Approved: February 15, 1999
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE .

The meeting was called to order by Chairperson Senator Don Steffes at 9:00 a.m. on February 10, 1999 in Room 529 S of the Capitol.

All members were present except:

Committee staff present: Dr. Bill Wolff, Research
Ken Wilke, Office of Revisor
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Kathleen Sebelius, Insurance Commissioners
Terry D. Bernatis, Health Benefits Administrator
Dan Stanley, Department of Administration
Bill Curtis, KASB
Craig Grant, KNEA

Others attending: See Attached

Discussion of USD's entering the State Employee Health Insurance Plan

Insurance Commissioner Sebelius presented testimony supporting the participation of the employees of public school districts in the State Employees Health Plan under a program designed by the Health Care Commission (Attachment 1). She agreed with the creation of gateway criteria in order to avoid an adverse impact to the plan now in place for state employees. Commissioner Sebelius pointed out that insurance premiums depend on large numbers and purchasers for large groups fare far better in the market place than do those seeking insurance for small groups, i.e. school districts.

Secretary of Administration Dan Stanley reviewed the many years such a plan has been reviewed and ultimately rejected due to administrative costs. The main concern has and will continue to be the protection of the state employees in their plan and not increase costs by expansion to other entities nor decrease benefits. The Health Care Commission can legally authorize the inclusion of USD employees eligibility for the existing plan and ultimately force the Legislature to appropriate the funding on an annual basis if needed. Inclusion in the state plan would require school district employees to be educated regarding the plan and do most of the administrative work themselves. This option would mean the Department of Administration would require six to seven FTE's instead of 26 FTE's if they provide the administrative work. If USD's are brought under the state health plan, the Health Care Commission will need to include a teacher representative as well as state employees and retirees.

Terry Bernatis, Health Benefits Administrator, reviewed the actuarial report prepared by William M. Mercer, Inc., to determine the fiscal impact and associated effects of mandatory participation by public school districts in the state of Kansas Health Benefits Program (Attachment 2). The critical underlying assumption for the study was that all USD's would be required to join the state's plan and adhere to its eligibility, plan design and contribution provisions. Deviations would materially change the outcome of the analysis. The cost of adding USD active employees for 1999 would be $199.5 million if 90% participate and $155.1 million if 70% participate. Every 1% change in participation rates will be a cost of $3 million. Employer contributions for the state are 71% of costs while employer contribution for USD's will be at least 75% or more due to the salary differential. It will cost between $100 million and $175 million to bring the USD's into the plan. Mrs. Bernatis listed the variables which will affect the cost of the plan (see Attachment 2), addressed the administrative magnitude as well as problems of adverse selection and those posed by rural districts due to the absence of managed care plan discounts and cost management provisions.

Bill Curtis, KASB, supported the concept of USD's joining the Kansas Health Benefits program (Attachment 3). He questioned the viability of requiring 1000 work hours per year in order to be eligible to join the program as many school district employees are on a less than full-time basis. He presented statistics explaining that few USD's give cash out instead of insurance because the districts have put the money into base salaries for employees and have lowered the fringe benefits. He acknowledged that a cooperative attitude would be very important during contract negotiations.

Craig Grant, KNEA, agreed that there would be many changes during the negotiation process if the USD's joined the state health plan. He reported that the teachers were willing to cooperate with the 70% enrollment requirement and would possibly be willing to increase that percentage. He asked that their eligibility for enrollment be done administratively rather than statutorily with no negative impact on the state plan. KNEA has agreed to no negotiations regarding their participation in the state health plan after their eligibility has been established.

The Committee discussed extending the time period required for enrollment to more than three years but that would not be possible as the insurance plans are negotiated for three-year time periods. Currently there is an administrative cost of $14 per month per participant in the state health plan. With additional enrollees this would probably pay for the additional FTE's required for the administration of the plan as the Health Commission is a fee agency.

Action on SB 151 - Insurance, Kansas Viatical Settlement Act
A balloon amendment was presented by Revisor Ken Wilke which would make only technical changes (Attachment 4).

Senator Feleciano moved for the adoption of the balloon amendment and to have the act take effect upon publication in the Kansas Register. Motion was seconded by Senator Bills. Motion carried.

Senator Feleciano moved to have the bill reported favorably as amended. Motion was seconded by Senator Biggs. Motion carried.

Action on SB 152 - Kansas, licensing requirements for insurance agents; continuing education
A balloon amendment was presented by John Peterson, Enterprise Car Rental, which named the agency as the licensee not the counter employees (Attachment 5).

Senator Praeger moved to adopt the proposed amendment. Motion was seconded by Senator Becker. Motion carried.

Senator Praeger moved to move the bill out as amended. Motion was seconded by Senator Becker. Motion carried.

Action on SB 162 - Kansas insurance coverage for children; prior authorization

Senator Biggs moved to report the bill favorably. Senator Praeger seconded the motion. Motion carried.

The meeting was adjourned at 10:00 a.m. The next meeting will be held on February 11, 1999.

SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE GUEST LIST

DATE: 2/10

NAME	REPRESENTING
David L. Ross	KDOCH
Bill Sneed	AmVest
Lee WRIGHT	Farmers Ins. Group
Linda DeCoursey	KS Insurance dept.
Ezra GINZBURG	Office of State Bank Commissioner
[illegible]	USD #482
Kathleen Sebelius	Ks Insur Dept
Gary Jantz	USD 373 Newton
Craig Grant	KNEA
Mike Sheahy	Federico Consulting
Duane Porter	USD 272 Glen Elder
K Gaston	USD 272 Glen Elder
Lynn Myers	Southwest Plains Regional Service Center
Steve Ashley	Dept of Admin / DPS
CRAIG NEUENSWANDER	USD 378 RILEY COUNTY
Rocy Myers	Cap-Journ
Danielle Noe	Governor's Office
Pat Morris	KAIA
Mike Hutfles	SRS

SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE GUEST LIST

DATE: 2/10/99

NAME	REPRESENTING
Larrie Ann Brown	KAHP

Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

TO: Senate Committee on Financial Institutions and Insurance

FROM: Kathleen Sebelius, Insurance Commissioner

RE: Public School Teachers and State Employee Health Insurance Plan

DATE: February 10, 1999

Mr. Chairman and members of the Committee:

I support the principles behind allowing the State Employees Health Care Commission to set up a health plan for employees of public school district. I have been a longstanding supporter of this concept. I have attached the testimony I presented to the Special Committee on Financial Institution and Insurance in November for your information.

A basic concept of insurance is the ability to spread risk to as large of a group as possible. The state employee's health care plan provides coverage for approximately 87,000 state employees and family members, and is one of the largest health insurance plans in Kansas.

Health insurance pricing is often ruled by the number of covered lives. Increasing the size of a purchasing group, if care is taken to avoid adverse selection, should help to drive costs down.

The criteria for unified school districts to participate in the state of Kansas Health Benefits Program has now been written and is being shared with you. I am pleased that the Kansas Legislature took an active role in the debate. This is an appropriate public policy decision, and I believe it is an excellent opportunity to improve the benefit options for thousand of teachers and at the same time improve the benefits we currently negotiate for state employees.

Senate Financial Institutions & Insurance

Date 2/10/99

Attachment # 1

420 SW 9th Street
Topeka, Kansas 66612-1678
785 296-3071
Fax 785 296-2283

Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

TO: Special Committee on Financial Institutions and Insurance

FROM: Kathleen Sebelius, Insurance Commissioner

RE: School Employees in State Employee Health Plan

DATE: November 13, 1998

Mr. Chairman and Members of the Special Committee:

I am appearing today in support of the principles behind allowing the State Employees Health Care Commission to set up a health plan for employees of public school districts. It is a topic that surfaced last year in a house bill, but the concept of adding school district employees and other local entities is not new. When the statute was written, creating the Health Care Commission, the Legislature contemplated an employee benefits plan which was designed for state employees, but "in the event that the Kansas state employees health care commission designates by rules and regulations a group of persons on the payroll of a county, township, city, special district or other local governmental entity, public school district, ……..as qualified to participate in the state health care benefits program,…..periodic deductions from payrolls of the local governmental entity, public school district…..may be made to cover the costs of the state health care benefits program payable by such persons when authorized by such persons." K.S.A. 75-6506.

As a member of the State Employees Health Care Commission, I am a strong supporter of permitting school districts and local units of government to join the state employee health care plan. A basic concept of insurance is the ability to spread risk to as large of a group as possible. The state employee's health care plan provides coverage for approximately 87,000 state employees and family members, and is one of the largest health insurance plans in Kansas.

420 SW 9th Street
Topeka, Kansas 66612-1678
913 296-3071
Fax 913 296-2283
Consumer Assistance Hotline
1 800 432-2484 (Toll Free)

State Health Care Plan Statistics				
Active single coverage	18,354			
Active member/spouse	4,047			
Active member/children	6,238			
Active member/sp/chld	6,691			
Total Active Participants	35,330	35,330		
Active participants in waiting period		1,377		
Total Active Participants		36,705	36,705	
Direct Bill Participants (retirees)			9,715	
COBRA participants			825	
Total active contracts			47,245	
Total dependents (spouses & children)			39,530	
Total covered lives (incl. spouses & children)				**86,775**

Health insurance pricing is often ruled by the number of covered lives. Providers, including doctors, hospitals, and pharmacies, trade discounts for volume. Also, spreading the risk to a large number of participants helps to spread costs of the large health risks across an adequate pool. Increasing the size of a purchasing group, if care is taken to avoid adverse selection, should help to drive costs down.

Some of the demographic information about the comparison of teachers and state employees is helpful. The study demonstrates that there is no real age difference between employee groups, the same urban/rural mix, that the gender difference has no real financial impact, and the only substantial difference is the average salary, with state employees earning $9,000 more per year than teachers, on average. This data makes a compelling case for policy makers to assist in finding more affordable insurance options for the lower paid public employees.

The Mercer Study effectively counters some of the other myths, which have been used over the years to discourage the active consideration of inclusion of school district employees in the state plan. The statement on page10 of the report effectively counters those faulty assumptions:

> "The USD employee population as a whole does not appear to be any more risky (i.e., unhealthy) than the State employee population. While bringing the USD population into the State Employees' Plan would be more costly in terms of absolute dollars, it does not appear it would be any more costly on a per capita basis. This conclusion is based on an analysis of the premium and claims data provided by the

1-3

USD respondents, as well as an age/sex demographic analysis of the total USD employee population in comparison with the State enrollee population."

Over the years, as school districts tried to find alternatives for health insurance coverage, many plans have been promoted and dropped, and many of the cooperative purchasing pools, designed to provide a larger insurance unit, have experienced serious administrative and financial difficulties. We constantly hear from school employees in smaller districts, who can't find affordable health insurance.

I am pleased that the Kansas Legislature took an active role in this debate and directed the Health Care Commission to conduct a feasibility study to consider allowing employees school districts to join the state employees health care program. The data collected by the consultants is very helpful in moving this discussion forward, and dispelling some of the most discouraging myths. This is an appropriate public policy decision, and I would urge the Committee to move forward with some additional steps.

A fundamental decision needs to be made about including others in the state-purchasing plan. Once that issue is settled, if the Committee decides in the affirmative, here are some of the additional questions, which need to be considered. There may be several others.

1. Must all school districts participate, or could there be a district-by-district decision? (If voluntary participation occurs, some mandatory internal participation rates would need to be determined).
2. Should participating districts agree to discontinue any "cash out" option, as a pre-condition to participation?
3. Who would determine the employer contribution for school districts? (The 95% state contribution for single employees is a significant factor in determining the 94% participation rate).
4. What would the contract dates be? (The current Jan 1-Dec 31 doesn't work for teachers' groups).
5. If a district joined the plan, what is the length of the commitment? (The duration of the insurers contracts or a longer period of time).

6. How should school retirees be handled, particularly those who have no current insurance coverage?

While there are some serious issues to be resolved, the trend of opening state purchasing pools to smaller groups has been tried successfully in other parts of the country. Each of the policy decisions has some cost implications that could be evaluated by our health consultants. The experience of other states in determining staffing and contract issues could be very helpful.

I would urge the Committee to recommend moving forward to develop the contract design to open the state purchasing pool to school district employees. While there are numerous issues to be resolved, the need is clearly demonstrated, and the expertise is available to make decisions, which will benefit the public employees of Kansas, and provide quality, affordable health coverage for more Kansas families.

The Insurance Commissioner expressed her support for the principle of allowing school district employees into the state health care plan. The Commissioner commented that the report countered several old myths: that school employees are more unhealthy and therefore a greater insurance risk, and that bringing such employees into the state plan would add substantial costs to coverage. While urging the Committee to move forward with the idea of expanded coverage, the Commissioner listed several questions that need to be answered as the issue goes forward, *i.e.*, mandatory participation, an end to cashout provisions, contract dates, employer contribution rates, and retiree coverage.

CONCLUSIONS AND RECOMMENDATIONS

The Special Committee on Financial Institutions and Insurance concluded that, while there are significant barriers to the merging of the two groups, those barriers are surmountable. Much of the work in clearing a path for implementation of a combined plan will need to be at the local level among teachers, administrators, and boards of education.

In order to keep the issue moving, the Committee requests that the State Employee Health Care Commission establish criteria for the creation of a program that would admit school district employees to the state employee health care plan and submit such criteria to the appropriate standing committees of the Legislature by not later than February 1, 1999.

The Committee requests that the Commission, as a starting point for its work, address the questions posed by the Insurance Commissioner, including:

- Should participation be mandatory or voluntary by district?
- Should discontinuing the "cash out" option be a condition for a district's participation?
- Should participating districts commit to a specified period of time?
- How should contribution rates be determined?
- How can contract dates be reconciled?
- How should school district retirees be handled?

Finally, it should be clear to the Commission that no action should be taken that would disadvantage state employees currently participating in the health care plan.

