

Approved: Robert Tomlinson
Date March 9, 1999

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Bob Tomlinson at 3:30 p.m. on February 11, 1999 in Room 527-S of the Capitol.

All members were present except:

Committee staff present:

Bill Wolff, Research
Bob Nugent, Revisor
Mary Best, Secretary

Conferees appearing before the committee:

Bill Sneed Health Insurance Association of America
Bruce Abbe-Communicating for Agriculture
Kerri Ebert-Kansas Dairy Association
Chris Wilson-Kansas Agriculture Aviation Association
Seed Industry Association
Crop Improvement Association
Brett Myers-Kansas Association of Wheat Growers
Cindy Harrington-Golden Rule Insurance Company
Jim Perry-Council for Affordable Health Insurance
Linda DeCoursey-Kansas Department of Insurance
Larrie Ann Brown-Kansas Association of Health Plans
Brad Smoot-Blue Cross/Blue Shield of Kansas & Kansas City
Representative Kent Glasscock-Kansas State Legislature
Representative Dave Gregory-Kansas State Legislature
Don Steiner-Star Lumber & Supply, Wichita, Kansas

Others attending:

See attached attendance sheet

Chairman Tomlinson call the meeting to order and opened discussions public discussion.

HB 2067: Concerning limiting payments of medical benefits under certain circumstances

Representative Dave Gregory, Kansas State Legislature, gave Proponent Testimony to the committee. A copy of the testimony is (Attachment #1) attached hereto and incorporated into the Minutes by reference. This bill is designed to deny its insurance coverage to any convict incarcerated for more than 30 days in a correctional facility. It does not require the company to sever its relationship, but allows them to do so if they so desire. The convict's family is not affected by this bill. Right now this coverage is technically under the inmate care instead of categorizing it as medical coverage and care as insurance.

Mr. Don Steiner, Lone Star Lumber and Supply, Wichita, Ks., gave Proponent Testimony to the committee. A copy of the written report is (Attachment #2) attached hereto and incorporated into the Minutes by reference. Asking for support as very costly to employers.

Questions by the Chairman and Rep. Empson, Kirk, Burroughs, Phelps, Toelkes, Showalter

Public hearings closed on **HB 2067.**

HB 2109: Motor vehicle insurance; relating to accident prevention courses

Representative Kent Glasscock, gave Proponent Testimony to the committee. A copy of the written report is (Attachment #3) attached hereto and incorporated into the Minutes by reference. The bill would extend the rate reduction period from two years to three years regarding policy reduction for insurers who successfully complete a motor vehicle accident prevention course. An overview of the bill was presented by Dr. Bill Wolff.

Questions by Rep. Kirk, Cox

Ms. Linda DeCoursey, Kansas Department of Insurance, gave Proponent Testimony to the committee. A copy of the written testimony is (Attachment #4) attached hereto and incorporated into the Minutes by reference.

Questions by Rep. Boston, Cox, Kirk, Phelps, Burroughs

Public discussion closed on **HB 2109**

HB 2100: Group health insurance for trade associations

Ms. Cindy Harrington, Golden Rule Insurance Company gave Proponent Testimony to the committee.. A copy of the testimony is (Attachment #5) attached hereto and incorporated into the Minutes by reference. Ms. DeCoursey supports the bill.

Questions posed by Rep. Empson, Kirk

Bruce Abbe, Communicating for Agriculture, gave Proponent Testimony to the committee. A copy of the testimony is (Attachment #6) attached hereto and incorporated into the Minutes by reference. They support the bill with the understanding that it will comply with the federal Health Insurance Portability and Accountability Act. Mr. James Perry, Council for Affordable Health Insurance, gave Proponent Testimony to the committee. A copy is (Attachment #7) attached hereto and incorporated into the Minutes by reference. Most organizations are opposed to the bill as they do not offer this type of insurance, and are button-holed into a plan with no choice. With this bill they will have more of a choice for affordable coverage.

Questions by Rep. Cox, Kirk

Mr. Bill Sneed, Health Insurance Associations of America, gave Proponent Testimony to the committee. A copy of the written testimony is (Attachment #8) attached hereto and incorporated into the Minutes by reference. They support the bill as an attempt to create an additional alternative for people to obtain insurance. There are affordable policies for these associations but just not in Kansas.

Questions posed by Rep. Kirk

Ms. Chris Wilson, Kansas Seed Industry and Kansas Agricultural Aviation Association, gave Proponent Testimony to the committee. A written copy of the testimony is (Attachment #9) attached hereto and incorporated into the Minutes by reference. Her companies feel the passage of the bill would allow her companies to offer a group health plan for their individual members, and it would be more attainable and offer them a better coverage plan than they are able to obtain now. She stated the Wheat Association felt the same, (Attachment #10).

Written testimony was offered by Bennie L. Thayer, National Association for the Self-Employed and Barbara Sweet, Federation of American Consumers and Travelers. Their written testimony is (Attachments #11 & 12) attached hereto and incorporated into the Minutes by reference.

Questions by the Chair, Cox, Kirk

Ms. Linda DeCoursey, Kansas Department of Insurance, gave Opponent Testimony to the committee. A copy of the written testimony is (Attachment #13) attached hereto and incorporated into the Minutes by reference. Her office feels there are too many ways for individuals to be excluded from the policy for pre-existing conditions.

Questions by Rep. O'Brien, Boston

Larrie Ann Brown, Kansas Association of Health Plans, gave Opponent Testimony to the committee. A copy of the written testimony is (Attachment #14) attached hereto and incorporated into the Minutes by reference. They feel it creates a subclass of group health insurance and eliminates the level playing field for insurers participating in the group insurance market.

Mr. Brad Smoot, Blue Cross/Blue Shield of Kansas and Kansas City, gave Opponent Testimony to the committee. A copy of the written testimony is (Attachment #15) attached hereto and incorporated into the Minutes by reference. Mr. Smoot the bill would permit associations to exclude certain individuals and their families from coverages with pre-existing conditions.

Questions from Rep. Cox, Kirk

The Chair addressed Dr. Bill Wolff in regard to the bill confirming the bill has legislative history, in that it was presented to the Senate last year and it failed to get out of committee.

Public Hearings were closed on **HB 2100**.

The committee was directed to **HB 2066**. The bill came before the committee February 4, 1999, and was now being brought to the committee to work. **Rep. Cox made the motion to amend the bill to include the provisions in the balloon. Motion seconded by Rep. Hummerickhouse. Motion carried unanimously. Motion was carried after discussion and clarification of what the balloon included and covered.** As explained it made clarifications about financial responsibility, the motor carriers language, and the suggestions of American Family. Rep. Hummerickhouse stated the amendment also addressed a portion of **HB 2091**, and made the motion to accept it. Rep. Jenkins seconded. It was stated the balloon does not include the language of the other bill. Discussions continued. Motion for disposition of the bill was requested. More discussion and Dr. Wolff explained the only provision that was picked up is the part that relates to increased penalties. The section that increased the level of the misdemeanor and changed the six months to one year jail confinement is not part of the ballooned amendment. **Disposition by Rep. Myers to pass favorably as amended, seconded by Rep. Dreher. Discussion by Rep. Grant who feels more problems/burdens for the county treasurers and people will be made at the agent. Discussions continued with Rep. Hummerickhouse, Myers, Boston. Motion on the floor to pass as amended, marked favorable. Votes taken 12 ayes. Nays, Rep. Grant, Phelps, Boston, O'Brien and Burroughs.**

The Chair then requested **HB 2096** be brought forth to work. The balloon represents the bonding language discussed after the drafting of the bill and was discussed in the public hearing. He does not see envisions good money. Money language is the bases for the changes. It was discovered the Revisor did not have the copies for the necessary pages for the balloon. The Chair announced the matter would be continued on Tuesday.

House Insurance Minutes February 11, 1999 Continued

Meeting adjourned at 5:40 p.m.

