:

Section 2 (Eligibility for High Risk Pool): This section adds to the eligibility requirements for the Kansas Health Insurance Association which is the state sponsored high risk pool for individuals who are unable to find health insurance coverage on the private market. The current statute allows two categories of individuals to join the pool:

(a) individuals who have lived in Kansas for six months and who have either been turned down for health insurance coverage by two companies or can not find insurance priced at less than 150% of market rates; or

(b) individuals who previously had 18 months of health coverage through an employer plan, group or individual health insurance or a government health program and who lose that coverage.

The Board of Governors of the high risk pool asked that the six month residency requirements for individuals who previously had coverage under the high risk pool of another state.

Section 3 (Preexisting Condition Limits): The changes in this section clarifies how large group (51+ employees) health insurance policies calculate preexisting condition limit

House Insurance
Attachment # 1-1
2-5-98

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exclusions. The health insurance laws permit large group plans to exclude preexisting medical conditions which occur 90 days prior to the start of the policy for up to 90 days. The provision makes clear that the limits are calculated as of the first day the employee starts work. The new language is taken from the federal Kassebaum-Kennedy act.

Section 3 (Children's Health Insurance Program): The Congress has authorized states to establish health insurance programs for children who do not have access to other private or government health insurance. The revisions in this section adds state children's health insurance programs to the list of insurance which counts as "creditable coverage" against preexisting conditions exclusions in a health policy.

Sections 4 and 5 (Small Employer Health Care Plan): The language in these two sections will do away with the Small Employer Health Care Plan which is a mechanism to provide reinsurance to health insurers which offer coverage to small employers (2-50 employees). When the small employer group laws were first established, the Legislature wanted to encourage health carriers to provide coverage to that market. The Plan was set up to allow health insurers access to reinsurance, if they could not find reinsurance on the private market.

Only one health insurer has accessed the Small Employer Health Care Plan since it was established in 1992 and that carrier is no longer under the plan. The Board of Governors of the Plan have requested that the Health Care Plan statutes should be repealed because it is not necessary. The bill also deletes K.S.A. 40-2209k and 40-22091 which established the Plan.

Sections 4 and 6 (Preexisting Condition Limits): The provisions in these two sections clarify the start date for calculating preexisting condition limits for small employer group policies (2-50 employees). The language is the same as found in the Kassebaum-Kennedy act.

Section 8 (Basic and Standard Plans): Senate Bill 204 which was approved last year requires that health carriers guarantee issue all insurance products to small employers. The law had previously said that health insurers only had to sell small employers a "basic" and "standard" health plan. The coverages in these policies were defined by the Board of Governors of the Small Employer Health Plan. Because carriers must now guarantee

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issue all of their insurance products, the references to "basic" and "standard" plans is deleted from the law.

The changes in House Bill 2705 are intended to clean up the health insurance statutes based on the provisions adopted last year in Senate Bill 204. I would ask for your favorable consideration of this legislation.

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