Testimony To The

SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

By
Terry D. Bernatis
Health Benefits Administrator

Wednesday, February 10, 1999
SB 495 - Actuarial Report Regarding Mandatory Inclusion of Unified School District Employees in the state of Kansas Health Care Benefits Program

Mr. Chairperson and members of the committee. Thank you for inviting me to provide a summary of the actuarial study conducted by William M. Mercer, Inc. on behalf of the Health Care Commission. The study is a result of a proviso in the 1999 Appropriations Bill, SB 495, that directed the Health Care Commission to determine the fiscal impact and associated effects of mandatory participation by public school districts in the state of Kansas Health Benefits Program.

The report consisted of four major components: introduction and background; the financial impact; associated effects; and, the impact of voluntary participation. Supporting documentation was provided in the report. I brought copies of the study and they have been distributed to you.

Just over 200 school districts responded to Mercer's survey. The data from 14 districts was incomplete and not included in the analysis. Twelve reporting districts indicated that they do not provide health care coverage. One hundred seventy three districts provide medical and drug coverage either through their own plan offerings and/or though a purchasing group. Fifty-seven of the reporting districts have self-funded medical plans, 43% are insured. Blue Cross Blue Shield is the most prevalent insurer and/or administrator of USD plans. Forty-six percent

Senate Financial Institutions & Insurance
Date 2/10/99
Attachment # 2

of the plans offered PPO's, with and without incentives, 37% of the plans are indemnity plans and 17% of the plan are HMO's.

Briefly, let's walk though the major findings of the study. First, in terms of demographic characteristics of the USD employees and participants in the state's health plan:

- There is not material age difference between the groups.
- There is a significant difference in average salary. The average state employee salary is $34,000 (includes unclassified employees) and $24,000 for USD employees.
- There is significantly higher female employment in the USD's ; 74% vs. 50%.
- Urban penetration is identical between the groups at 44%.
- The current average ages of the USD and state retiree populations are 73 and 72, respectively. Two-thirds of the USD retired population are female, 55% of the state's retirees are female.
- In general, the "risk" of a USD employee is no greater than the "risk" of a state employee.

In terms of plan design characteristics the study provided a "relative value pricing." Using the state's Blue Select and HMO plans as a baseline, the USD plans are, on average 4% less valuable.

The critical underlying assumption for the study was that all USD's would be required to join the state's plan and adhere to its eligibility, plan design and contribution provisions. Any deviations from that assumption would materially change the outcome of Mercer's analysis. Mercer estimated that the cost of adding USD active employees for calendar year 1999 to the state plan is $199.5 million if 90% of employees in the USD's participate and $155.1 million if

70% of employees in the USD's participate. Mercer believes it is reasonable to assume that between 70% and 90% of the USD employees would elect to participate in the plan. For every 1% change in the USD participation rate, total USD costs are expected to change approximately $3 million. Employer contributions for state employees are currently 71% of total costs, while employer contributions for USD employees are expected to be approximately 75% of total costs under both participation assumptions. USD employees are lower-paid on average than state employees and therefore would receive a higher employer subsidy. Other factors that could affect the variability of the cost estimates are:

- The actual enrollment by dependent coverage tier,
- The number of dependent children,
- The age of enrollees,
- If employees living in urban areas enroll in greater proportions than has been assumed, costs could be higher, and
- If employees enroll in managed care plans in lesser proportions than has been assumed, costs generally could be higher than the stated estimates.

The employer contribution under an expanded health care plan (state employees and USD employees) is estimated to be $268 per month per employee during calendar 1999. This is a composite rate for the four coverage tiers: employee; employee plus spouse; employee plus children; and, full family.

It is estimated that the total amount of additional funds (i.e. "new money") required to bring the USD's into the state employees plan could range from $100 to $175 million. This amount may be somewhat mitigated by payments currently being made under the "cash out" options under cafeteria benefit plans. To determine the true cost impact, further information is needed from each USD regarding current contribution policy and then compare it with the employer contributions required under the state plan.

I would like to turn now to the "associated effects" section of the report. We recognize that there will be costs associated with providing the benefits, however there are also administrative and other issues that need to be addressed, especially in terms of how a plan of this nature would operate. These issues include:

- Determination of a common "plan anniversary" date. The state plan is on a calendar year basis; most school districts plan year's reflect the school year.
- Plan design. The HCC made significant changes in benefit options and funding mechanisms for the state's health care plan effective January 1, 1996. These changes have stood a relatively short test of time. There are a wide variety of plan designs among the school districts. Consolidating to a single plan will require a major effort. Each school district will have to know how their current plan(s) compare to the state's plan and be able to communicate the differences, which will be a time consuming effort.
- Cash out option. Many USD's currently offer a cash benefit option instead of participation in the health plan. Cash out is not an option on the state plan.
- Autonomy. Fringe benefits, which includes health care benefits, are negotiable items with all USD teachers. Health plan design and funding are not negotiable for state employees.
- Local purchasing. Because of the relatively small size of many districts, local insurance agents and brokers provide a wide range of services. The elimination of commissions and the agent/broker relationship should have a positive financial

impact, but may be viewed negatively by the district, the broker/agent and perhaps, community leaders.

Finally, we cannot forget about the administrative magnitude of a plan that could cover as many as 250,000 people. Administrative staffing requirements increase dramatically with the inclusion of school district employees in state plans. Mercer surveyed other states to determine staffing requirements. They surveyed both states that only cover state employees and states that cover both state employees and school districts. Mercer's estimate is that staff will need to be increased by at least 25 more people to manage this enhanced plan. Even if some of the membership/logistical services were outsourced, a minimum of 18 additional staff would needed. Mercer cautions that there is significant cost involved with outsourcing benefits as well as a lengthy implementation phase. The state would have to determine which administrative services were to be outsourced, the cost and value of these services, and whether the overall value provided can be justified. And there will be additional membership, premium collection, premium reconciliation and accounts payable and accounts receivable functions that will need to be addressed at the systems level. These functions cannot be administered through SHARP for non-state employees. The state will either need to purchase or lease the administration system or outsource the function to a vendor. Either alternative will require a significant amount of time, energy and cost and must be thoroughly evaluated by the state.

Although the proviso to SB 495 requested that the study be conducted assuming mandatory participation by school districts, Mercer did comment on the impact of voluntary participation. Among their comments, they addressed the issues of:

- Adverse selection. USD's with poorer claim experience would most likely migrate toward the state plan, while those with better experience would continue to provide benefits through some alternative vehicle.

- Administrative expenses. The combined pool of state employees and all USD employees will have potentially lower administrative costs on a per employee basis. If only a portion of the USD's join, the fixed expenses will increase resulting in higher administrative expenses on a per employee basis.
- Urban Districts. Urban districts would not be as likely to join the state's plan because of their ability to select from a broader range of managed care plans and vendors. Therefore, the composition of the state's plan would reflect an increase in rural indemnity plan lives and higher costs due to the absence of managed care plan discounts and cost management provisions.
- Staff requirements. If USD's are allowed to join on a voluntary basis, the additional plan design/conceptual and administrative staff members would continue to be needed. While it may appear logical that the number of additional logistical staff members would be reduced, it is doubtful that the number would be reduced substantially.
- "Cherry Picking." USD's could evaluate the marketplace and compare their costs under the sate plan with those of other vendors. This would allow the USD's to select the lowest cost option to benefit their employees. If no restrictions are placed on their entry or departure from the state's plan, individual USD's might move in or out of the plan frequently.

Again, thank you again for letting me provide this summary for you. I stand for questions.

STATE OF KANSAS

DEPARTMENT OF ADMINISTRATION
State Capitol
Room 263-E
Topeka, Kansas 66612-1572
(785) 296-3011
FAX (785) 296-2702

DAN STANLEY, *Secretary*

BILL GRAVES, *Governor*

January 22, 1999

The Honorable Don Steffes
Statehouse, Room 128 - S
Topeka, Kansas 66612-1572

Dear Senator Steffes:

As you requested during the 1998 Interim Session, attached are the requirements that would be necessary to allow participation by Unified School Districts (USD) in the state of Kansas Employee Benefit Plan. As you will note, these requirements are essentially the same requirements under which people currently participate. Additionally there are requirements identical to the responsibilities of the agencies to assure compliance with the administrative policies required to administer the program.

Please note, the establishment of the requirements is only one aspect of attempting to assure that state employees are not negatively impacted by the school districts participation. As Mercer stated in their report, "The USD employee population as a whole does not appear to be any more risky (i.e., unhealthy) than the State employee population. While bringing the USD population into the State Employees' Plan would be more costly in terms of absolute dollars, it does not appear that it would be any more costly on a per capita basis." This statement is based on the underlying assumption that participation would be mandatory, the benefit plans made available to USDs would be identical to the State's benefit plans which includes contribution requirements and eligibility provisions. Since the assumptions have been changed to voluntary participation, the groups are no longer the same and actual enrollment will play a significant role in the determination of the risk of the voluntary USD participants. Until more information is obtained and/or a good estimate of actual participation is known, it is not possible to develop mechanisms to offset either the positive or negative impact of the USD group.

I do not perceive the enrollment factor to be one which cannot be worked through. However, it will need to be addressed as participation by USDs in the state health plan is discussed. I look forward to working with you and your Committee regarding this very important issue.

Sincerely,

Dan Stanley
Secretary of Administration

Attachments

cc: Health Care Commission
Employee Advisory Committee
William M. Mercer, Inc.

REQUIREMENTS
FOR UNIFIED SCHOOL DISTRICTS
TO PARTICIPATE IN THE
STATE OF KANSAS HEALTH BENEFITS PROGRAM

ACTIVE EMPLOYEES

- Employee and Employer contribution rates must be the same as state employees. Exhibit A is attached outlining Plan Year 1999 contributions rates.
- No Internal Revenue Code Section 125 cash out option for current or grandfathered employees.
- At least 70% employee participation.
- 33% HMO participation where HMO's are available.
- Plan design and funding not subject to negotiations.
- Must elect to participate for a minimum of three years.
- Must provide the established contribution to HealthQuest (the state of Kansas Health Promotion Program), contact person and participate in HealthQuest initiatives.
- Must provide staff for enrollment, answer general information and provide first level assistance to participants.
- Must adhere to established administrative processes and procedures. A high level summary is attached in Exhibit B. The Administrative Manual is available on request.

DIRECT BILL PARTICIPANTS

- Continue participation once active employment has ceased.
- Premiums must be paid either through a KPERS deduction or automatic bank transfer.

Exhibit A

FUNDING

Plan Year 1999 Contribution Levels

		Bi-Weekly	
Employee Only Coverage	Three Salary Tiers		
Employee Contribution		Full Time	Part Time
	Less than $17,000	$ 7.39	$ 28.57
	$17,000 to $29,999	11.08	28.57
	Over $29,00	14.77	28.57
	Non Tobacco User Discount - $4.62 bi-weekly		

Employer Contribution $209.79*

Dependent Coverage

Tier Levels

Employee and Spouse
Employee and Child(ren)
Employee, Spouse and Child(ren)

Employee Contribution: Varies based on option selected, salary tier and dependent tier selection; **1999 Benefit Information and Options for Active Employees** attached (Exhibit C) for cost comparison.

Employer Contribution $100.12*

* Numbers are higher than current published composite rates due to elimination of the Reserve draw down which would not be available to USD participants.

Exhibit B

ADMINISTRATION

Issue	Criteria
Employee Eligibility	Works at least 1,000 hour per year and is not temporary or seasonal. Totality of employment is used for 1,000 hour threshold.
Dependent Eligibility	An employee's lawful wife or husband. Employee's unmarried child who is under 23 years of age, does not file a joint tax return with another taxpayer; receives more than half of their support from the employee and is a U.S. citizen, a U.S. national or a resident of the U.S., Canada or Mexico at some time during the tax year. An employee's unmarried child who is over 23 but not capable of self support and continues coverage; documentation is required "Child" means employee's own or lawfully adopted child, stepchild, foster child or a child from whom the employee has legal custody; documentation required; stepchildren of divorced employee are not eligible; grandchild if the employee has legal custody or has adopted the child or if the grandchild lives in the employee's home, is the child of a covered dependent child and the employee provides more than one half of the grandchild's support. A person who is eligible for coverage as an employee of the state is not eligible to be a covered dependent.

New Enrollment Waiting Period*	Criteria
Employee	60 days
Dependents	60 days

* New Enrollment Waiting Period may be waived if the prospective employee is not eligible under limited circumstances; requires prior approval by Health Benefits Administrator.

Note: If employee has been employed in a non-eligible position, time spent in the non-eligible position counts towards the 60 day waiting period.

Note: Re-enrollment rules as a result of limited breaks in service and reemployment as a result of lay-offs are available which reduces the 60 day waiting period.

Effective Date of Coverage	Criteria
Employee/Dependents	Generally, the first of the payroll period following the waiting period.

Note: Health Insurance Portability and Accountability Act (HIPPA) require certain coverage dates due to mid-year family status changes.

Mid-Year Changes	Criteria
Additions to coverage	Limited to the events listed in the Administrative Manual and generally mirror provisions outlined in Internal Revenue Code 125.
Deletion of coverage	If enrolled in the Pre-Tax Option, limited to the events listed in the Administrative Manual. If enrolled in the After-Tax Option, may drop coverage for any reason. However, there are stringent limitations to reenrollment during the same Plan Year.
Moving from one coverage area to another	Depends on coverage in the new area. If the former plan is available in the new area, employee must continue coverage. If the former plan is not available, employee must make a new election.
Effective Dates of Coverage	Generally, the first of the payroll period following the event. Birth of a child - the date of birth. Adoption - placement of the child in the home.
Active Military Duty	Employee and/or children may remain on the plan in the Direct Bill continuation program.
Leave Without Pay	May continue participation under the Direct Bill continuation program instead of COBRA.
Leave Under FMLA	May continue under provisions of FMLA either with payroll deductions or on the Direct Bill continuation program.
Leave While Receiving Disability Payments under Workers Compensation	Agency makes their contribution/employee makes their contribution.