Next meeting is to be February 16, 1999

HOUSE INSURANCE COMMITTEE GUEST LIST

DATE: February 11, 1999

NAME	REPRESENTING
Cindy Harrington	Golden Rule Ins Co
James Perry	Council for Affordable Health Ins
DON STEINER	STAR LBR Co
Dave Gregory	Dist. 94
Maggie Keating	KID
Paul Davis	"
Linda DeCoursey	"
Bruce Abbt	Communicator for Account
Chris Wilson	KS Seed Industry Ass'n
Jamie Ann Brown	KAITP
Bill Sneed	KIAA
Kevin Davis	Am. Family
Lee Wright	Farmer Ins Group
Ned Sabaske	BCBSKS
Pat Morris	KAMA
David Hansen	Ks Insur Assns
Mike Drees	Federico Consulting
Karen Franer	Ks. Assn of Legislators
BRAD SMOOT	BCBS

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TOPEKA

HOUSE OF
 REPRESENTATIVES

HB2067

Testimony Before The House Insurance Committee February 11, 1999 Representative Dave Gregory

Thank you Chairman Tomlinson and distinguished members of the committee. House Bill 2067 is designed to allow an insuring entity to deny its insurance coverage to any convict who is incarcerated for more than 30 days in a correctional facility.

Convicts today already lose their rights to Unemployment insurance and Workers Compensation coverage upon conviction. This bill does not require that an insurance company sever its relationship with a convict. It does allow the insurance entity to do so, if they so desire. It should be noted that the insurance coverage of the convict's family is in no way affected by this bill.

The bill also denies insurance portability to a convict who has been incarcerated for more than 30 days. If we deny convicts Unemployment Insurance and Workers Compensation Insurance it seems that we should extend this to accident and health services as well.

Governor Graves made several campaign claims this past year taking some credit for getting convicts to pay for their own medical care – an effort which he should be applauded for. Everyone wants to see the convict pay. However, I doubt anyone wanted anticipated that Kansas business and insurance companies might bare the burden of convict care.

The Department of Corrections can under present law instruct their medical contractor to look if the convict had insurance through his previous employer and fully utilize these funds. Of course this will lower the Department of Corrections budget.

I sat in this committee last year and helped pass the Kennedy-Kassebaum insurance portability act. This helped the people who could not get insurance keep their coverage which, is an admirable cause. It never intended to let the state of Kansas suck the profits from Kansas Businesses and insurance companies.

The Department of Corrections has assured me they have a hard time finding convicts with prior insurance and that it does not happen very often. But when it does it seems pretty unfair.

The real problem is that the State of Kansas does not categorize our inmate medical coverage and care as insurance. This technicality allows the Department of Corrections to utilize the insurance portability act as a means of funding inmate care. Why should one Kansas company pay for the care of an inmate. I hope you can see this injustice and will right this wrong by passing HB2067.

Star STAR LUMBER & SUPPLY CO., INC.

325 SOUTH WEST STREET

P.O. BOX 7712

PHONE: (316) 942-2221

WICHITA, KANSAS 67277

Testimony From Don Steiner, Star Lumber & Supply Co., Inc., Wichita, KS

February 11, 1999

Chairman, Bob Tomlinson
Chairman of the House Insurance Committee

Mr. Chairman and Members:

My name is Don Steiner, HR Director for Star Lumber & Supply Co. for the last 21 years. We currently employ 540+ people working at Home Centers and manufacturing facilities in Wichita, Hutchinson and Salina.

This afternoon, I wish to present a situation that is worthy of consideration. This situation is costly to employers and represents a duplication of benefits.

Star Lumber & Supply Co. Inc., as a family-held Kansas corporation, has always tried to provide the best possible benefits for our employees. One of these benefits is Group Medical Health Coverage.

During the employment period, the company and the employee typically share the expense of making this benefit available for the duration of employment. Then, when the employee terminates their employment with the company, the benefit continues to be made available, not only for the convenience of the employee, but for their family as well.

This continued coverage is required under the Consolidated Omnibus Budget Reconciliation Act (COBRA). It is funded entirely by the employee for their own benefit and that of their family, if applicable. The employee may continue the coverage for eighteen months unless:

1. The employee does not pay the premium for 31 days.
2. Other employment is accepted with medical insurance available.
3. The employee qualifies for Medicare.
4. The employer no longer provides health coverage.

Should an employee become incarcerated either during their employment or immediately thereafter, they would continue to be eligible for insurance coverage through COBRA. At the same time, they will also be eligible for medical treatment from the state, county or city institution in which they are confined.

*ATTACHMENT #2
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House Committee on Ins.*

If the ex-employee elects to utilize COBRA for medical treatment, the company will pay for the coverage twice over – once, at the time the treatment is rendered and again as the corporation pays its taxes, a portion of which helps fund the various penal institutions.

Under this circumstance, it appears that the individual should not be eligible for COBRA once they are incarcerated for more than thirty days. This would not affect the remaining family members, in applicable, in any manner. Their coverage would continue on provided they continued to make timely monthly premium payments.

Another factor that the employer must address is the usage or experience rating the ex-employee will create by their continued use of COBRA coverage in the future.

It has been determined that a person who is incarcerated is not eligible for Unemployment Insurance, Worker Compensation Insurance, or Disability Insurance. It would seem appropriate to consider such a person ineligible for Medical Insurance as provided by employers.

They are a ward of the state, county or city for a given period of time and should be cared for by these respective institutions when needed.

If you have any questions, I will respond.

Sincerely submitted,



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MAJORITY LEADER
House of Representatives

TESTIMONY FOR HOUSE INSURANCE COMMITTEE
HOUSE BILL 2109
REPRESENTATIVE KENT GLASSCOCK
February 11, 1999

Mr. Chairman, members of the Committee, thank you for the opportunity to testify before you today in support of House Bill 2109.

This legislation would bring fairness to the citizens of Kansas. Currently, Kansas law requires insurance companies to give a two-year discount to every driver who completes an approved driving accident prevention class. All of the other states in our 15-state region require insurance companies to give a three-year discount to drivers who complete the same driving safety class.

Are we worse drivers than our neighbors? No, we are not. Then we should not be treated as worse drivers.

Do we want to pay more for car insurance? No, we do not. We would like the three-year discount, too.

The purpose behind the legislation that created a two-year discount for successful completion of an approved driving safety class was to provide an incentive for people to maintain and improve their driving skills. It was especially targeted towards older drivers.

When the Senate held a hearing on the original legislation in 1991, Tim Edwards, of the American Association of Retired Persons, testified that he supported the bill because Kansas, like most states, has an increasing number of older drivers on the road. He said that although drivers 55 and older have fewer accidents than younger drivers, they have more accidents per mile. He cited statistics which prove that graduates of an approved driving course, such as a course called "55 Alive/ Mature Driving," have fewer accidents and fewer traffic convictions. Jane Dicks, a retired teacher in Wichita, testified at the same hearing that driving courses help older drivers identify hearing and vision problems, as well as other changes that take place as one grows older.

ATTACHMENT #13
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Mr. Chairman, we know that these courses are important to the drivers who complete them, as well as to all drivers on our roads. We know that they have special benefits to our older citizens. What we must do now is to make sure that we create the most effective incentive for people to take these courses. I believe a two-year discount does not provide an adequate incentive. More drivers would complete a driving safety course if they receive a three-year discount. Our older citizens often lead active, busy lives. We must have a law that provides the best incentive possible.

For this reason, I introduced this legislation to change the two-year discount to a three-year discount. I ask the Committee to pass HB 2109 so that Kansans will receive the same benefit as our neighbors and the same discount as our neighbors. Kansans, especially older Kansans, deserve to be treated fairly.



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

TO: House Committee on Insurance

FROM: Linda De Coursey

RE: HB 2109 – Accident prevention courses

DATE: February 11, 1999

Mr. Chairman and members of the Committee:

Thank you for the opportunity to discuss with you HB 2109 which allows the premium reduction that insureds receive after successfully completing an approved drivers' course. Currently that "discount" is extended for two years, if the insured is not involved in an accident (fault of the insured), or convicted of more than one moving violation.

HB 2109 would extend the period from two years to three years. It is my understanding that the original bill included a three-year time period, and the reason was that other states' law established a three-year period. The change would actually make Kansas more in line with other states on this matter.

I would like to share with you some information about the accident prevention course discounts. I have attached a list of those courses approved for the discount. The courses are approved by either the National Safety Council or a state agency such as the State Board of Education, pursuant to K.S.A. 40-1112a. The Insurance Department is notified when courses are approved, and we send a Bulletin to insurance companies notifying them of the approved

*ATTACHMENT #4
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course. The check marks on the attached list indicate those courses open to the public. The insured does pay for the course, and the cost ranges from \$15 to \$35.