Termination	**Criteria**
Employee/Dependent	Effective date - Generally, the end of the payroll period in which the termination or the mid-year status event took place with the exception noted under Kansas Administrative Regulations regarding suspensions.
Distribution of Materials	**Criteria**
	Each agency is required to distribute any information released by the state regarding the health insurance plan. Employee requests for exceptions due to lack of materials are not granted.
Enrollment Process	**Criteria**
Employee/Dependent	Forms must be completed for all enrollment and changes. No enrollments or changes are processed without the required documentation.
COBRA	**Criteria**
	Consolidated Omnibus Budget Reconciliation Act of 1998 et. al. Agencies must comply with notification requirements to terminate coverage to avoid monetary penalties associated with non-timely notification.
Exceptions	**Criteria**
	The majority of the rules associated with the administration of this plan rely on event date, date completed and date received to determine dates for timely notification. Forms not received within the specified time frames result in denials or significant restrictions being placed on the employee's enrollment options. If the agency chooses to appeal any restrictions or denials due to non-timely processing of forms the agency must provide a written request for an exception including the name of the employee, copies of documentation, the nature of the error and the steps the agency has taken to assure that the error does not occur again and must be made within 15 days following notification of the denial. Acknowledgment of agency error does not provide a blanket exception for any similar circumstances. Exceptions are extremely limited usually comprising less than .0001 per cent of all enrollment processing.

Note: In order to keep this document readable and understandable, only highlights of the administration of the plan are outlined below. This is a summary document only. Every effort has been made to ensure that this information is accurate. However, it is not intended to replace legal plan documents, contracts, Kansas statutes and regulations and the administrative manual. If there is a discrepancy between this summary and the legal plan documents, contracts, Kansas statutes and regulations and the administrative manual, those documents will govern in all cases. It provides complete information about the administrative rules and processes.

WILLIAM M.
MERCER

REPORT ON THE FINANCIAL IMPACT AND ASSOCIATED EFFECTS OF REQUIRING PARTICIPATION IN THE KANSAS STATE EMPLOYEE BENEFIT PROGRAM BY ALL KANSAS UNIFIED SCHOOL DISTRICTS

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INTRODUCTION AND BACKGROUND

The Kansas State Employees Health Care Commission (HCC) has been instructed to conduct a feasibility study pertaining to the inclusion of all unified school districts (USD) into the State employees health care benefits program. This study is to have two parts: Part I - an actuarial study to determine the financial impact and Part II - associated effects of requiring the participation of all USDs.

Much of the impetus for this study is provided in SB 495, the fiscal year 1999 appropriations bill for the Cafeteria Benefit Fund/Department of Administration. A proviso providing for the study was attached to the appropriation bill in its final form. Two other pieces of legislation had been introduced, HB2713 and HB2784, which may have provided an incentive to include this proviso, particularly as a result of testimony to HB2713. While the State employee benefit programs have experienced a number of years of relatively stable plan offerings and costs, anecdotal information indicates that some school districts have experienced a virtual "roller coaster ride" and problems in maintaining access to quality affordable medical benefits.

It has been suggested that combining 304 school districts with the State programs might yield administrative efficiencies and lower total costs due to combined bidding opportunities and management in a single configuration. Also, the combined purchasing power of as many as 106,000 employees and 35,000 retirees will foster economies of scale. This large group can help expand health care competition and managed care opportunities throughout Kansas, which might help other residents. At the same time, transitioning to a single set of benefit offerings for employees of both the State and the USDs will create administrative difficulties. Again, the purposes of this study are to estimate the financial impact and associated effects of a merger of the two groups.

The "requiring of participation in the State program by all USDs" means that the benefit plans made available to USDs will be identical to the State's benefit plans, including the State's contribution requirements and eligibility provisions. The following is some general background information on the current State and USD plans.

The State plan consists of the following:

- one traditional indemnity medical plan
- one point-of-service (POS) medical plan;
- one preferred provider organization (PPO) medical plan;
- six health maintenance organizations (HMOs);
- one prescription drug plan;
- one indemnity dental plan;
- one managed dental plan;
- one vision plan;
- one long-term care plan;
- a health care flexible spending account; and
- a dependent care flexible spending account.

INTRODUCTION AND BACKGROUND

While all of the above plans exist, not all employees are eligible for every plan because of geography.

These plans are financed by contributions from the State and by employees/retirees who elect coverage. While contribution amounts vary by plan and coverage tier, they do not vary by position, seniority or title. There are slight variations in contribution levels based on salary and smoker/nonsmoker status. Benefit levels and contributions are established by the HCC.

The POS and Indemnity/PPO plans administered by Blue Cross Blue Shield of Kansas (BCBS) are self-funded, as are the indemnity dental plan and the prescription drug plan. The PPO sponsored by Preferred Health System (effective January 1, 1999), the six HMOs, the vision plan (effective January 1, 1999) and the managed dental plan are insured. The long-term care plan and flexible spending accounts are basically funded by employee contributions.

During August, 1998, Mercer contacted 304 USD superintendents or chief administrators for the purpose of obtaining data relative to their health benefit programs and their employees. Assistance in gathering this data was provided by the Kansas State Department of Education. Additional demographic data was provided by the Kansas State Employees Public Retirement System (KPERS). Responses to our data request came from 199 districts, though the data from 14 districts was incomplete and not included in the analysis.

The responding (185) districts and plans can be characterized and/or summarized by the following:

- 12 of the reporting districts said they do not provide health care coverage;
- 173 districts provide medical/Rx coverage, either through their own plan offerings and/or through a purchasing group
  - as of this study, there appear to be 3 active purchasing groups (several others have been attempted, but are no longer operating) — ESSDACK and South West Plaines, both of which are self-funded, and the Greenbush group, which was self-funded, but became insured with the Guardian for this school year
  - KEIT, underwritten by BCBS, is a pooled group operating pursuant to small group rate reform laws. Approximately 40 districts participate in KEIT, with a total of 4,000 contracts. (Note: some of the districts in KEIT responded to our data request — KEIT's trustees refused to furnish data, saying that the information is proprietary);
- 57% of the reporting districts have self-funded medical plans, 43% are insured;
- BCBS is the most prevalent insurer and /or administrator of USD plans. As is the case with the State's plans, BCBS is offering either its traditional coverages or managed care where available;
- Other medical providers of note include Humana (in the Kansas City area), Preferred Plan of Kansas (PPK – mainly in the Wichita area) and Central Benefits National Life Insurance Company;

INTRODUCTION AND BACKGROUND

- Fringe benefits are negotiable in all school districts;
- 83 of the reporting districts provide dental coverage, 102 do not;
- Medical plans consist of the following:

Type	% of Plans	% of Enrolled Employees
HMOs	17%	30%
PPOs (with incentives or disincentives	46%	35%
Indemnity (includes discount arrangements without incentives)	37%	35%

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FINANCIAL IMPACT

General Demographic Characteristics

This section analyzes several general demographic characteristics of the USD total employee population and compares these with the current State enrollees. "USD total employee population" implies all USD employees, whether or not they currently are enrolled in health care plans. This section will not provide expected financial cost differences between the groups, but rather generalize in broader terms how costs and enrollment may differ between the groups simply based on differences in their demographic characteristics. Our comments are based on general underwriting principles and the influence that demographics can have on the cost of a particular group.

The first four characteristics described below—age, salary, gender and urban penetration—are applicable only to the active employee population. Due to additional complexities and issues regarding the retiree population, differences between the two groups are briefly described at the end of this section.

Please note that each demographic characteristic is viewed independently of all other characteristics and influences. Comments for each characteristic assume "all other factors are equal".

Average Age

USD Average Age:	43
State Average Age:	44

There is no material age difference between the groups. All other factors being equal, one would expect no significant cost difference either. The USD population could be slightly less costly given that their average age is one year younger than the State population.

Average Salary

USD Average Salary:	$25,000
State Average Salary:	$34,000 (includes classified and unclassified employees)

There is a significant difference in average salary. Overall, the USD population would be less likely to enroll in family coverage — all other factors being equal--because it constitutes a greater percentage of their income and they would be less able to afford it. Since employee contributions for single coverage under the State's plan are low, most USD employees could be expected to enroll in the single coverage (at a minimum).

There is a greater chance of "adverse selection" by the USD population because they are lower paid than State employees and are more likely to enroll themselves and their dependents if they know that they will be high users of health care benefits. Stated

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another way, the employee contribution cost will be a more important factor in a USD employee's decision to enroll in a health care plan because they generally are lower-paid and the cost of the health care plan is a much higher proportion of their income.

The USD population may have a higher proportion enrolled in the HMOs where available, especially among employees with dependents. Since HMO coverage is generally less costly than indemnity plans (i.e., BCBS Select and Traditional plans) and has favorable cost-sharing provisions (i.e., no deductibles, low copayments), lower-paid employees will more likely enroll in the HMOs, assuming they are available.

Employee Gender

USD Distribution:	26% Male/74% Female
State Distribution:	50% Male/50% Female

As shown above, there is a significantly higher female content for the USDs. Gender costs have the following pattern:

- Females are significantly **more** costly than males during the young and childbearing ages (i.e., ages less than 40);
- Females and males generally have the **same** cost patterns from ages 40 to 50; and
- Females are significantly **less** costly than males after age 50.

Since the average ages of the USD and State populations are 43 and 44, respectively, this implies that their overall costs should roughly be the same based on the patterns above.

Urban Penetration

USD Distribution:	44% Urban/56% Rural
State Distribution:	44% Urban/56% Rural

"Urban penetration" is defined as the proportion of employees residing in urban population areas. Health care costs are generally more costly in urban areas than rural areas. Since urban penetration is identical between both groups, one would expect no significant cost differences based on this characteristic.

The six Kansas counties defined as "urban" for this study are: Johnson, Leavenworth, Miami, Sedgwick, Shawnee and Wyandotte. The six Missouri counties in the Kansas City area defined as "urban" are: Cass, Clay, Jackson, Lafayette, Platte and Ray.

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FINANCIAL IMPACT

RETIREE CHARACTERISTICS

Several issues have to be addressed before reasonable conclusions can be drawn from the demographic content of the USD retiree group, such as:

- Will retirees currently enrolled in USD-sponsored health care plans be allowed to enroll in a State plan?
- Will USD retirees not currently enrolled in a health care plan be allowed to enroll after implementation of the State's plans? The "non-enrollees" would include retirees age 65 and over, those retirees who had health care coverage available to them but chose not to enroll (or remain enrolled) in the plan, and those retirees who never had coverage available to them at all.
- If the State allows USD retirees who are not currently enrolled back into the plan, will it also be necessary to allow the State's own retirees to re-enroll if they so desire in order to avoid a retiree relations problem?

Allowing non-enrolled retirees to enroll (or re-enroll) in a State plan could lead to severe "adverse selection", thus driving up plan costs. Many retired individuals do not enroll or retain coverage because they are healthy and do not believe that the cost is worth the benefits. However, as these individuals age, it is quite likely that medical conditions have arisen (or worsened) and many of these retirees would be very willing to re-enroll in a health care plan.

The current average ages of the USD and State retiree populations are 73 and 72, respectively. Since the average ages are close, there should be no significant cost differences between the two groups based on age (all other factors being equal, of course). Two-thirds of the USD retiree population are female, while only 55% of the State's retired enrollees are female. Generally speaking, older females are less costly than older males; therefore, one would expect the USD retiree population to be less costly (perhaps by 5% to 10%) than the State retirees.

PLAN DESIGN CHARACTERISTICS

Benefit designs among the responding districts fall into the following categories:

- HMO/POS;
- PPO with incentives/disincentives;
- Traditional indemnity some of which may include discount arrangements.

FINANCIAL IMPACT

As part of this study, the relative plan design differences among the plans reported by the districts were measured. The responding districts have the following distribution of plan designs:

	% of Plans	% of Employees
HMO	17%	30%
PPO	46%	35%
Indemnity	37%	35%

The study used a relative value pricing system that can estimate the relative costs of different plan designs. Using the State's Blue Select and HMO plans as a baseline, the USD plans are, on average, 4% less valuable. (Note: the USDs with insured plans are 2% less valuable, while the districts that self-fund have plans that are 12% less valuable than the baseline plans.

The relative values were used to adjust the USD premium (if insured) or claim costs (if self funded) to arrive at an estimated overall cost of medical and prescription drug benefits for the responding USDs.

FINANCIAL IMPACT

This section provides an analysis of the financial impact to the State Employees' Health Care Plan if the Kansas Unified School Districts (USDs) are allowed to participate. The health care plan includes medical, prescription drug and dental benefits. This analysis describes the impact on the total cost of the plan with the addition of the USDs and separately shows the State's portion of the cost (i.e., the employer contributions) and the employee contributions. This analysis focuses on the impact on the actual cost of the benefits provided and not on the additional expenses that would be borne by the State to administer an expanded plan, which are addressed in the "Associated Effects" Section of this report.

This financial analysis has been performed under one important assumption: all USDs will be required to join the State's plan and adhere to its eligibility, plan design and contribution provisions. **Any deviations from this assumption would materially change the outcome of our analysis**.

Many USDs currently offer health care coverage which allows employees to waive coverage and instead accept a cash out option. Additionally, many USDs do not subsidize any portion of the health care cost--employees must pay the entire premium. Still, other districts contribute toward the medical and prescription drug coverage while requiring employees to bear the entire cost of dental coverage. These practices encourage riskier individuals to enroll and healthy individuals to waive coverage, which results in "adverse selection" to the health care plan. If not enough healthy individuals enroll to "spread" the health care risk, costs are initially high (i.e., higher than costs would be if all

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employees were enrolled in the plan) and will escalate as more unhealthy individuals--and fewer healthy individuals--remain in the plan. Our cost estimates do not take into account the possibility of widespread "adverse selection" by USD employees.

Current State plan eligibility and contribution provisions mitigate the likelihood of significant "adverse selection". Ninety-four percent of the eligible State employees are currently enrolled in the State's plan, primarily because the State subsidizes approximately 95% of the cost for employees and about 35% of the cost for spouses and dependent children. The current State plan design options (indemnity, HMO, etc.) are very competitive and offer benefits that are favorable to participants (low annual deductibles, low employee coinsurance provisions, etc.).