All companies offering motor vehicle insurance policies offer the discount. Generally, the discounts are approximately five percent of only the liability and collision portion of the annual premium. If an insured's total annual premium is \$400, and a 5% discount taken on the liability and collision portion of that annual premium, the discount would result in less than \$20 per year.

Thank you for allowing me to discuss this issue with you. It appears to be a good idea to reward responsible drivers, and I respectfully ask that you consider HB 2109 favorable for passage.

APPROVED COURSES FOR THE MOTOR VEHICLE ACCIDENT PREVENTION COURSE DISCOUNT				
The following courses have been approved for the application of the motor vehicle accident prevention course discount. These courses have been approved by either the National Safety Council or a state agency such as the State Board of Education pursuant to K.S.A. 40-1112a.				
✓ 1	AAA Driver Improvement Program			
✓ 2	National Safety Council's Defensive Driving Course			
3	Forty Hour Driver Instructor Training Program			
4	Smith System Eight Hour Driver Improvement Program			
✓ 5	55 Alive Defensive Driver Improvement Program			
✓ 6	Hartford 3D Driving			
✓ 7	Top Driver			
8	Kansas Law Enforcement Training Center			
✓ 9	Cyr's Driving School, Inc. --Wichita			
10	Coffey County Emergency Vehicle Operator's Course			
11	Enron's Defensive Driving Training Program			



Testimony of Cindy Harrington
Golden Rule Insurance Company
House Committee on Insurance
House Bill 2100
February 11, 1999

Mr. Chairman and members of the committee, my name is Cindy Harrington and I am pleased to appear before you today on behalf of Golden Rule Insurance Company in support of House Bill 2100.

Golden Rule is a leading health insurance carrier in both the employer market and the nonemployer market. Our insureds in the nonemployer market mirror the demographics of uninsured persons. They are low income; half of our insureds earn less than \$25,000 per year. They tend to be younger. No one subsidizes their premiums, not business, not government. They demand affordable health insurance; they will not buy it unless it is affordable.

In our view, Kansas has, perhaps inadvertently, caused the price of this insurance to be quite high. Kansas law requires group health insurance to be guarantee issue. Guarantee issue means that no one may be turned down for coverage. With the high cost of health care some individuals are motivated to buy health insurance when they need it and then drop it with they do not. In time, health insurance becomes extremely expensive and unaffordable to most people.

This problem can be devastating in the nonemployer market. And because Kansas law does not clearly differentiate association plans sold to employer groups versus those sold to nonemployer groups, both are swept into the guarantee issue mandate.

We propose that the guarantee issue mandate not apply to association plans where the plan is not in any way designed, administered, or marketed as a small employer plan. This is consistent with model legislation developed by the National Association of Insurance Commissioners (NAIC). It has been adopted by the majority of states. It creates availability of products and competition, both of which are good for consumers.

We urge you favorable consideration of House Bill 2100.

Golden Rule Insurance Company

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ATTACHMENT # 5
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**GROUP HEALTH INSURANCE DEFINITION AND
GROUP HEALTH INSURANCE STANDARD PROVISIONS MODEL ACT**

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Section 5. Group Health Insurance Standard Provisions

Section 1. Group Health Insurance Definition

Except as provided in Section 2, no policy of group health insurance shall be delivered in this state unless it conforms to one of the following descriptions:

A. A policy issued to an employer, or to the trustees of a fund established by an employer, which employer or trustees shall be deemed the policyholder, to insure employees of the employer for the benefit of persons other than the employer, subject to the following requirements:

(1) The employees eligible for insurance under the policy shall be all of the employees of the employer, or all of any class or classes thereof. The policy may provide that the term "employees" shall include the employees of one or more subsidiary corporations, and the employees, individual proprietors and partners of one or more affiliated corporations, proprietorships or partnerships if the business of the employer and of the affiliated corporations, proprietorships or partnerships is under common control. The policy may provide that the term "employees" shall include retired employees, former employees and directors of a corporate employer. A policy issued to insure the employees of a public body may provide that the term "employees" shall include elected or appointed officials.

Drafting Note: Last sentence may be deleted if its content is covered.

(2) The premium for the policy shall be paid either from the employer's fund or from funds contributed by the insured employees, or from both. Except as provided in Paragraph (3), a policy on which no part of the premium is to be derived from funds contributed by the insured employees must insure all eligible employees, except those who reject coverage in writing.

(3) An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.

B. A policy issued to a creditor or its parent holding company or to a trustee or trustees or agent designated by two (2) or more creditors, which creditor, holding company, affiliate, trustee, trustees or agent shall be deemed the policyholder, to insure debtors of the creditor or creditors with respect to their indebtedness, subject to the following requirements:

(1) The debtors eligible for insurance under the policy shall be all of the debtors of the creditor or creditors, or all of any class or classes thereof. The policy may provide that the term "debtors" shall include (i) borrowers of money or

Group Health Insurance

purchasers or lessees of goods, services, or property for which payment is arranged through a credit transaction; (ii) the debtors of one or more subsidiary corporations; and (iii) the debtors of one or more affiliated corporations, proprietorships or partnerships if the business of the policyholder and of such affiliated corporations, proprietorships or partnerships is under common control.

- (2) The premium for the policy shall be paid either from the creditor's funds, or from charges collected from the insured debtors, or from both. Except as provided in Paragraph (3), a policy on which no part of the premium is to be derived from funds contributed by insured debtors specifically for their insurance must insure all eligible debtors.
 - (3) An insurer may exclude any debtors as to whom evidence of individual insurability is not satisfactory to the insurer.
 - (4) The total amount of insurance payable with respect to an indebtedness shall not exceed the greater of the scheduled or actual amount of unpaid indebtedness to the creditor. The insurer may exclude any payments that are delinquent on the date the debtor becomes disabled as defined in the policy.
 - (5) The insurance may be payable to the creditor or any successor to the right, title and interest of the creditor. Such payment or payments shall reduce or extinguish the unpaid indebtedness of the debtor to the extent of each payment and any excess of the insurance shall be payable to the insured or the estate of the insured.
 - (6) Notwithstanding the preceding provisions of this section, insurance on agricultural credit transaction commitments may be written up to the amount of the loan commitment. Insurance on educational credit transaction commitments may be written up to the amount of the loan commitment less the amount of any repayments made on the loan.
- C. A policy issued to a labor union or similar employee organization, which shall be deemed to be the policyholder, to insure members of the union or organization for the benefit of persons other than the union or organization or any of its officials, representatives or agents, subject to the following requirements:
- (1) The members eligible for insurance under the policy shall be all of the members of the union or organization, or all of any class or classes thereof.
 - (2) The premium for the policy shall be paid either from funds of the union or organization, or from funds contributed by the insured members specifically for their insurance, or from both. Except as provided in Paragraph (3), a policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members, except those who reject coverage in writing.
 - (3) An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.
- D. A policy issued to a trust, or to the trustees of a fund, established or adopted by two (2) or more employers, or by one or more labor unions of similar employee

organizations, or by one or more employers and one or more labor unions or similar employee organizations, which trust or trustees shall be deemed the policyholder, to insure employees of the employers or members of the unions or organizations for the benefit of persons other than the employers or the unions or organizations, subject to the following requirements:

- (1) The persons eligible for insurance shall be all of the employees of the employers or all of the members of the unions or organizations, or all of any class or classes thereof. The policy may provide that the term "employee" shall include the employees of one or more subsidiary corporations, and the employees, individual proprietors, and partners of one or more affiliated corporations, proprietorships or partnerships if the business of the employer and of the affiliated corporations, proprietorships or partnerships is under common control. The policy may provide that the term "employees" shall include retired employees, former employees and directors of a corporate employer. The policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are principally connected with the trusteeship.
- (2) The premium for the policy shall be paid from funds contributed by the employer or employers of the insured persons, or by the union or unions or similar employee organizations, or by both, or from funds contributed by the insured persons or from both the insured persons and the employers or unions or similar employee organizations. Except as provided in Paragraph (3), a policy on which no part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance must insure all eligible persons, except those who reject coverage in writing.
- (3) An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.