Active Cost Impact

The following table shows the estimate of the financial costs for calendar year 1999 associated with adding the USD active employees to the State Employees' Health Care Plan (costs of adding current retirees are discussed later). Costs are shown under two participation assumptions: (1) assuming 90% of eligible active employees elect coverage, and (2) assuming 70% elect coverage. One important element that ultimately will affect the financial impact (in absolute dollars) of adding the USDs is the number of employees who actually would enroll in the State's health care plan. Based on enrollment analysis of the USD survey respondents as well as the current State employee enrollment, it is expected that between 70% and 90% of the USD employees would enroll in the State's plan. We believe that providing estimates under these two participation assumptions establishes a reasonable "range" of costs that can be expected should the USDs be allowed to participate.

The estimated additional cost (in $millions) of adding USD active employees for calendar year 1999 to the State plan is:

	Employer Contributions	Employee Contributions	Total Costs
90% Participation*	$199.5	$68.2	$267.7
70% Participation*	$155.1	$53.0	$208.1

* *All USDs must participate. Estimated cost assumes 70% to 90% of the active population (68,306 employees) will participate.*

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FINANCIAL IMPACT

The table below shows the combined impact on calendar year 1999 costs (in $millions) for the USD active employees and State active employees under the two participation assumptions:

	Employer Contributions	Employee Contributions	Total Costs
USD Employees (90% enroll)	$199.5	$68.2	$267.7
State Employees*	$112.6	$45.0	$157.6
Total	$312.1	$113.2	$425.3
USD Employees (70% enroll)	$155.1	$53.0	$208.1
State Employees*	$112.6	$45.0	$157.6
Total	$267.7	$98.0	$365.7

* *Based on May 1998 State active enrolled population of 35,567 employees.*

Below are some observations regarding the cost estimates:

- For every 1% change in the USD participation rate, total USD costs are expected to change approximately $3 million;

- Employer contributions for State employees are currently 71% of total costs, while employer contributions for USD employees are expected to be approximately 75% of total costs under both participation assumptions. USD employees are lower-paid on average than State employees and would receive a higher employer subsidy.

In addition to the participation assumption addressed above, other key factors that could affect the variability of the cost estimates are:

Enrollment by coverage tier. The State plan current offers four coverage tiers: (1) Employee Only, (2) Employee plus Spouse, (3) Employee plus Child(ren), and (4) Employee, Spouse and Child(ren). The USDs have a wide variety of coverage tiers, some of which match the State's while others offer two or three-tier coverage. The cost estimates will vary depending on how the USD eligible population enrolls in each of the tier categories. For example, costs could be higher if a greater number of spouses and dependents enroll than has been assumed.

Number of dependent children. The family tiers assume a certain number of dependent children will be covered under each contract. If more children are actually enrolled than has been assumed, costs could be higher than the stated estimates.

Age of enrollees. If older employees enroll in greater proportions than we assumed, costs could be higher than our estimates.

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Urban penetration. If employees living in urban areas enroll in greater proportions than has been assumed, costs could be higher than the stated estimates.

Managed care enrollment. If employees enroll in managed care plans (i.e., HMOs) in lesser proportions than has been assumed, costs generally could be higher than the stated estimates.

The USD employee population as a whole does not appear to be any more risky (i.e., unhealthy) than the State employee population. While bringing the USD population into the State Employees' Plan would be more costly in terms of absolute dollars, it does not appear it would be any more costly on a per capita basis. This conclusion is based on an analysis of the premium and claims data provided by the USD respondents, as well as an age/sex demographic analysis of the total USD employee population in comparison with the State enrollee population.

Retiree Cost Impact

The State Employees' plan currently allows employees (and eligible dependents) to enroll at retirement and maintain health care coverage for life. The State generally does not subsidize coverage and requires retirees to pay 100% of the applicable premium rate; therefore, the impact to the State's portion of the cost by adding the USD retirees would not be significant. (The State indirectly subsidizes a portion of the cost for retirees under age 65; however, this amount is not material in the aggregate.)

Little retiree enrollment and cost data was received from the USD respondents and, therefore, no credible conclusions were able to be drawn from this group. However, based on an age/sex analysis of the 24,750 USD retirees and surviving spouses currently receiving a KPERS pension benefit, it does not appear that the USD retiree population would be any more costly on a per capita basis than the current State retiree population. This conclusion is based on two factors: (1) the average ages of the two populations are almost the same, and (2) the USD population has a greater proportion of females (67%) than the State's retired enrollee population (55%). Older females are generally less costly than older males. This conclusion also assumes that adverse selection in the USD retiree population occurs in the same proportion as the State's retiree population.

USD Active Cost Impact

This section analyzes the potential calendar year 1999 cost impact to the USDs of joining the State Employees' Health Care Plan and providing benefits to its active employees. This section only addresses the actual cost of the benefits provided and not the administrative expenses expected to be borne by the State to administer the plans.

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The employer contribution under an expanded health care plan (State employees plus USD employees) is estimated to be $268 per month per employee during calendar 1999. This $268 figure represents the average employer contribution over the four coverage tiers (employee only, employee plus spouse, etc.), based on expected enrollment and costs used in this analysis. Additionally, the figure represents the average employer contribution over all active employees (and dependents) expected to enroll in the State plan.

With respect to health care plan sponsorship and level of employer contributions, USDs fall into one of three categories:

1. No plan sponsorship;
2. Plan sponsorship with no employer contribution; or
3. Plan sponsorship with a partial employer contribution.

The employer cost impact will be greatest for those USDs falling into the first two categories, which is estimated to average $268 per month per active enrollee (regardless of the coverage tier chosen). Stated another way, those USDs who currently are not contributing toward the cost of health care coverage would now have to pay $268 per month for each active (and enrolled) employee.

The cost impact for those USDs currently subsidizing coverage is dependent on the current employer contribution. Employer contribution information was not specifically requested in the data collection phase; however, 45 USDs did volunteer this information. The employer contribution for this group averaged $160 per month per employee. The $160 per month subsidy represents the average employer contribution over all coverage tiers, including some different tier structures (e.g., two-tier, three-tier, etc.) reported by some of the districts.

It is estimated that the total amount of additional funds (i.e., "new money") required to bring the USDs into the State Employees' plan could range from $100 to $175 million. The variation in the "new money" estimate can be attributable to the following:

- If allowed to join, enrollment participation percentages in the plan are expected to range from 70% to 90%;
- Over 100 USDs did not respond to the data request; and
- Only 45 USDs, or 15% of the total number of districts, provided detailed employer contribution information, from which the $160 average employer contribution mentioned above was calculated.

To determine the true cost impact, it is strongly recommended that each USD research its current contribution policy and compare it with the employer contributions required under the State Plan.

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ASSOCIATED EFFECTS

This section outlines the associated effects that will confront the State and USDs as the legislature considers the feasibility of adding USD employees to the State's plan. This section is divided into two parts: Part I – implementation issues and Part II – administration/system requirements.

IMPLEMENTATION ISSUES

Plan Anniversary. School districts generally have plan anniversaries in September or October. With a September date, school districts can communicate plan issues prior to summer leave, and can conveniently enroll new staff upon their arrival for the fall session. A January 1 plan anniversary would not work for school districts.

The State, on the other hand, has a January 1 plan anniversary, which is the most common date among employer plans. For the average employee, this is the optimal date because deductibles and out-of-pocket maximums typically operate on a calendar year basis. The State could move to a July 1 plan anniversary to coincide with its fiscal year, but this date may not work well for either school district employees or State employees.

Perhaps separate plan anniversary dates for the school districts and State would be the most logical approach for these distinctly different groups. The separate anniversary approach would create administrative challenges to the insurance carriers and managed care companies and to the State's renewal processes.

Eligibility. Eligibility for USD employees is an open issue. SB No. 495 merely refers to participation in the State health care benefits program. A determination will need to be made whether eligibility will include only health care (medical, dental and prescription drug) as this study assumes, or ancillary coverages as well (e.g., vision, long-term care, and flexible spending accounts).

Retirees. The State plan allows retirees to continue coverage throughout their retirement years. Kansas statute 12-5040 mandates local governments to make coverage available to retired former employees, but coverage may cease upon the attaining of age 65. Based on the data submitted, most districts seem to terminate retiree coverage at 65.

Plan Designs. The HCC made significant changes in benefit options and funding mechanisms for the State's health care plans effective January 1, 1996. These changes have stood a relatively short test of time and will continue in the foreseeable future with only minor adjustments on plan anniversaries. The HCC is committed to a specific action plan that includes emphasis on managed care options; recognition of cost in no-choice areas; the deliberate reduction of reserves and demand management. All HMOs offered by the State provide a standardized plan summary of benefits. The Blue Select plan, which covers the majority of State employees, is available as a common design in all Kansas counties but three.

ASSOCIATED EFFECTS

There is wide variety of plan designs among the school districts. Plan designs include HMOs, PPOs and indemnity arrangements. Deductible, coinsurance and out-of-pocket levels vary, office visit copays vary; some plans include hospital admission copayments, while others do not. Many districts provide dental coverage, but many more do not.

Consolidating to a single plan will require a major effort. Each school district will have to know how their current plan(s), if any, compare to the State's plan. Plan and cost differences must be communicated to and within each district — a time consuming effort.

Even with the economies of scale enjoyed by the State plan, the new plans will be more costly for many districts than their current plans. ***Districts will have to find revenue to pay for more costly benefits.***

Cashout option. Many USDs currently offer health coveage which allows employees to waive coverage (i.e., not enroll) and instead accept a benefit in the form of a cash out option. Cash out options are not allowed in the State plan.

Plan Financing. With regard to the State's plans, the legislature has given the HCC the ability to set the funding levels under K.S.A. 75 6506(a) and 75 6508(a1)). The levels are reported as fund rates.

USD operations are financed from general fund money and local property taxes. While school districts currently receive proportionate amounts, how they allocate the money varies significantly from one district to the next.

To include every district in the State plan, all districts must contribute the same amount toward each coverage, thereby assuring similar enrollment patterns throughout the districts. Having common employer contributions is hardly a novel idea or approach, since there are common employer contributions for retirement benefits under KPERS. If districts are allowed to deviate from predetermined contribution levels, employee enrollment could vary significantly. This could have a negative impact on the prices set by the various insurance carriers and managed care plan and on the budgets set for the self-funded plans.

However, this jump to common contributions could cause dramatic changes among the school districts. Districts have historically earmarked funds as they saw fit — some for employee benefits, but others for a variety of goods and services utilized by the schools. With mandated common employer contributions, school districts will be forced to redistribute current budget or come up with "new money".

Coverage Tiers. The State currently offers four coverage tiers: "employee only", "employee plus spouse", "employee plus child(ren)" and "employee, spouse and child(ren)". Many school districts utilize this same four-tier approach. However, many others use either a two-tier ("employee only" and "employee plus dependents") or three-tier ("employee only", "employee plus one dependent" and "employee plus two or more dependents") approach.

While most employers believe that the four-tier approach is the most equitable for today's workforce, transitioning from a two-tier or three-tier can create financial and public relations problems. For example, in a two-tier environment, employees with many dependents will be subsidized by employees with one dependent. When the coverage tiers are unbundled and employees elect a tier that more closely relates to their family situation, premiums will increase for the employees with large families. A switch to four tiers can be particularly troublesome at a time when premiums are rising.

Autonomy. It is our understanding that testimony to HB2713 was from small and mid-sized districts, which may suggest that there is a subsection of the districts who feel they have exhausted their benefit options and are willing to cede control of their plans in exchange for enhanced benefits, tighter financial controls and/or greater economies of scale.

The larger or more urban districts may not react positively towards required participation in the State program. Such a requirement would impact autonomy. Autonomy allows these districts to design their own benefit plans, choose attractive funding arrangements and purchase benefits from whom they choose. One superintendent, for instance, volunteered that "this study is for the rural districts" and "I'm happy with the current plan and do not want to change".

Fringe benefits, which includes health care benefits, are negotiable items with all USD teachers.

Local Purchasing. Due to its size, nature and capabilities, the State does not utilize the services of an agent or broker. Therefore, no commissions are paid. In many instances, the State's staff provides services similar to those provided by an agent or broker. In areas where the State believes it does not have the tools, expertise or time, it has sought outside consulting assistance on a project by project basis.

School districts often operate differently. Because of the relatively small size of many districts, local agents and brokers provide a wide range of services. These include bidding, renewal negotiations, open enrollment meetings, employee complaints/grievances and others. Often, the relationship with the agent/broker is long-standing. The elimination of commissions and the agent/broker relationship could have a positive financial impact, but will be viewed negatively by the district, the broker/agent and, perhaps, community leaders.

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ASSOCIATED EFFECTS

MEWA. This study involves the feasibility of bringing 304 school districts into the State's health care programs. The question arises whether this arrangement, if completed, constitutes a Multiple Employer Welfare Association (MEWA). ERISA defines a MEWA as a plan covering the employees of two or more employers. The application of this definition in the context of governmental plans is not entirely clear; however, it is probably not relevant since government plans are exempt from ERISA. Therefore, there should be no federal restrictions on extending State coverage to the school districts, but state law limitations, if any, would need to be reviewed.

HCC. The commission is composed of five members. The Secretary of Administration and Commissioner of Insurance are members by statute. The Governor appoints the other three members — a representative of the general public, a current state employee and a retired state employee. Adding the school districts to the State's plans could more than double the number of covered active employees. HCC representation may need to be increased and/or reconfigured to represent the interests of school district employees.

Employee Advisory Committee (EAC). The EAC is comprised of 21 members, 18 active employees and 3 direct bill participants. Members represent a balance of geography, agency, gender, age and plan participation. As with the HCC, the EAC may need to be increased and/or reconfigured to represent the interests of USD employees.

Administration/System Requirements

Staffing Needs. There are two distinct areas related to staffing that must be addressed: the conceptual and the logistical. Conceptual work involves identifying issues and developing strategies to implement or resolve these issues. Included in the conceptual are such issues as developing the strategy for benefit plan design, funding, compliance and plan management. Due to the magnitude and complexity of these issues, conceptual activities will have to be maintained centrally and supported by senior staff members of the HCC, EAC and USDs.

The logistical involves the actual carrying out of the conceptual. This involves a wide range of activities such as employee communication, customer service, membership processing and billing. There are two ways to handle the logistical as outlined in this section.

Conceptual

The State's staff plays an active role in the administration and communication of benefits to employees, retirees and covered dependents. These duties include preparation for and attendance at HCC and EAC meetings (including defining the agenda and providing research and information to committee members); developing and adhering to an overall benefits philosophy; and developing the strategy for communication materials and enrollment meetings.

ASSOCIATED EFFECTS

School district staff perform similar duties. However, the capabilities, experience and time commitments probably vary dramatically among the districts. In addition, District staffs will be unfamiliar with the State's benefit package, how it differs from their current plans, the impact on their employees and how these benefits are administered For these reasons, the State staff will need to assist the school districts in establishing and maintaining the State's plans.

Logistical

Once the conceptual duties and responsibilities have been established, they must be put into action. Some logistical duties are described in the following. A description of "how" these services can be provided and the number of staff needed to provide these services is described in the "Staffing Size" section of this report.

Eligibility Support	Process enrollment and change forms Maintain eligibility database Liaison between internal and external systems
Customer Service	Answer all employee inquiries Follow-up on enrollment applications/changes Provide initial research on question areas May serve as employee advocacy group
Accounting Service	Validate vendor premium costs Monitor payments from various entities Monitor payments from self-pays (i.e., retirees, COBRA continuants) Monitor delinquency report Monitor payments to vendors Supervise internal staff responsible for State and USD premium payments
Attorney	Negotiate contracts with vendors Research regulatory issues Research employee inquiries Interact with other staff (i.e., communication, customer service)
Communication Services	Develop printed communication materials Develop open enrollment materials Provide updates (i.e., legislative, etc.) to employees
COBRA/HIPAA Administrative Services	Maintain COBRA/HIPAA eligibility records Provide COBRA/HIPAA notification to employees Initial collection point for COBRA premium payments

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Nurse Auditor	Review large claims on self-funded plans Review large claims on insured/HMO plans Review employee appeals Discusses alternative options with vendors Liaison to customer service team and attorney
Data Manager	Collection and maintenance of claims data Report to State staff regarding data collection issues
Field Force	Conduct open enrollment meetings Conduct meetings with school districts' staff Conduct meetings with school districts' boards
Health Claims Analyst	Review claims data Report to State staff regarding issues related to cost and utilization patterns Provide recommendations to State staff concerning plan design and vendors

In the initial year of USD participation in the State's plan, heavier emphasis would be placed on certain activities. The need for these services would diminish as the USDs become more familiar with the State's plans and philosophies. These services would include:

- conducting meetings with each of the USDs;
- developing written materials that would clearly introduce and explain the State's objectives, philosophies, the new plans and contribution levels;
- attending school board meetings to explain the program (this places a heavy workload on the State's staff, but will be worthwhile if the districts are more comfortable with the plans being offered); and
- interacting with school district employees and retirees to explain benefits and resolve benefit, eligibility and claims issues.

In addition, the State's staff will have to contend with dissatisfied "customers". School district employees may be disgruntled because they have been forced to give up "their plan" and adopt the State's plans. School districts may be adversarial because they have lost autonomy — this may be especially true for the larger districts. The State's employees may be impacted by the additional duties placed on State staff, thus creating slow downs in traditional services. For these reasons, the State staff will have to maintain high levels of responsiveness and understanding to deal with the myriad issues facing the now larger base of employees.

It should be noted that the composition of school district "benefit staffs" may not change even if the State plays a more visible and active role in the benefit programs. In the smaller districts, staff members perform a wide range of duties. Removing one task would probably not have a material impact on job functions or the need for staff. It is our feeling that, for the vast majority of districts across the state, there will be minimal change in local benefit personnel.

Staffing Size. During the 1997 plan year, an average of 36,100 active employees, 9,536 direct bill participants (mostly retirees) and 1,050 COBRA continuants participated in the State's health care programs. KPERS reported the following USD memberships as of 8/1/98 — 76,210 actives, 13,350 inactives and 25,243 retirees. The financial impact phase of this study assumes that 70% to 90% of the active USD participants will enroll in the State's plans. Thus, the entrance of all school districts will more than double the participation in the State's plans.

To help estimate the administrative needs of an expanded health plan population, we conducted a State Employees' Health Insurance Organization and Management Survey. We contacted eight states, six of which are geographically proximate to Kansas and two known to include school district employees. The survey results are attached as an Exhibit to this report. Information was gathered on the following:

- number of enrolled State and other public employees;
- benefit lines being managed;
- public groups included in the medical program;
- the number of administrative staff employees by job function; and
- positions and salary levels by job function.

Kansas is designated as State A on the enclosed survey response exhibits. Of current interest would be the comparisons between Kansas, Iowa and Colorado. Iowa and Colorado are geographically proximate to Kansas, do not include school district employees and are relatively similar in numbers of covered employees, number of medical options and types of benefits managed. Iowa, with 27,000 covered employees, 6,000 retirees and $125,000,000 in plan costs, has an administrative staff of 8. Colorado, with 30,000 covered employees, zero retirees and $80,000,000 in health plan costs, has a total staff of 10. Kansas has an administrative staff of 13 (including EAP/wellness job functions), with a higher covered population, at 46,000, and higher plan costs at $165,000,000.

Nebraska has a staff of four, but only 15,000 covered state employees and no other public entities enrolled in the state program.

Administrative staffing requirements increase dramatically with the inclusion of school district employees in state plans. The other five states included in our mini-survey cover school districts. Tennessee, Arkansas and Georgia mandate school district inclusion, while Oklahoma and Missouri enroll districts on a "voluntary" basis.

Arkansas is of interest because it combined their State and School District employees within the past two years. Their overall approach, including current staffing needs, are a bit the result of "trial and error", but mostly the result of several committee studies and position papers. Arkansas' covered population (at 62,000 actives) is smaller than the projected Kansas population. Arkansas has 334 school districts and an administrative staff of 22. Their administrative staff serves largely in a conceptual role, with the majority of logistical services outsourced to third parties.

Following is a guesstimate of staffing needs if Kansas administration is to include State and School District employees.

Currently, all services for enrollees of the State's plan are provided by 13 employees. This number would have to dramatically increase if the State were to administer benefits for both groups of employees and retirees. The following provides a breakdown of current staff and our preliminary estimate of the staff needed with the inclusion of the USDs.

	Current			Needed		
Description	**Conceptual**	**Logistical**	**Total**	**Conceptual**	**Logistical**	**Total**
Director	1	0	1	1	0	1
Eligibility, enrollment and customer service	2	4	6	3	9	12
Financial/ accounting	0	.5	.5	1	1	2
EAP/wellness/ compliance and support staff	1	2.5	3.5	2	4	6
Communications	0	0	0	1	1	2
Data manager/ claims monitoring	0	2	2	1	3	4
Nurse auditor	0	0	0	0	1	1
Attorney	0	0	0	0	1	1
Field force	0	0	0	0	6	6
Programming manager	0	0	0	0	1	1
Legislative liaison	0	0	0	0	1	1
Total	4	9	13	9	28	37

The eligibility/enrollment/customer service function would be a key area. It would have the dual role of maintaining the current high employee satisfaction level while providing quality and timely services to the thousands of USD employees. It is envisioned that the current staff would have to double to accomplish this important task.

The finance/accounting and communications areas would require a minimum of two full-time employees each, rather than the part-time attention provided now.

ASSOCIATED EFFECTS

The EAP/wellness services would have to be nearly doubled due to the doubling of the covered workforce. The "needed" category assumes a manager and five support staff members. These additional members would be necessary due to the expansion of such services as COBRA and Section 125 plans.

Because of the magnitude of the anticipated plan costs of the combined State and USD groups, it is imperative that claims be continuously evaluated and monitored. Due to the complexities involved with this evaluation process, it is envisioned that the State will require a full-time data manager plus a staff including the two current members and an additional staff member.
Covering over 100,000 employees and their eligible dependents will require a nurse auditor to monitor the ongoing health coverage for State employees. This will include monitoring the utilization review functions provided by the HMOs and managed care plans. This will insure the most cost effective and highest quality coverage for State plan members.

The State would need to assist local USDs' staff with certain benefit functions. Included in these services would be attending school board meetings, conducting open enrollment meetings and interacting with employees on benefits, claims and other issues. As few as six (6) staff members would be needed to perform these functions, perhaps with each staff member representing 1/6 of the 304 districts. These six members would not need to be located in Topeka, but located near their applicable assigned districts. It is believed that these staff members will be key to the satisfaction of the school districts and ultimately to the success of the State's health plan.

Other functions will need to be provided or continued, more than likely on an outsourcing basis. These would include actuarial and general underwriting services.

Alternatives

The State can choose to provide the services outlined in this section entirely through internal staff, entirely through outsourcing or some combination of the two. As noted, the addition of the USDs will require a significant expansion of State staff. The current staff could not be expected to provide the large number of new activities while maintaining their current job descriptions. If the State decides to include the USDs, but not expand conceptual and/or logistical staff, problems will occur.

Additional staff will be necessary to provide new and expanded conceptual services, as outlined previously. If this expansion does not occur, the current administrative staff will be able to focus only on the maintenance of the current plans and not proactively consider changes to the plans that will benefit the State, the USDs and the plan members. In addition, the logistical services required by the joint State and USD plans will require a dramatic increase in the administrative staff in order to meet the needs of the larger plan. If this staff is not expanded – either internally or through outsourcing – logistical duties will either become the responsibility of the conceptual staff or will be omitted.

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Therefore, if the State opts to provide these services through internal staff, serious expansion of current staff will be required. As outlined above, it is believed that an additional 25 staff members will be required. Assuming an average salary range of \$25,000 to \$35,000, it is estimated that this expansion will require additional salaries of \$625,000 to \$875,000 annually. This cost does not include the cost of benefits which could total as much as an additional \$250,000 to \$350,000 per year.

The State's second alternative would be to outsource the administrative duties, or a subset of these duties, to a third party. This approach has merit in that few, if any, additional staff positions would be required and current payroll could be maintained. Third-party companies that specialize in this service maintain both staff and systems that are capable of meeting the State's needs for the current time and into the future. Because they currently provide these services to many companies, they would not be forced to begin from "ground zero" as the State would. Outsourcing costs vary according to the actual services outsourced and the third-party selected to provide the services. These fees could range from \$.71 per employee per month to over \$4.00 per employee per month. Assuming all eligible State and USD employees enroll and are outsourced, annual costs would range from approximately \$900,000 to \$5,000,000.

However, there are drawbacks with this approach as well. There is a significant cost involved with outsourcing benefits, as well as a lengthy implementation phase. The State would have to determine which administrative services were to be outsourced, the cost and value of these services, and whether the overall value provided can be justified.

System Needs

The administration and accounting system would have to be changed significantly with the addition of USDs in the State's plan. Currently, the State utilizes the SHARP system to administer benefits. This includes eligibility maintenance and premium collection. <u>However, these functions cannot be administered through SHARP</u> for non-State employees. This will require the State to seek an alternative solution - either the purchase or lease of an administration system that can handle both State and USD employees, or outsource this function to a vendor that can support both groups. Either alternative will require a significant amount of time, energy and cost and must be thoroughly evaluated by the State. This report does not address the financial or administrative impact of either alternative.

In addition to member eligibility and premium reconciliation, the accounts payable and accounts receivable functions must be expanded with the addition of the USD employees. This includes premium payments from the USDs to the State as well as payments from the to the HMOs and insurance vendors. Administrative systems must be capable of handling these functions, and must be established prior to the influx of USD employees.

VOLUNTARY PARTICIPATION

The premise for this report is that all USDs would be required to be included in the State plan and on the same basis as all State employees. This means that all USDs would be required to join the State's plan and adhere to its eligibility, plan design and contribution requirements. The results of this study would change dramatically if USDs were allowed to participate on a voluntary basis.

The following briefly speculates on the disadvantages to the State if USDs were allowed to voluntarily participate.

Adverse Selection. If individual districts are allowed to choose to participate in the State plan, adverse selection will occur. This means that USDs with poorer claim experience would most likely migrate toward the State's plan, while those with better experience would continue to provide benefits through some alternative vehicle. This would result in an increase in the age of covered plan members and in the benefit costs.

Administrative Expenses. The combined pool of State employees and all USD employees will have potentially lower administrative costs on a per employee basis. If only a portion of the USDs join, the fixed expenses will increase resulting in higher administrative expenses on a per employee basis.

Purchasing Power. If all USDs are brought into the State's plan, the purchasing power would be enhanced significantly. Adding only a portion of the USDs might still enhance purchasing power, but certainly not by as much as the full group.

Larger Districts. The larger districts will be likely to maintain their own plans and autonomy, thus withholding their employees from the State's plan. The loss of these districts would impact administrative expenses and purchasing power.

Urban Districts. Urban districts would not be as likely to join the State's plan because of their ability to select from a broader range of managed care plans and vendors. Thus, the composition of the State's plan would reflect an increase in rural indemnity plan lives and higher costs due to the absence of managed care plan discounts and cost management provisions.

Staff Requirements. If USDs are allowed to join on a voluntary basis, the additional conceptual staff members outlined in this report would continue to be needed. While it may appear logical that the number of additional logistical staff members would be reduced, it is doubtful that the number would be reduced substantially. For example, the entire field force would still likely be needed to provide coverage statewide. The data manager, nurse auditor and attorney would still be necessary. Some areas — such as eligibility support and customer service — might have reductions from the numbers shown in this report, but would nonetheless need to be increased significantly over current levels.

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VOLUNTARY PARTICIPATION

Questionable Areas. Many new questions will arise if USDs are allowed to join on a voluntary basis, including:

- Will a district's decision to join or to leave the State's plan be irrevocable?
- If decisions are not irrevocable, what conditions will be placed on such districts? For example, how long will a district be required to stay out of the State plan before it is eligible to rejoin?
- Will the current situation change significantly? Will USDs still not provide coverage because of the expense? Will the number of covered employees change to any significant degree?
- How large a voice will the USDs have on the HCC? the EAC, or any reconfigured similar group? Would this change year over year with the changing USD enrollment?