E. A policy issued to an association or to a trust or to the trustees of a fund established, created or maintained for the benefit of members of one or more associations. The association or associations shall have at the outset a minimum of 100 persons and have been organized and maintained in good faith for purposes other than that of obtaining insurance; shall have been in active existence for at least one year; and shall have a constitution and by-laws that provide that (i) the association or associations hold regular meetings not less than annually to further the purposes of the members, (ii) except for credit unions, the association or associations collect dues or solicit contributions from members, and (iii) the members have voting privileges and representation on the governing board and committees. The policy shall be subject to the following requirements:

- (1) The policy may insure members of such association or associations, employees thereof or employees of members, or one or more of the preceding or all of any class or classes thereof for the benefit of persons other than the employee's employer.
- (2) The premium for the policy shall be paid from funds contributed by the association or associations, or by employer members, or by both, or from funds contributed by the covered persons or from both the covered persons and the association, associations or employer members.

Group Health Insurance

- (3) Except as provided in Paragraph (4), a policy on which no part of the premium is to be derived from funds contributed by the covered persons specifically for their insurance must insure all eligible persons, except those who reject coverage in writing.
 - (4) An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.
- F. A policy issued to a credit union or to a trustee or trustees or agent designated by two or more credit unions, which credit union, trustee, trustees, or agent shall be deemed the policyholder, to insure members of the credit union or credit unions for the benefit of persons other than the credit union or credit unions, trustee or trustees, or agent or any of their officials, subject to the following requirements:
- (1) The members eligible for insurance shall be all of the members of the credit union or credit unions, or all of any class or classes thereof.
 - (2) The premium for the policy shall be paid by the policyholder from the credit union's funds and, except as provided in Paragraph (3), must insure all eligible members.
 - (3) An insurer may exclude or limit the coverage on any member as to whom evidence of individual insurability is not satisfactory to the insurer.
- G. A policy issued to cover persons in a group where that group is specifically described by a law of this state as one which may be covered for group life insurance. The provisions of the law relating to eligibility and evidence of insurability shall apply.

Section 2. Limits of Group Health Insurance

Group health insurance offered to a resident of this state under a group health insurance policy issued to a group other than one described in Section 1 shall be subject to the following requirements:

- A. No such group health insurance policy shall be delivered in this state unless the commissioner finds that:

Drafting Note: Substitute the appropriate title, if "commissioner" is not correct in the enacting state.

- (1) The issuance of the group policy is not contrary to the best interest of the public;
 - (2) The issuance of the group policy would result in economies of acquisition or administration; and
 - (3) The benefits are reasonable in relation to the premiums charged.
- B. No such group health insurance coverage may be offered in this state by an insurer under a policy issued in another state unless this state or the state in which the group policy is issued, having requirements substantially similar to those contained in Subsections (A)(1), (2) and (3), has made a determination that the requirements have been met.

Drafting Note: Alternative language to Section 2B:

GROUP HEALTH INSURANCE DEFINITION AND GROUP HEALTH INSURANCE STANDARD PROVISIONS MODEL ACT

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Section 1. Group Health Insurance Definition

Except as provided in Section 2, no policy of group health insurance shall be delivered in this state unless it conforms to one of the following descriptions:

A. A policy issued to an employer, or to the trustees of a fund established by an employer, which employer or trustees shall be deemed the policyholder, to insure employees of the employer for the benefit of persons other than the employer, subject to the following requirements:

- (1) The employees eligible for insurance under the policy shall be all of the employees of the employer, or all of any class or classes thereof. The policy may provide that the term "employees" shall include the employees of one or more subsidiary corporations, and the employees, individual proprietors and partners of one or more affiliated corporations, proprietorships or partnerships if the business of the employer and of the affiliated corporations, proprietorships or partnerships is under common control. The policy may provide that the term "employees" shall include retired employees, former employees and directors of a corporate employer. A policy issued to insure the employees of a public body may provide that the term "employees" shall include elected or appointed officials.

Drafting Note: Last sentence may be deleted if its content is covered.

- (2) The premium for the policy shall be paid either from the employer's fund or from funds contributed by the insured employees, or from both. Except as provided in Paragraph (3), a policy on which no part of the premium is to be derived from funds contributed by the insured employees must insure all eligible employees, except those who reject coverage in writing.
- (3) An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.

B. A policy issued to a creditor or its parent holding company or to a trustee or trustees or agent designated by two (2) or more creditors, which creditor, holding company, affiliate, trustee, trustees or agent shall be deemed the policyholder, to insure debtors of the creditor or creditors with respect to their indebtedness, subject to the following requirements:

- (1) The debtors eligible for insurance under the policy shall be all of the debtors of the creditor or creditors, or all of any class or classes thereof. The policy may provide that the term "debtors" shall include (i) borrowers of money or

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Group Health Insurance

purchasers or lessees of goods, services, or property for which payment is arranged through a credit transaction; (ii) the debtors of one or more subsidiary corporations; and (iii) the debtors of one or more affiliated corporations, proprietorships or partnerships if the business of the policyholder and of such affiliated corporations, proprietorships or partnerships is under common control.

- (2) The premium for the policy shall be paid either from the creditor's funds, or from charges collected from the insured debtors, or from both. Except as provided in Paragraph (3), a policy on which no part of the premium is to be derived from funds contributed by insured debtors specifically for their insurance must insure all eligible debtors.
 - (3) An insurer may exclude any debtors as to whom evidence of individual insurability is not satisfactory to the insurer.
 - (4) The total amount of insurance payable with respect to an indebtedness shall not exceed the greater of the scheduled or actual amount of unpaid indebtedness to the creditor. The insurer may exclude any payments that are delinquent on the date the debtor becomes disabled as defined in the policy.
 - (5) The insurance may be payable to the creditor or any successor to the right, title and interest of the creditor. Such payment or payments shall reduce or extinguish the unpaid indebtedness of the debtor to the extent of each payment and any excess of the insurance shall be payable to the insured or the estate of the insured.
 - (6) Notwithstanding the preceding provisions of this section, insurance on agricultural credit transaction commitments may be written up to the amount of the loan commitment. Insurance on educational credit transaction commitments may be written up to the amount of the loan commitment less the amount of any repayments made on the loan.
- C. A policy issued to a labor union or similar employee organization, which shall be deemed to be the policyholder, to insure members of the union or organization for the benefit of persons other than the union or organization or any of its officials, representatives or agents, subject to the following requirements:
- (1) The members eligible for insurance under the policy shall be all of the members of the union or organization, or all of any class or classes thereof.
 - (2) The premium for the policy shall be paid either from funds of the union or organization, or from funds contributed by the insured members specifically for their insurance, or from both. Except as provided in Paragraph (3), a policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members, except those who reject coverage in writing.
 - (3) An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.
- D. A policy issued to a trust, or to the trustees of a fund, established or adopted by two (2) or more employers, or by one or more labor unions of similar employee

organizations, or by one or more employers and one or more labor unions or similar employee organizations, which trust or trustees shall be deemed the policyholder, to insure employees of the employers or members of the unions or organizations for the benefit of persons other than the employers or the unions or organizations, subject to the following requirements:

- (1) The persons eligible for insurance shall be all of the employees of the employers or all of the members of the unions or organizations, or all of any class or classes thereof. The policy may provide that the term "employee" shall include the employees of one or more subsidiary corporations, and the employees, individual proprietors, and partners of one or more affiliated corporations, proprietorships or partnerships if the business of the employer and of the affiliated corporations, proprietorships or partnerships is under common control. The policy may provide that the term "employees" shall include retired employees, former employees and directors of a corporate employer. The policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are principally connected with the trusteeship.
- (2) The premium for the policy shall be paid from funds contributed by the employer or employers of the insured persons, or by the union or unions or similar employee organizations, or by both, or from funds contributed by the insured persons or from both the insured persons and the employers or unions or similar employee organizations. Except as provided in Paragraph (3), a policy on which no part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance must insure all eligible persons, except those who reject coverage in writing.
- (3) An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.

E. A policy issued to an association or to a trust or to the trustees of a fund established, created or maintained for the benefit of members of one or more associations. The association or associations shall have at the outset a minimum of 100 persons and have been organized and maintained in good faith for purposes other than that of obtaining insurance; shall have been in active existence for at least one year; and shall have a constitution and by-laws that provide that (i) the association or associations hold regular meetings not less than annually to further the purposes of the members, (ii) except for credit unions, the association or associations collect dues or solicit contributions from members, and (iii) the members have voting privileges and representation on the governing board and committees. The policy shall be subject to the following requirements:

- (1) The policy may insure members of such association or associations, employees thereof or employees of members, or one or more of the preceding or all of any class or classes thereof for the benefit of persons other than the employee's employer.
- (2) The premium for the policy shall be paid from funds contributed by the association or associations, or by employer members, or by both, or from funds contributed by the covered persons or from both the covered persons and the association, associations or employer members.

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Group Health Insurance

- (3) Except as provided in Paragraph (4), a policy on which no part of the premium is to be derived from funds contributed by the covered persons specifically for their insurance must insure all eligible persons, except those who reject coverage in writing.
 - (4) An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.
- F. A policy issued to a credit union or to a trustee or trustees or agent designated by two or more credit unions, which credit union, trustee, trustees, or agent shall be deemed the policyholder, to insure members of the credit union or credit unions for the benefit of persons other than the credit union or credit unions, trustee or trustees, or agent or any of their officials, subject to the following requirements:
- (1) The members eligible for insurance shall be all of the members of the credit union or credit unions, or all of any class or classes thereof.
 - (2) The premium for the policy shall be paid by the policyholder from the credit union's funds and, except as provided in Paragraph (3), must insure all eligible members.
 - (3) An insurer may exclude or limit the coverage on any member as to whom evidence of individual insurability is not satisfactory to the insurer.
- G. A policy issued to cover persons in a group where that group is specifically described by a law of this state as one which may be covered for group life insurance. The provisions of the law relating to eligibility and evidence of insurability shall apply.

Section 2. Limits of Group Health Insurance

Group health insurance offered to a resident of this state under a group health insurance policy issued to a group other than one described in Section 1 shall be subject to the following requirements:

- A. No such group health insurance policy shall be delivered in this state unless the commissioner finds that:

Drafting Note: Substitute the appropriate title, if "commissioner" is not correct in the enacting state.

- (1) The issuance of the group policy is not contrary to the best interest of the public;
 - (2) The issuance of the group policy would result in economies of acquisition or administration; and
 - (3) The benefits are reasonable in relation to the premiums charged.
- B. No such group health insurance coverage may be offered in this state by an insurer under a policy issued in another state unless this state or the state in which the group policy is issued, having requirements substantially similar to those contained in Subsections (A)(1), (2) and (3), has made a determination that the requirements have been met.

Drafting Note: Alternative language to Section 2B:



Good Ideas for Rural America

Communicating for Agriculture

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Statement of Bruce Abbe
Vice President of Public Affairs

of Communicating for Agriculture

Submitted to the Hearing of the
Kansas House of Representatives Insurance Committee
on House Bill 2100

February 11, 1999

*ATTACHMENT # 6
February 11, 1999
House Committee on Insurance*

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F-g*

Chairman Tomlinson, other members of the Committee, I thank you for the opportunity to submit this statement in support of House Bill 2100 on behalf of the members of Communicating for Agriculture in Kansas.

H.B. 2100, as we understand it, will provide needed reforms that will help increase healthy competition, and most importantly contribute to making health insurance coverage more affordable for many Kansas citizens – particularly farmers and rural self-employed people.

My name is Bruce Abbe. I am vice president of public affairs for Communicating for Agriculture (CA). Communicating for Agriculture is a national, non-profit rural organization made up of farmers, ranchers and rural small business members in 50 states. CA was founded in 1972 in Fergus Falls, Minnesota. CA offers a range of services and provides legislative representation for its members. In addition to our work on agricultural and rural development policy, CA has been very active on rural health care issues throughout our 26-year history – focusing both on improving access to affordable health insurance coverage for rural people, as well as maintaining a quality rural health care delivery system.

CA has offered Group Health Insurance Benefits to its members since 1974, with CA being the Master Policyholder and the members issued certificates of insurance. The CA Group Health Plan has always required proof of insurability to avoid the demise of the group insurance plan due to the risk of anti-selection.

CA has long supported risk pools as a workable method for a state to guarantee access to coverage for individuals. In 1976 CA was one of the strongest advocates for legislation in the state of Minnesota that created one of the first state high risk health insurance pools to provide coverage for the "uninsurable" population who were denied coverage in the private market. Since then, CA has provided information about state risk pool operations to policy makers throughout the country, and supported legislative efforts that have led to this type of program now being in existence in 28 states. CA was a strong supporter of legislation that established the Kansas risk pool – the Kansas Uninsurable Health Insurance Plan – in 1993. Each year, with the cooperation of the state risk pools, CA gathers information and publishes a technical manual on their operations called "Comprehensive Health Insurance for High-Risk Individuals". Our 12th edition has been out since September, and we would be pleased to furnish copies to interested members of this committee.

CA believes that everyone should have the right to purchase health insurance protection, regardless of their health conditions; and that coverage needs to be reasonably affordable for both those with health problems and, just as importantly, for those who are healthy. We also believe that experience shows that a state needs to have a broad-based risk spreading mechanism – like a state risk pool – in operation to spread the costs of insuring the high risk population and keep the costs low, predictable and not cause unnecessary disruptions to the insurance system. CA believes the public is best served by maintaining a strong, competitive insurance system with many players, choices and a level, fair regulatory playing field. Restoring the association group insurance market would be very positive for the citizens of Kansas.

CA supports House Bill 2100 with the understanding that it will comply with the federal Health Insurance Portability and Accountability Act ruling on the non-bonafide group association insurance plans. CA expressed its concern on this issue last spring in a letter to Insurance Commissioner Sebelius on April 28, 1998. On May 12, 1998, CA General Counsel Steve Rufer, wrote to Richard Huncker, director of the Life and Health Division of the Kansas Insurance

Department. Mr. Huncker's reply to Mr. Rufer, June 18, 1998, clearly explained the problem in the existing law, as it would in effect allow anti selection against the CA group, and would affect the overall premium rate of the entire CA group membership plan. The current Kansas law language requires the CA Group Insurance Plan to accept members regardless of health. A person could join CA after they found out they had a health problem, and the Group Insurance Plan would have to accept them and provide immediate coverage. This would be like waiting to buy fire insurance until the barn catches fire.

CA feels the protection of its members group plan is a must, as this is the direction CA's board of directors receives from its existing members. For this reason, CA supports HB 2100 if it will allow CA members in Kansas to come under the same rules as apply to our neighboring state CA members.

I am attaching, for your information, copies of correspondence that I referred to above. Communicating for Agriculture, CA's board of directors, and CA's Kansas members thank you for your consideration of this matter.

Sincerely,

Bruce Abbe

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Twin Cities Support Office
201 W. Travelers Tr., Suite 245
Burnsville, MN 55337
Ph. (612) 854-9005

Communicating for Agriculture
National Headquarters
112 E. Lincoln Ave.
Fergus Falls, MN 56538
Ph. 1-800-432-3276

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file



COMMUNICATING FOR AGRICULTURE

112 E. Lincoln Ave.
P.O. Box 677
Fergus Falls, Minnesota 56538-0677

Phone (218) 739-3241

April 28, 1998

Commissioner Kathleen Sebelius
Kansas Insurance Department
420 SW 9th St.
Topeka, KS 66612-1678

Dear Commissioner Sebelius,

Communicating for Agriculture (CA) has had a Group Health Association Plan for it's members since 1977 with Life Investors Insurance Company of America being the underwriter. CA has over a thousand members in Kansas. The Insurance Company has notified CA that they will no longer offer Kansas members new coverage under the contract that has been available to them since 1978.

The CA Board recently took action to instruct the insurance company to offer it's members a non-bonified association plan because of changes made by Federal Regulation. The board understood that by taking this action it would allow it's members access to the health benefit as it has in the past.

The Insurance Company now has offered CA the option to have individual policies issued to Kansas members that apply for health insurance going forward. The CA Board is opposed to this as the Board has no legal power in controlling the benefits, premium and claim problems as it has with the current arrangement.

In 1991 there was similar legislation passed in Kansas and with the help of then Commissioner Todd, CA was able to continue to provide benefits for it's members.