The following speculates on the advantages that exist for the USDs if participation is allowed to be voluntary, as outlined below:

Autonomy. USDs who do not want to participate in the State's plan could maintain their individual autonomy. They could continue to determine their own benefit levels, eligibility requirements, contribution strategies and managed care vendors. This would be particularly important to the larger USDs who are able to negotiate benefits and costs with their vendors.

"Cherry Picking". USDs could evaluate the marketplace and compare their costs under the State plan with those of other vendors. This would allow the USDs to select the lowest cost option to benefit their employees. If no restrictions are placed on their entry or departure from the State's plan, individual USDs might move in or out of the plan frequently.

Continuance of Cash Out Options. The cash out option is an important benefit to many USD employees throughout the State. It is viewed, more often than not, as a part of the employees' salaries. With voluntary participation, districts could continue providing a cash out option and could negate a potential employee relations issue.

EXHIBITS

Active Cost Assumptions

Active Demographic Summary

Retiree Demographic Summary

Employee Locations

- USD Active Employees
- USD Retired Employees
- USD Active Respondents
- State Active Enrollees
- State Retired Enrollees

USD Respondent Summary

USD Insured Plan Costs

USD Self-Insured Plan Costs

State Employees' Health Insurance Organization and Management Survey

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EXHIBITS

Active Cost Assumptions

	Total USD Employees		State Enrollees		Combined	
Total Eligible	68,306		37,678		105,984	
Total Enrolled						
90% USD Participation	61,475	90%	35,567	94%	97,042	92%
70% USD Participation	47,814	70%	35,567	94%	83,381	79%
Medical Counts by Coverage Tier (90% USD Participation)						
Employee Only	35,348	57.5%	17,694	49.7%	53,042	54.7%
Employee Plus Spouse	4,611	7.5%	4,011	11.3%	8,622	8.9%
Employee Plus Child(ren)	7,684	12.5%	5,300	14.9%	12,984	13.4%
EE, Sps and Child(ren)	13,832	22.5%	8,562	24.1%	22,394	23.1%
Total	61,475	100.0%	35,567	100.0%	97,042	100.0%
Medical Counts by Coverage Tier (70% USD Participation)						
Employee Only	27,493	57.5%	17,694	49.7%	45,187	54.2%
Employee Plus Spouse	3,586	7.5%	4,011	11.3%	7,597	9.1%
Employee Plus Child(ren)	5,977	12.5%	5,300	14.9%	11,277	13.5%
EE, Sps and Child(ren)	10,758	22.5%	8,562	24.1%	19,320	23.2%
Total	47,814	100.0%	35,567	100.0%	83,381	100.0%
1999 Monthly Medical Total Cost						
Employee Only	$229.00		$219.00		$226.00	
Employee Plus Spouse	$452.00		$440.00		$446.00	
Employee Plus Child(ren)	$393.00		$383.00		$389.00	
EE, Sps and Child(ren)	$560.00		$544.00		$554.00	
Total	$341.00		$347.00		$343.00	
1999 Monthly Dental Total Cost						
Employee Only	$15.00		$15.00		$15.00	
Employee Plus Spouse	$30.00		$29.00		$30.00	
Employee Plus Child(ren)	$27.00		$27.00		$27.00	
EE, Sps and Child(ren)	$37.00		$34.00		$36.00	
Total	$23.00		$23.00		$23.00	

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EXHIBITS

Active Demographic Summary

	Total USD Employees		State Enrollees		Combined	
Counts						
Male	17,824	26%	17,587	49%	35,411	34%
Female	50,482	74%	17,980	51%	68,462	66%
Total	68,306	100%	35,567	100%	103,873	100%
Average Age						
Male	43.7		44.3		44.0	
Female	43.3		43.2		43.3	
Total	43.4		43.8		43.5	
Age Distribution						
< 20	96	0.1%	37	0.1%	133	0.1%
20 - 24	1,837	2.7%	783	2.2%	2,620	2.5%
25 - 29	6,127	9.0%	2,754	7.7%	8,881	8.5%
30 - 34	6,888	10.1%	3,948	11.1%	10,836	10.4%
35 - 39	9,176	13.4%	5,128	14.4%	14,304	13.8%
40 - 44	11,136	16.3%	5,862	16.5%	16,998	16.4%
45 - 49	12,530	18.3%	6,083	17.1%	18,613	17.9%
50 - 54	10,340	15.1%	5,056	14.2%	15,396	14.8%
55 - 59	6,460	9.5%	3,488	9.8%	9,948	9.6%
60 - 64	2,805	4.1%	1,790	5.0%	4,595	4.4%
65+	911	1.3%	638	1.8%	1,549	1.5%
Total	68,306	100.0%	35,567	100.0%	103,873	100.0%
Average Annual Pay	$25,000		$34,000		$28,000	
Annual Pay Distribution						
< $17,000	25,205	36.9%	2,490	7.0%	27,695	26.7%
$17,000 - $29,999	15,369	22.5%	17,570	49.4%	32,939	31.7%
$30,000+	27,732	40.6%	15,507	43.6%	43,239	41.6%
Total	68,306	100.00%	35,567	100.0%	103,873	100.0%

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Retiree Demographic Summary

	Total USD Employees*		State Enrollees		Combined	
Counts						
Male	8,068	33%	4,306	45%	12,374	36%
Female	16,682	67%	5,237	55%	21,919	64%
Total	24,750	100%	9,543	100%	34,293	100%
Average Age						
Male	70.6		70.5		70.6	
Female	73.7		72.6		73.4	
Total	72.7		71.7		72.4	
Age Distribution						
< 55	418	1.7%	363	3.8%	781	2.3%
55 - 59	1,521	6.1%	447	4.7%	1,968	5.7%
60 - 64	3,773	15.2%	1,295	13.6%	5,068	14.8%
65 - 69	4,857	19.6%	1,826	19.1%	6,683	19.5%
70 - 74	3,949	16.0%	1,861	19.5%	5,810	16.9%
75 - 79	3,563	14.4%	1,688	17.7%	5,251	15.3%
80 - 84	3,023	12.2%	1,180	12.4%	4,203	12.3%
85 - 89	2,171	8.8%	650	6.8%	2,821	8.2%
90 - 94	1,134	4.6%	198	2.1%	1,332	3.9%
95 - 99	300	1.2%	29	0.3%	329	1.0%
100+	41	0.2%	6	0.1%	47	0.1%
Total	24,750	100.0%	9,543	100.0%	34,293	100.0%
Average Annual Pension	$8,800		$7,200		$8,400	

* *USD retirees and surviving spouses currently receiving a KPERS pension.*

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USD Active Employees

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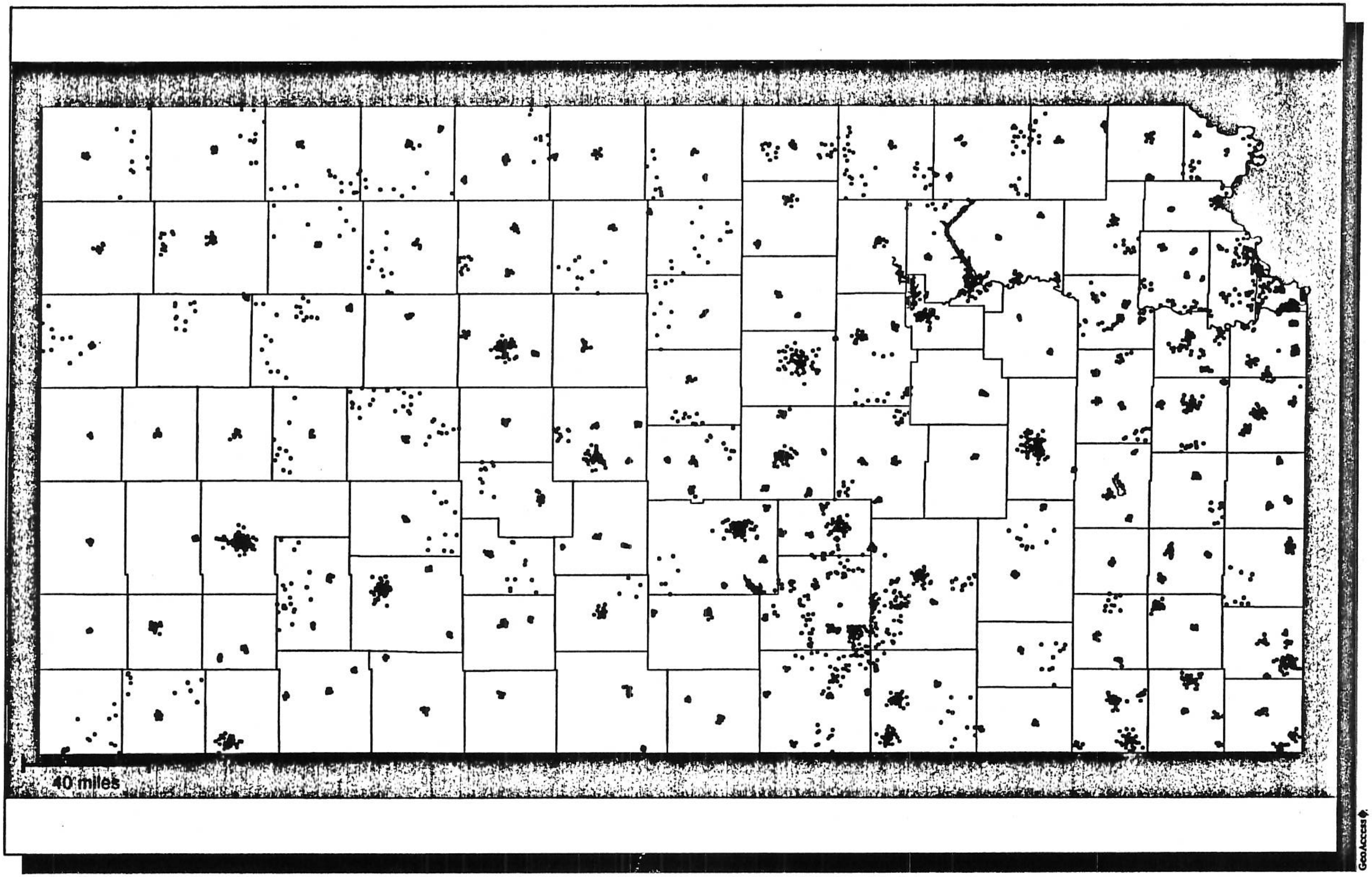
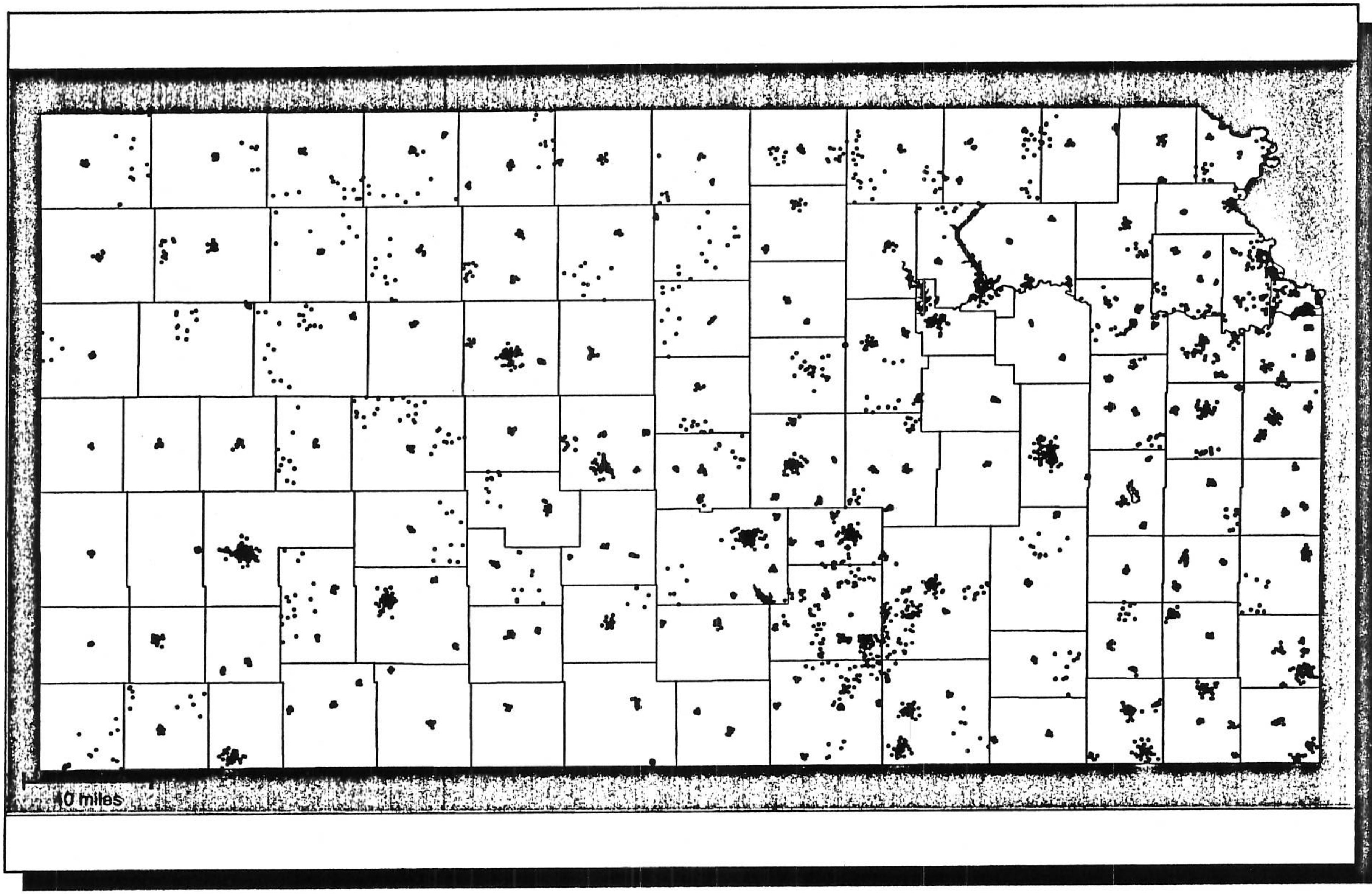


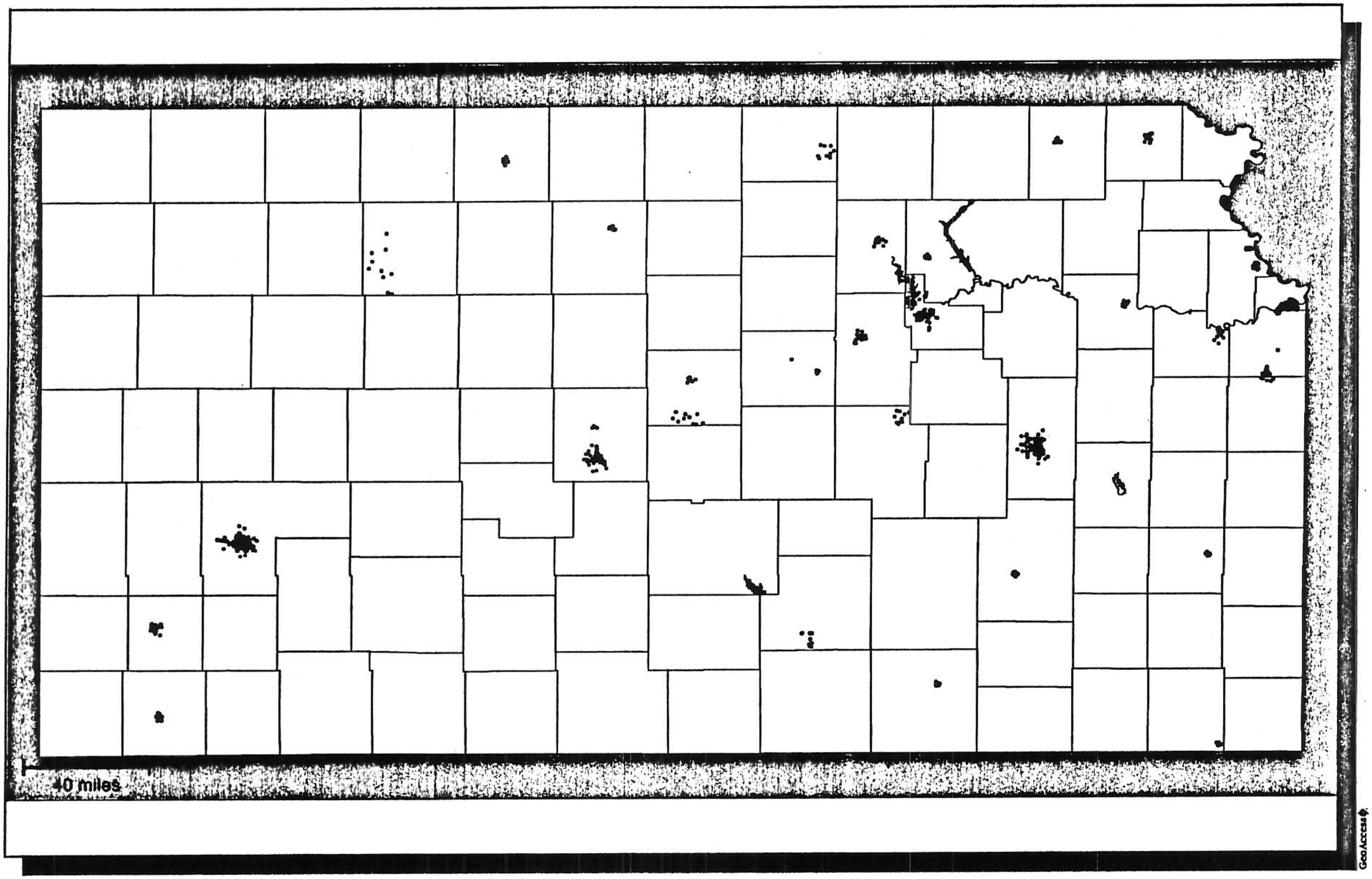
2-6

SD Retired Employees



2-45

USD Active Respondents (who provided individual census data)



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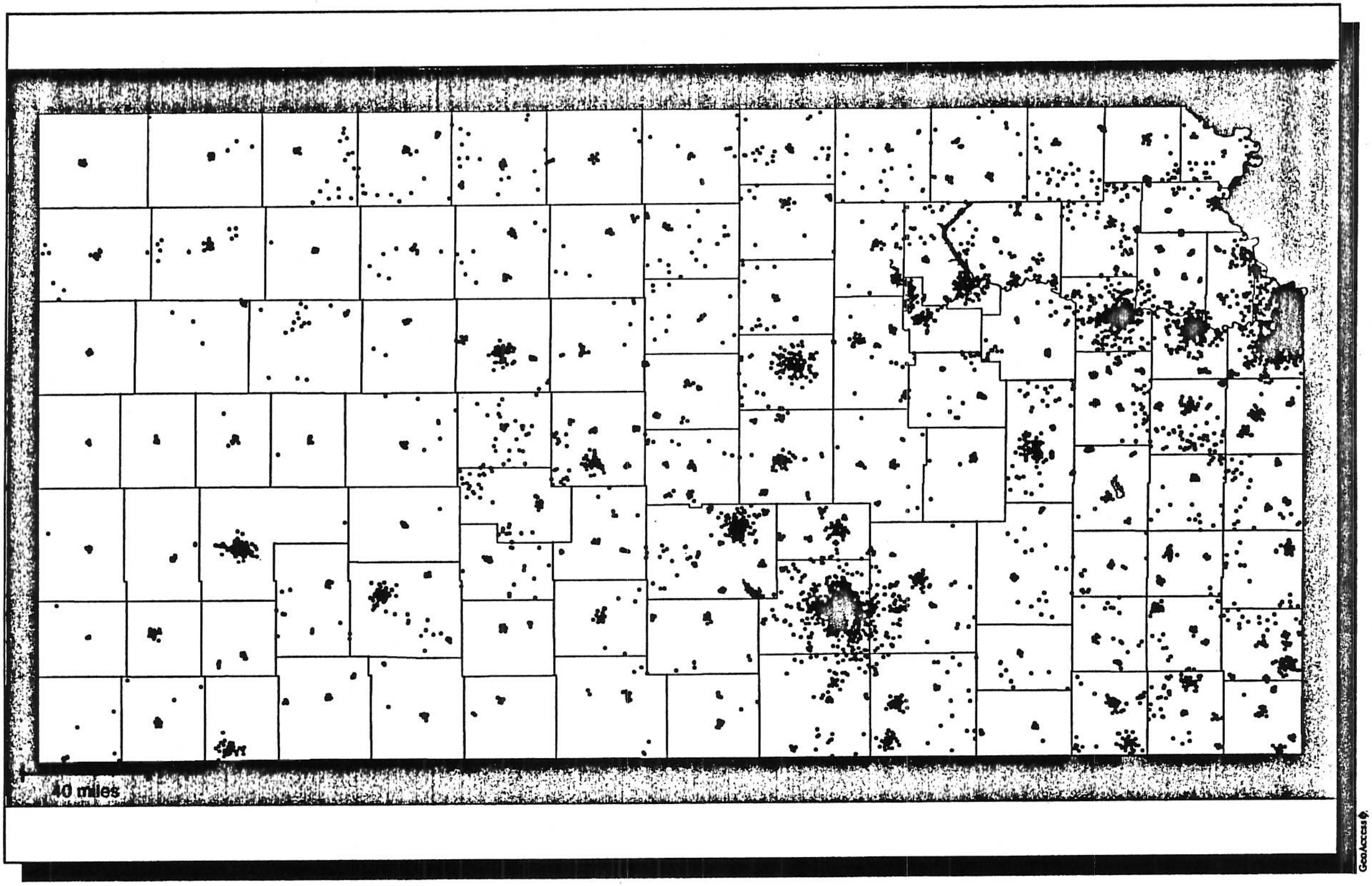
State Active Enrollees



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ıate Retired Enrollees

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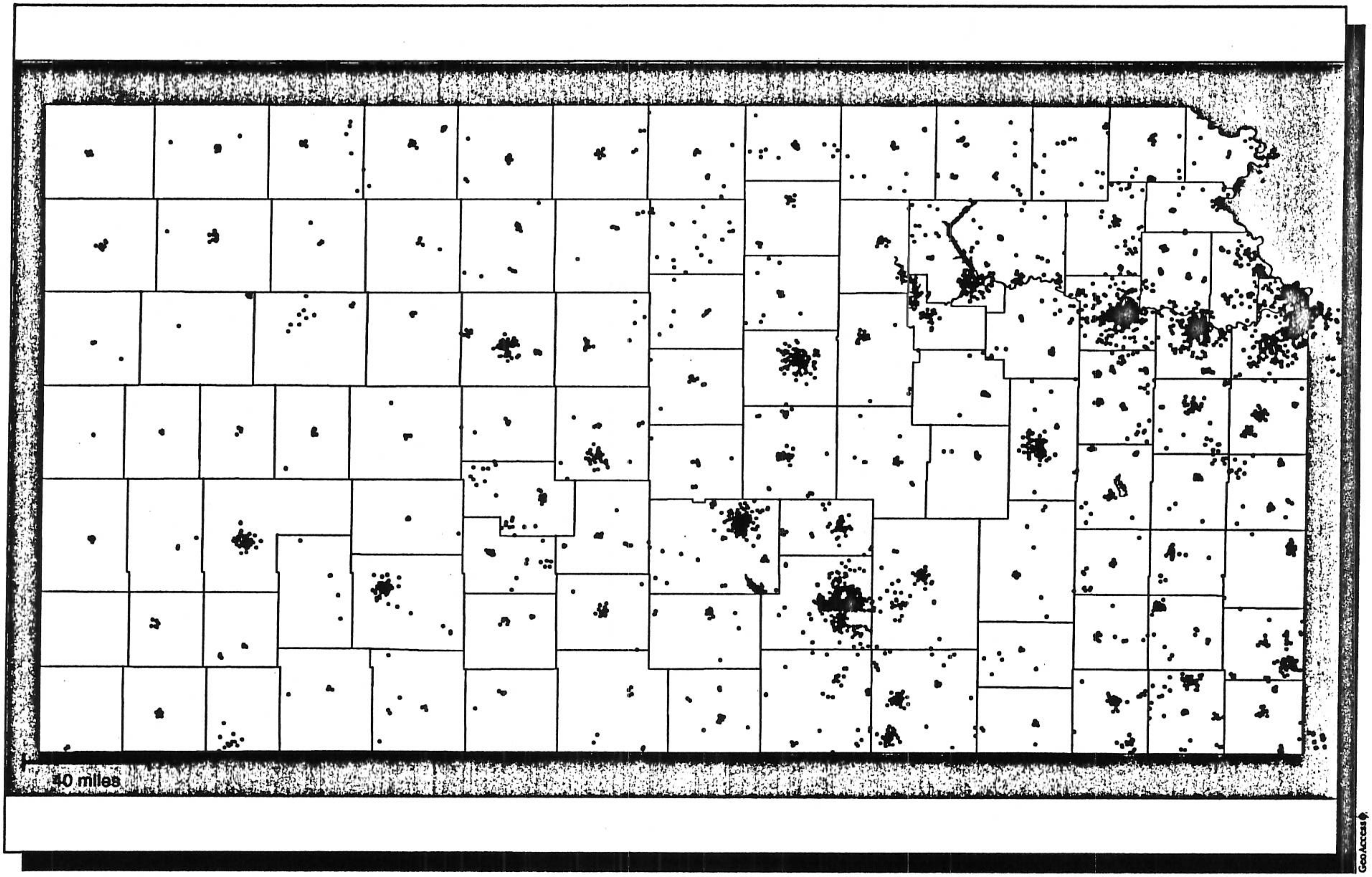

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EXHIBITS

KANSAS USD FEASIBILITY STUDY
Summary Statistics
USD Respondent Summary

Type of Respondents

	Number	Percentage
1. Total Respondents	199	65%
2. No health plan	12	6%
3. Data incomplete and not analyzed	14	7%
4. Insured	75	38%
5. Self-funded with TPA administration	98	49%
6. Dental coverage offered	83	42%

Subsidies

7. Reported subsidizing health care coverage	45	23%
8. Average subsidy (based upon number of districts)		$ 158 per month
9. Average subsidy (based upon number of employees)		$ 160 per month

Plan Designs

	% of Plans	% of Employees
10. HMO	17%	30%
11. PPO (with incentive or disincentive):	46%	35%
12. Indemnity (includes discount arrangements without incentives)	37%	35%
13. Percent with multiple plan offerings	35%	65%

14. Average Relative Value (Ratio of State's plans to USD plans)

a. Insured	1.02
b. Self-Insured	1.12

USD Insured Plan Costs

1.	Number of USD Respondents with Insured Plans	75
2.	Number of Contracts	
	a. Employee Only	8,645
	b. Employee + Spouse	749
	c. Employee + Child(ren)	437
	d. Family	3,431
	e. Total Contracts	13,262
3.	Total Annual Premium	$51,804,843
4.	Premium Per Employee Per Month	$326
5.	Weighted Average Relative Value	1.02
6.	Adjusted Actuarial Cost per Employee	$320
7.	Weighted Anniversary Date	September 1
8.	Projected to Calendar 1999	$328

EXHIBITS

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USD Self-Insured Plan Costs

Purchasing Groups Analyzed

- South West Plains Regional Service Center Health Insurance Group (SWPHIG)
- South Central Kansas Health Insurance Group (SCKHIG)
- Greenbush Health (Greenbush)