CA believes that all it's members should have a right to have health insurance regardless of health, but it believes that it must protect its member from anti-selection, so health insurance remains affordable for all members. For this reason, CA is the recognized national leader in creating Comprehensive Health Insurance for High Risk Individuals. Kansas adopted the Kansas Uninsurable Health Insurance Plan Act in 1992, effective July 1st, 1992 and operational May 1st, 1993. Since 1993, the number of Kansas residents using KHLA has increased every year with well over a 1000 enrolled in 1997. Please find enclosed the latest annual report for Kansas on pages 87-90.

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Please advise me as to what steps CA could take to be able to continue to offer the valuable CA Health Plan in Kansas as it has done since 1978.

Your cooperation will be appreciated. Enclosed find correspondence between Commissioner Todd and CA in 1991.

Sincerely,

Wayne Nelson
President

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3-9

PEMBERTON, SORLIE, SEFKOW, RUFER & KERSHNER, P.L.L.P.
ATTORNEYS AT LAW

110 NORTH MILL STREET
P. O. Box 866
Fergus Falls, MN 56537-0866

Phone: 218-736-5493

Fax: 218-736-3950

May 12, 1998

Mr. Richard Huncker
Director of Life and Health
Kansas Insurance Department
420 West 9th Street
Topeka, Kansas 66612-1678

Dear Mr. Huncker:

REFERENCE: Communicating for Agriculture, Inc.

My client, Communicating for Agriculture, Inc. (CA) has informed me of the correspondence and communication they have had with you and the legal people at Life Investors Insurance Company of America (LIICA) regarding CA members in Kansas and their CA health benefit.

CA's legislative staff and our office have attempted to preserve benefits for members at a reasonable and controllable rate since 1974.

The latest federal legislation, HIPAA, required associations to adopt a resolution that required the insurance company underwriting the association health benefits to offer a non-bona fide association plan. CA does not want members to join the association for the sole purpose of obtaining health insurance and especially only because they have a pre-existing health problem.

CA recognizes and accepts the HIPAA guidelines on a new CA member if they come off COBRA and have been an employee. That person would, however, have to become a self-employed farmer or rancher or small agri-business person. He cannot be a member for non-bona fide health insurance if he is an employer or employee.

According to CA President, Wayne Nelson, you are open to finding a solution to the problem created by Sec. 40-2209 for CA members. The CA Board appreciates your help.

My suggestion is that possibly CA does not fit under Sec. 2209 (f) (5) because the language reads employees or employer of members of the association, etc. It further states the premium shall be paid by the policyholder, which has never been the case with CA's Association plan. The premium is billed directly to the member by the insurance company.

Assuming 2209 (F) (5) does not apply to CA, then 2209 (E) does not apply, since the CA Board passed a resolution that does not allow the insurance company to accept members that apply for health insurance to have coverage regardless of health. This has been the CA Board's requirement since 1977 of its endorsed health insurance underwriter. To change it would be a disadvantage to the member and consumer who may be able to have health insurance through an established association.

By preventing farmers, ranchers, and self-employed agriculturally-related people from having endorsed health insurance on what is commonly called Group Insurance, the insurance company has an advantage because they can only offer individual policies, which in most states, have a lower mandated loss ratio.

This is what happened to Group Medicare Supplements. Group supplements had a 75% loss ratio and individual plans a 65% loss ratio. Legislation was created so that there was no advantage for group coverage. Consequently, insurance companies switched to individual policies at a high premium to the insured and a lower loss ratio to the company. CA does not want this to happen to their members in Kansas. Without a solution agreeable to all parties, this would undoubtedly happen.

Thank you for taking the time to explore this with me on behalf of Communicating for Agriculture.

Sincerely,



Stephen F. Rufer
General Counsel
Communicating for Agriculture, Inc.

SFR:ps

Cc: Wayne Nelson
Mary Clark
Rusty Sparks
Jim Light
Mike Skinner

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9-9

O.M.I.T. / 11/11/99
Mary Clank
Rusty Sparks



Kathleen S.
Commissioner of
Kansas Insurance

Post-It Fax Note	7871	Date	6/23	Time	1:00 PM
To	Milt S.	From	S. Ruffer		
Co./Dept.		Co.			
Phone #		Phone #			
Fax #	789-3832	Fax #			

June 18, 1998

MR. STEPHEN F RUFER
GENERAL COUNSEL
PEMBERTON, SORLIE, SEPKOW, RUFER & KERSHNER, PLLP
110 NORTH MILL STREET
PO BOX 866
FERGUS FALLS MN 56537-0866

Re: Communicating for Agriculture, Inc.

Thank you for your letter of May 12, 1998.

Our legal division has had an opportunity to review your letter of May 12, regarding your argument that K.S.A. 1997 Supp. 40-2209(E)(1) does not apply to CA because CA does not fit under K.S.A. 1997 Supp. 40-2209(F)(5). As a result of our review, we wish to provide the following comments.

K.S.A. 1997 Supp. 40-2209(E)(1) states "an accident and sickness insurer offering a group policy providing hospital, medical or surgical expense benefits may not establish rules for eligibility (including continued eligibility) of any employee, member or dependent to enroll under the terms of the group policy based on any of the following factors in relation to the eligible employee, member or dependent: (a) health status, (b) medical condition (including both physical and mental illness), (c) claims experience, (d) receipt of health care, (e) medical history, (f) genetic information, (g) evidence of insurability (including conditions arising out of acts of domestic violence), or (h) disability. This subsection shall not be construed to require a policy providing hospital, medical or surgical expense benefits to provide particular benefits other than those provided under the terms of such group policy or to prevent a group policy providing hospital, medical or surgical expense benefits from establishing limitations or restrictions on the amount, level, extent or nature of the benefits or coverage for similarly situated individuals enrolled under the group policy."

K.S.A. 1997 Supp. 40-2209(F)(5) allows for the issuance of group health insurance coverage to an association insuring at least 25 members, employees, or employees of members of the association.

Please be advised that group health insurance can only be written in Kansas to types of groups that are specified under the provisions of K.S.A. 1997 Supp 40-2209 (F)(1) through (F)(6). An association's board's resolution can not change or modify Kansas insurance laws. Secondly, the provisions of K.S.A. 1997 Supp. 40-2209(E)(1) applies to each of the group's mentioned in K.S.A. 1997 Supp. 40-2209(F)(1) through (F)(6). This includes association group issuance.

420 SW 9th Street
Topeka, Kansas 66612-1678

785 296-3071
Fax 785 296-2283
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Consumer Assistance Hotline
1 800 432-2484 (Toll Free)

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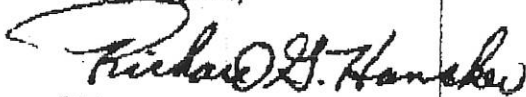
Mr. Stephen F. Rufor
June 18, 1998
Page 2

The 1997 Kansas Legislature enacted K.S.A. 1997 Supp. 40-2209 (E)(1). This law prohibits group association plans from underwriting new employees and members in the future. Apparently, this law was enacted to treat all group programs the same with regard to insuring new employees or members. (Previously, only employer issued plans (K.S.A. 1997 Supp. 40-2209(F)(1) could not underwrite new employees.

As far as we are aware, there is nothing in Kansas insurance laws which prevent farmers, ranchers, and self-employed agriculturally related people from having endorsed health insurance on a group or individual insurance basis. We understand there may be a difference in coverage and/or premiums from one type of product to another. However the negotiations between the insurer and an association often determine the extent of premiums being charged. Those premiums that are charged should be set within the parameters of the Kansas insurance law.

I trust this information will be of service to you and if you should have any further questions on this matter, please do not hesitate to contact me.

Very truly yours,



Richard G. Humcker, CIE
Accident and Health Supervisor

RGH:cmd
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cc: Wayne Nelson

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Testimony of James Perry
Council for Affordable Health Insurance
Before the Committee on Insurance
House Bill 2100
February 11, 1999

Mr. Chairman and members of the committee, thank you for the opportunity to comment this afternoon on Kansas House Bill 2100. My name is Jim Perry and I am pleased to appear before you today on behalf of the Council for Affordable Health Insurance (CAHI). Based in Alexandria, Virginia, CAHI is a national association of insurance carriers active in the individual, small group, senior, and medical savings account health insurance markets. CAHI's membership also includes hundreds of physicians, actuaries and other Americans interested in market-oriented solutions to health care problems in the United States. Since its founding in 1992, CAHI's mission has been to find ways to make health insurance more affordable and more accessible for all Americans. CAHI publishes numerous studies and policy analyses each year on issues relating to health insurance and health care. Additionally, CAHI representatives actively advocate on behalf of the organization's members both in Congress and in state legislatures across the United States.

The Council is very supportive of House Bill 2100. One of our main goals is to provide as many health insurance options for Americans as possible. We strongly believe that one of the main impediments for individuals seeking quality health insurance coverage is cost. As the cost of coverage rises more and more Americans are forced to live life without the financial protection offered by comprehensive coverage. We believe that by providing residents of Kansas with the option of purchasing coverage through a valid association more residents of the state will enjoy the satisfaction of knowing that they are not an illness away from financial catastrophe.

Over the past several years, Kansas has enacted a number of changes to its group insurance laws. Some of these changes require guaranteed issue to all participants in a group while at the same time placing limitations on preexisting condition limitation exclusions. Unfortunately, these coverage requirements apply to both employer-based associations (for example restaurants, retailers, or manufacturers) as well as to non-employment based associations, such as affinity groups or other membership organizations. It is our view that the same rules cannot be applied to membership in a non-employment based association while still allowing affordable insurance to be offered by an association. House Bill 2100 would simply conform the treatment of individual association coverage under Kansas law to the way that HIPAA treats such plans and to the way that existing Kansas policy treats other non-employer plans.

*ATTACHMENT # 7
February 11, 1999
House Committee on Insurance*

Association members who purchase insurance through non-employment based association do so with their own resources and without any subsidy from an employer. They are simply purchasing their coverage with after-tax dollars. Rising health insurance rates are one of the most significant factors leading to a decline in health coverage in the United States. The evidence from other states which have experimented with guarantee issue in the non-employer based market clearly shows skyrocketing rates and insurers fleeing from the marketplace. The end result is few choices for consumers and higher costs what few coverage options remain. I would be happy to provide the committee with the experiences of other states. Individuals purchasing coverage through an association under HB 2100 would be able to marshal their bargaining power through their association to negotiate better rates and better benefit packages than they otherwise would be able to get on their own. The end result would be more insurance options at more affordable prices for Kansas' residents.

HB 2100 would allow sales to association members to be offered based on the individual association member. The bill includes a number of restrictions to assure that coverage would only be offered for valid and legitimate associations. In fact, the bill requires that associations to be considered valid comply with stronger requirements than recommended by the National Association of Insurance Commissioners (NAIC). On behalf of the members of CAHI, I urge your favorable consideration of HB 2100.

Thank you.

MEMORANDUM

TO: The Honorable Bob Tomlinson
Chairman, House Insurance Committee

FROM: William W. Sneed
Legislative Counsel
Health Insurance Association of America

DATE: February 10, 1999

RE: H.B. 2100

My name is Bill Sneed and I appear today on behalf of the Health Insurance Association of America ("HIAA"). HIAA is an association of more than 250 health insurance companies doing business in Kansas and nationwide.

We rise in support of H.B. 2100 as an attempt to create additional alternatives for members of a valid association to obtain health insurance. Although it has been pointed out that there is some concern as to what effect this would have on the small employer group, it would appear from our reading that the definition of "valid association" has created enough of a benchmark that there should be no adverse selection in the marketplace.

Our Association does have as some of its members companies who are actively involved in the association business. Thus, they believe that this change will assist in their marketing of health insurance plans in Kansas. Currently, our members inform us that most of the plans that they solicit throughout the country are unavailable in Kansas, and this broadening definition will allow Kansas citizens to enjoy the benefit of these products.

We appreciate the opportunity to appear in front of the Committee, and if you have any questions, please feel free to contact me.

Respectfully submitted,



William W. Sneed

**STATEMENT OF
KANSAS SEED INDUSTRY ASSOCIATION
AND
KANSAS AGRICULTURAL AVIATION ASSOCIATION
TO THE HOUSE INSURANCE COMMITTEE
REP. ROBERT TOMLINSON, CHAIR**

Regarding House Bill 2100

February 11, 1999

Mr. Chairman and Members of the Committee on Insurance, I am Chris Wilson, Executive Director of Kansas Agricultural Aviation Association (KAAA) and Director of Member Services of Kansas Seed Industry Association (KSIA). Both are statewide professional trade associations, serving segments of the agribusiness community.

Thank you for introducing H.B. 2100 and holding this hearing on it today. KAAA and KSIA support this bill because of our desire to provide health insurance programs for our members. KSIA had a small group plan for several years, up until about six years ago when the carrier (Blue Cross/Blue Shield) dropped its small group plans. Since that time, the KSIA Board of Directors has been looking for an alternative program to offer a health plan to members. I have met with several different company representatives, but they are more interested in providing other types of coverage to our association members (such as life insurance, estate planning, or property/liability coverage) and we have had no health plan offered.

Currently, members seek health insurance on an individual family basis. Sometimes, a member of the family seeks employment which has health benefits primarily so that the family will have insurance. We have even had members leave their businesses and pursue other employment in order to have good health benefits. Often, on an individual basis, the insurance they find has high premiums, high deductibles, and not as good benefits as they might be able to have if they were part of a group.

There are not currently as many options for those involved in agriculture as their used to be. For seedsmen, the KSIA Blue Cross plan is no longer there, and Kansas Farm Bureau, to which a lot of our members belong, no longer offers health insurance.

We believe that the passage of H.B. 2100 would allow us to offer a group health plan for our individual members which would be more available and affordable and offer

*ATTACHMENT # 9
February 11, 1999
House Committee on Insurance
+2*

better coverage than their current options.

H.B. 2100 removes - for associations with individual members -the prohibitions which are placed on the group employer-based plans for exclusions. This would allow group plans for individuals to have exclusions for enrollment, eligibility and preexisting conditions. These exclusions are no different challenges than our members face in getting health coverage on an individual basis today. Allowing these exclusions for our group plans would, however, give them access to more affordable and better coverage because they could join with a group. While such plans could have eligibility rules, that is far preferable to the current situation which leaves people with no coverage or higher cost coverage for fewer benefits.

My office also works with other organizations, including the Kansas Sheep Association and the Kansas Agri-Women whose members have frequently indicated their interest in better health insurance. While there are a number of agricultural organizations interested in this legislation, because of the individual nature of our membership, I would think there are numerous other associations whose members could benefit from the passage of H.B. 2100 when they understand its ramifications.

Thank you for your consideration of H.B. 2100. We respectfully request your favorable consideration of this bill and would be glad to answer any questions you may have.



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**Kansas Association of Wheat Growers
Testimony before the House Insurance Committee
House Bill No. 2100
February 11, 1999**

Good afternoon Mr. Chairman and members of the committee. Thank you for this opportunity to testify in support of House Bill 2100. My name is Brett Myers and I am the Executive Vice President of the Kansas Association of Wheat Growers.

Historically, the Kansas Association of Wheat Growers has made association group insurance available to our producer members. This insurance is our own association plan specifically designed to meet our members' needs. Since 1985, we have obtained our insurance plan through a larger, multi-state group, the Grain Growers Membership and Insurance Trust.

Our trust's board of directors manages our insurance program, which includes farmer representatives from each of our participating state and national associations. We have an independent, professional trust administrator, and we buy the insurance from a large company that operates in most states.

Nationally, the Grain Growers health insurance program includes over 6,000 members and their families. Out of the 6,000 nearly 800 are members of the Kansas Association of Wheat Growers. The Grain Growers program has 16 state and national participating associations.

I want to emphasize that the insurance plan we obtain for our members is particularly important to us because farmers historically have had difficulty in obtaining access to decent, affordable health insurance. What we are talking about here is insurance for members who either do not have employees or who do not buy insurance for employees. The vast majority of our members fit into one of these two categories.

As we understand it, current Kansas law treats single association members who do not have employees as if they were buying employer "group" coverage. This has made it very difficult for us to find insurance for these members at affordable prices.

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With employer group coverage, insurance companies get compulsory inclusion of healthy employees in the group. This gives employer groups a balance of healthy and sick people. But with voluntary insurance like ours, and without employees, our insurance company has made it clear that they need underwriting to keep a balance of healthy and sick people in our group. Of course, once a member and his family are in our association insurance program, if they get sick, they are guaranteed the right to stay.

H.B. 2100 would allow us to again offer non-employer health insurance as a benefit of association membership, without the affordability problems caused by the current law. We urge the committee to vote favorably to approve H.B. 2100 to allow Kansas farmers to obtain good, affordable health insurance, something we know our members desperately need.



Testimony Submitted
to the
Kansas House Committee on Insurance
HB 2100

Bennie L. Thayer, President

On behalf of the over 330,000 nationwide members of the National Association for the Self-Employed and its over 5,000 members living within the State of Kansas, we wish to express our support for Kansas House Bill 2100.

The National Association for the Self-Employed (NASE) is a small business trade association offering its members a variety of business, personal and legislative benefits. We are able to offer our members substantial discounts on the goods and services they need through the pooling of their numbers. In addition, through endorsed carriers, various insurance options are also offered to our membership.

The NASE believes that the treatment of individual membership association health plans should be consistent with the way HIPAA treats such plans and the way Kansas currently treats other plans issued to individuals.

This would allow individuals purchasing coverage through association membership to enjoy the benefits of group buying power in the form of lower premiums and better benefit packages than they might otherwise have available to them.

We do not believe that passage of HB 2100 would harm Kansas' employer health reforms. Rather it would bring them more clearly in line with the federal laws (HIPAA) applying to employer plans with two or more employees.

We appreciate the opportunity to submit this testimony on behalf of our current membership and for those small businesses who may potentially become our members. Access to affordable health care options is critical to this segment of small business. With that access, more Kansas small businesses will be able to obtain and keep insurance.

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February 11, 1999
House Committee on Insurance*



Testimony Submitted
to the
Kansas House Committee on Insurance
HB 2100

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ATTACHMENT # 12
FEBRUARY 11, 1999
HOUSE COMMITTEE ON INSURANCE



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

TO: House Committee on Insurance

FROM: Linda De Coursey

RE: HB 2100 – terms and conditions of certain sickness
and accident policies – associations

Mr. Chairman and members of the Committee:

Thank you for the opportunity to discuss HB 2100 with you. I am appearing in opposition to HB 2100. The bill is less favorable for consumers because it would exempt association health plans from four important provisions in the group health insurance laws: open enrollment; limitations of pre-existing conditions exclusions; protection from excluding pregnancy as a pre-existing medical condition, and eligibility to enroll in the health plan protections.

Kansas law [K.S.A. 1998 Supp. 2209(f)(5)] allows for the issuance of group health insurance coverage to an association. Association health plans are classified as group health insurance, and are subject to all the group health insurance laws in this state.

Open enrollment is the annual opportunity provided to all individual who are eligible to join a group health insurance plan. Kansas group law provides that all group policies shall have a 31 day open enrollment period each year. HB 2100 removes this requirement for association policies.

HB 2100 allows association health plans to exclude pre-existing medical conditions from coverage. Current group health insurance laws limit the use of pre-existing condition exclusions

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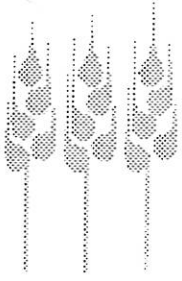
for medical conditions which occur 90 days prior to health coverage for up to 90 days after the start of the policy. Basically, HB 2100 could permanently exclude any medical condition for an individual's lifetime for the length the policy is in force.

HB 2100 also removes the provisions in the law that prohibits a group policy from excluding coverage for pregnancy as a pre-existing medical condition. The change gives the association health plan the absolute right to not provide coverage for pregnancies. Maternity benefits are an important part of health insurance coverage for many individuals, and it should not be excluded from a health policy.

Current Kansas law [K.S.A. 1998 Supp. 40-2209(e)] states that groups may not establish rules for eligibility for individuals to enroll under the terms of the policy based on: health status, medical condition, including both physical and mental illness, claims experience, receipt of health care, medical history, genetic information, evidence of insurability, including condition arising out of acts of domestic violence, or disability. HB 2100 removes the applicability of this section for associations.

To summarize, it is a situation of having your cake and eating it too. HB 2100 tries to make a group product not subject to group laws, but subject the individual insurance laws, while still getting the advantage of group rates and tax benefits. Female members of an association would be excluded from the health care plan for pregnancy. Members of the association could be deemed ineligible for health care coverage on the basis of their health status, medical condition (physical or mental illness), disability, claims experience, medical history, or evidence insurability.

HB 2100 exempts association health plans from group health insurance laws that are very important to consumers. I would respectfully ask that you not approve HB 2100.



Kansas Association of Health Plans

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**Testimony before the
House Insurance Committee
The Honorable Robert Tomlinson, Chairman
Hearings on HB 2100
February 11, 1999**

Chairman Tomlinson and members of the committee. Thank you for allowing me to appear before you today. I am Larrie Ann Brown Executive Director of the Kansas Association of Health Plans (KAHP).

The KAHP is a nonprofit association dedicated to providing the public information on managed care health plans. Members of the KAHP are Kansas licensed health maintenance organizations, preferred provider organizations and others who support managed care. KAHP members serve many Kansans.

The KAHP opposes HB 2100 because it creates a subclass of group health insurance and eliminates the level playing field that currently exists for those insurers participating in the group insurance market. Federally, the Health Insurance Portability and Accountability Act of 1997 (HIPAA) set minimum standards for group health insurance policies. Such standards include requiring guaranteed issue during open enrollment, limiting preexisting condition exclusions, and prohibiting certain rules for eligibility. State law in Kansas in many cases had previously established similar requirements. But where it hadn't, was amended to be consistent with HIPAA. This bill would exempt certain "valid associations" from the need to comply with those standards.

We do not believe this bill is good public policy, since the result of it would allow "valid associations" to provide health insurance to their members which doesn't carry the same

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consumer protections as required by all other types of group health insurance. In addition, since such "valid associations" would likely attract those who don't need to take advantage of those consumer protections, i.e. healthy individuals, the bill would be a step back to the days when insurers used risk selection mechanisms to attract business as opposed to risk management mechanisms. Those mechanisms are what caused you to wisely enact group reform legislation a few years back that essentially prohibited the types of activities that HB 2100 aims to repeal.

KAHP believes this legislation is unnecessary, bad public policy and would reestablish excess volatility in the group health insurance market. We respectfully ask that you oppose this bill.

BRAD SMOOT

ATTORNEY AT LAW

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**Statement of Brad Smoot, Legislative Counsel
Blue Cross Blue Shield of Kansas
Blue Cross Blue Shield of Kansas City
To
House Insurance Committee
Regarding 1999 House Bill 2100
February 11, 1999**

Blue Cross Blue Shield of Kansas is a not-for-profit mutual insurance company providing health insurance to more than 700,000 Kansans in 103 counties. Blue Cross Blue Shield of Kansas City is a non-profit hospital and medical service corporation serving more than 200,000 Kansans in Johnson and Wyandotte Counties.

Kansas has been a leader in stabilizing the group health insurance market. The Legislature recognized the pitfalls of "cherry-picking" healthy risks and enacted laws, even before the federal government did, to create price stability in the markets, keep employer groups together and allow individuals to get into and retain health insurance coverage. HB 2100 would exempt association group plans from rules that everyone else must follow. It would permit such association health plans to exclude individuals and their families from coverage; deny coverage for preexisting health conditions (cancer, diabetes, etc.); exclude pregnant women and exclude or drop from coverage persons because of mental illness, disability or genetic information. These are things that the rest of us in the group insurance market cannot do. We must take and keep all those who belong to the group.

The impact of allowing one type of entity (associations) to select and retain only the healthy risks while leaving the less healthy to fend for themselves in the individual or group markets could destabilize the group marketplace. With the healthy members "cherry-picked" by associations, premiums for less healthy groups would increase and groups may collapse as members were forced to drop coverage. HB 2100 could mean higher premiums for many people and no coverage for others.

If a carrier wants to sell insurance only to the healthy, it can sell individual policies under current law. We sell underwritten health coverage at BCBS. Premiums range from \$50/ month to \$1000 per month depending on the health of the individual. It is a highly volatile market which is a bargain for the young and healthy and expensive for the aging and infirm.

HB 2100 represents a reversal of good public policy and could, if widely used, injure thousands of Kansans. We urge you to reject this proposal. Thank you for your time and consideration of our views.

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February 11, 1999
HOUSE COMMITTEE ON IWS.*