Other Purchasing Groups

- ESSDACK Insurance Group
- Smoky Hill Health Insurance Group

Summary of Plan Costs

Purchasing Group / USD	SWPHIG	SCKHIG	Greenbush*	Great Bend	Hayes	Total
1. Expected Claim Cost	$305	$299	$220	$336	$321	$293
2. Reinsurance Costs	10	108	110	51	11	66
3. Administration	15	36	18	13	14	23
4. Total	$330	$443	$348	$400	$346	$382
5. Reinsurance Level	$75,000	$25,000	$10,000	$50,000	$75,000	$44,113
6. Number of Employees Enrolled	1,204	1,595	723	281	528	4,331
7. Number of USDs	27	29	13	1	1	71

* *Only includes USDs with Greenbush who responded.*

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EXHIBITS

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State Employees' Health Insurance Organization and Management Survey

Number of State and Public Employees Enrolled in State Insurance Program								
				1997 Cost of Health Ins Program	Number of Medical Options			
	Employees	Dependents	Retirees	(active/retiree)	Indemnity	PPO	POS	HMO
State A (KS)	35,500	36,900	9,700	$165M	1	1	2	6
State B (AR)	62,103 (1)	57,218 (1)	9,871	$234 M	—	1	1	5
State C (CO)	30,000	66,000 (3)	—	$80 M (1)	—	2	—	6
State D (GA)	208,586	285,386	53,603	$893 M	2	—		
State E (IA)	27,000	33,000	6,000	$125 M	1	1	—	9
State F (MO)	65,000	64,000	10,100	125M	—	2	6	15
State G (NE)	15,215	N/A	475	$60M	—	2	—	2
State H (OK)	92,000 (1)	68,250 (1)	34,600	$264 M (2)	1	—	—	6
State I (4) (TN)	107,000	100,001-200,000	6,400	$251 M-500 M	1	—	—	5

(1) Active Only
(2) Medical and Pharmacy
(3) Approximate
(4) 1996 Survey Information

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State Employees' Health Insurance Organization and Management Survey

Other Benefit Types Managed by the Insurance Program

	Benefit Type									
	Dental	Vision	Prescription Drug	Employee Life Insurance	Dependent Life Insurance	Disability	Retirement	Flexible Spending Account	Long-Term Care Insurance	Other
State A	✓	✓	✓				✓	✓	✓	COBRA, Shared Leave
State C	✓	✓	✓	✓	✓	✓	✓	✓		
State D	✓		✓	✓	✓	✓	✓	✓	✓	Legal Insurance
State E			✓	✓	✓	✓		✓		
State E	✓	✓	✓	✓		✓	✓	✓		
State F	✓	✓								Employee Assistance Program
State G	✓	✓		✓	✓	✓		✓	✓	COBRA
State H	✓		✓	✓				✓		
State I (1)	✓			✓	✓					

(1) 1996 Survey Information

EXHIBITS

State Employees' Health Insurance Organization and Management Survey

Public Groups Offered the Medical Program

	Public Groups								
	State Employee	**Public School EE**	**University**	**Community College**	**Public Library**	**Municipality**	**County**	**City**	**Other**
State A	✓		✓						
State B	✓	✓							
State C	✓		✓						
State D	✓	✓			✓		(1)		
State E	✓		✓						
State F	✓	✓	✓	✓	✓	✓	✓	✓	
State G	✓								
State H	✓	✓	✓	✓	✓	✓	✓	✓	
State I (2)	✓	✓	✓			✓	✓		some non-profit

(1) One county

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EXHIBITS

State Employees' Health Insurance Organization and Management Survey

Number of Employees by Job Function

	Job Function							
	Claims Monitoring/ Actuarial	**Finance/ Accounting/ Audit**	**Enrollment/ Billing**	**Customer Service**	**Communi-cation**	**Plan Monitoring/ Quality Assurance**	**EAP/ Wellness**	**Other**
State A	2 [1],[3]	.25 FTE	6 [4]	[4]	.10 FTE	[3]	1.5	COBRA/125 Compliance - 1, Administrative - 2
State B	—	6	5	5	1	3	—	Retiree - 1, COBRA - 1
State C	Job functions shared. Most benefit calls referred to the dedicated customer service unit at each health plan. Agency has ten total employees. No functions are outsourced.							
State D	8	10	15	8	1	5 [7]	—	Compensation
State E	1	1	2	2	0	1	1	
State F	0	6	16	15	1	4	—	75 total employees: HR, Administrative, Mailroom, Data Management, Marketing, and other areas not reported
State G	—	1	1.25	1.25	.5	—	—	
State H	2 [1]	11	59	24	3	14	9 [2]	Data Services - 14, Administrative Functions - 29
State I [5]	2	3	4 [6]	14	1	3	3	Support Staff - 7

(1) Actuarial Outsourced
(2) EAP outsourced
(3) Health Plan Monitoring and Quality Assurance combined with Claims Monitoring/Actuarial
(4) Customer Service combined with Enrollment (4 employees for actives, 2 employees for retirees)
(5) 1996 Survey Information
(6) Includes two employees from State Information Division
(7) Includes two part-time employees counted as one full-time employee

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State Employees' Health Insurance Organization and Management Survey

Positions and Salary Levels by Job Function

	Claims Monitoring/ Actuarial	Finance/ Accounting/ Audit	Enrollment/ Billing	Customer Service	Communication	Plan Monitoring/ Quality Assurance	EAP/Wellness	Other
State A	Program Consultant II 35,000 - 45,000	Mgmt. System Analysis II 35,000 - 45,000	HR Prof. IV 45,000 - 55,000				HR Prof. III 45,000 - 55,000	
State B	Did Not Provide							
State C	Job functions shared. Benefit Planner: 48,000 - 72,000; Administrative Assistant: 19,000 - 24,000							
State D	Health Benefits Division Director 65,000 - 85,000	Financial Division Director 65,000 - 85,000	Eligibility Unit Manger 35,000 - 45,000	Support System Unit Manager 35,000 - 45,000	Advanced Benefits Information Specialist 35,000 - 45,000	Quality Assurance Manager 40,000 - 50,000		Compensation/ Staffing Division Director 65,000 - 85,000 Admin/Systems Division Director 65,000 - 85,000
State E	Benefit Program Administrator $44,000 - 60,000		Enrollment Coordinator 28,000 - 35,000 COBRA Administrator 33,000 - 43,000				Wellness Coordinator 42,000 - 53,000	
State F		Manager of Fiscal Affairs 42,000 – 69,000	Manager of Membership 42,000 – 69,000	Manager of Customer Support 42,000 – 69,000		Manager of Research and Compliance 44,000 – 73,000		
State G	—	Accountant 32,000 – 43,000	Benefit Technician I 24,000 – 32,000	Benefit Technician II 28,000 – 37,000	Benefit Technician II 28,000 – 37,000			
State H	CPA 65,000 - 75,000	Director of Accounting 60,000 - 70,000	CPA 45,000 - 55,000	Member Service Manager 30,000 - 40,000	Director of Public Information 45,000 - 55,000	Asst. Administrator 55,000 - 65,000	Wellness Coordinator 30,000 - 40,000	D.P. App. Specialist 35,000 - 45,000 Deputy Administrator 65,000 - 75,000
State I[1]	Legislation/Policy Dir 50,000 - 60,000 Program Evaluation 35,000 - 45,000	Accountant III 25,000 - 35,000 Account Clerk I 17,000 - 20,000	Information 28,000 - 35,000 Systems Support 20,000 - 25,000	benefit Specialist 25,000 - 30,000 Appeals Coordinator 22,000 - 25,000 Customer Service 20,000 - 25,000	Communication Specialist 25,000 - 40,000	Operations Manager 40,000 - 55,000 Program Eval. 35,000 - 45,000 Benefit Specialist 25,000 - 30,000	Director 45,000 - 60,000 EAP Coordinator 35,000 - 45,000 Wellness Coord. 35,000 - 45,000 Wellness Specialist 22,000 - 30,000 Support Staff 15,000 - 22,000	

[1] 1996 Survey Information

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Special Report for Bill Curtis: High to Low on Board Paid Fringe

These are the settlements we have to date

USD	USDName	98-99 FTE Enr	Base 98-99	Fringe 98-99	Base+ Fringe	Statewide Rank in Base+ Fringe	Statewide Rank in Board Paid Fringe
317	Herndon	100.0	$ 20,000	$ 5,800	$ 25,800	176	1
215	Lakin	729.5	$ 26,780	$ 5,610	$ 32,390	3	2
209	Moscow Public Schools	193.1	$ 23,360	$ 5,454	$ 28,814	18	3
336	Holton	1,087.0	$ 24,475	$ 5,236	$ 29,711	9	4
441	Sabetha	1,038.5	$ 22,032	$ 5,085	$ 27,117	85	5
259	Wichita	45,138.0	$ 25,228	$ 4,434	$ 29,662	10	6
222	Washington Schools	378.0	$ 24,200	$ 3,879	$ 28,079	36	7
443	Dodge City	4,939.0	$ 22,700	$ 3,750	$ 26,450	125	8
342	McLouth	573.5	$ 24,770	$ 3,600	$ 28,370	28	9
355	Ellinwood Public Schools	604.6	$ 23,530	$ 3,550	$ 27,080	86	10
344	Pleasanton	426.0	$ 26,650	$ 3,540	$ 30,190	6	11
494	Syracuse	509.0	$ 26,600	$ 3,408	$ 30,008	7	12
378	Riley County	628.4	$ 22,675	$ 3,332	$ 26,007	153	13
446	Independence	2,228.8	$ 21,500	$ 3,300	$ 24,800	243	14
330	Wabaunsee East	636.0	$ 22,300	$ 3,146	$ 25,446	205	15
373	Newton	3,474.2	$ 22,720	$ 3,084	$ 25,804	175	16
395	LaCrosse	357.5	$ 23,500	$ 3,022	$ 26,522	122	17
247	Cherokee	843.2	$ 23,600	$ 3,000	$ 26,600	112	18
278	Mankato	275.0	$ 22,134	$ 3,000	$ 25,134	223	19
305	Salina	7,298.8	$ 21,500	$ 3,000	$ 24,500	256	20
484	Fredonia	885.0	$ 22,875	$ 2,947	$ 25,822	171	21
248	Girard	1,130.5	$ 30,111	$ 2,914	$ 33,025	2	22
489	Hays	3,435.1	$ 22,615	$ 2,894	$ 25,509	199	23
224	Clifton-Clyde	389.0	$ 25,217	$ 2,850	$ 28,067	38	24
436	Caney Valley	961.0	$ 25,104	$ 2,820	$ 27,924	44	25
322	Onaga-Hvlle-Whtn	422.2	$ 24,500	$ 2,820	$ 27,320	70	26
363	Holcomb	872.0	$ 25,768	$ 2,800	$ 28,568	22	27
280	West Graham-Morland	91.0	$ 21,700	$ 2,735	$ 24,435	258	28
309	Nickerson	1,355.8	$ 23,400	$ 2,728	$ 26,128	147	29
460	Hesston	840.0	$ 25,500	$ 2,700	$ 28,200	31	30
237	Smith Center	585.5	$ 23,643	$ 2,700	$ 26,343	134	31
473	Chapman	1,229.1	$ 22,141	$ 2,700	$ 24,841	240	32
452	Stanton County	538.6	$ 25,911	$ 2,681	$ 28,592	20	33
232	DeSoto	2,510.1	$ 23,563	$ 2,661	$ 26,224	141	34
427	Republic County	606.0	$ 23,100	$ 2,650	$ 25,750	183	35
'45	Coffeyville	2,244.9	$ 22,950	$ 2,644	$ 25,594	195	36

Senate Financial Institutions & Insurance

Date 2/10/99

Attachment # 3

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USD	USDName	98-99 FTE Enr	Base 98-99	Fringe 98-99	Base+ Fringe	Statewide Rank in Base+ Fringe	Statewide Rank in Board Paid Fringe
415	Hiawatha	1,096.2	$ 23,350	$ 2,640	$ 25,990	158	37
329	Mill Creek Valley	558.5	$ 22,728	$ 2,640	$ 25,368	209	38
288	Central Heights	702.0	$ 23,050	$ 2,616	$ 25,666	188	39
372	Silver Lake	696.8	$ 24,850	$ 2,580	$ 27,430	63	40
271	Stockton	436.6	$ 24,915	$ 2,570	$ 27,485	62	41
275	TriPlains	92.5	$ 22,500	$ 2,543	$ 25,043	231	42
487	Herington	570.8	$ 24,150	$ 2,541	$ 26,691	105	43
418	McPherson	2,716.9	$ 24,535	$ 2,510	$ 27,045	89	44
352	Goodland	1,156.8	$ 23,800	$ 2,508	$ 26,308	136	45
306	Southeast of Saline	677.0	$ 23,132	$ 2,500	$ 25,632	191	46
396	Douglass Public Schools	901.9	$ 27,080	$ 2,480	$ 29,560	11	47
350	St. John-Hudson	443.0	$ 22,670	$ 2,467	$ 25,137	222	48
312	Haven Public Schools	1,125.1	$ 24,910	$ 2,460	$ 27,370	66	49
411	Goessel	318.0	$ 24,750	$ 2,460	$ 27,210	77	50
408	Marion	719.7	$ 24,450	$ 2,460	$ 26,910	94	51
410	Durham-Hillsboro-Lehigh	737.4	$ 24,350	$ 2,460	$ 26,810	99	52
423	Moundridge	452.2	$ 23,765	$ 2,460	$ 26,225	139	53
313	Buhler	2,217.7	$ 22,806	$ 2,460	$ 25,266	216	54
230	Spring Hill	1,356.0	$ 23,727	$ 2,407	$ 26,134	146	55
286	Chautauqua County Community	512.0	$ 26,750	$ 2,400	$ 29,150	15	56
512	Shawnee Mission Public Schools	30,337.5	$ 26,101	$ 2,400	$ 28,501	24	57
235	Uniontown	498.5	$ 25,000	$ 2,400	$ 27,400	64	58
233	Olathe	18,662.5	$ 24,166	$ 2,400	$ 26,566	116	59
493	Columbus	1,379.5	$ 23,425	$ 2,400	$ 25,825	170	60
461	Neodesha	764.0	$ 23,400	$ 2,400	$ 25,800	178	61
246	Northeast	580.0	$ 23,275	$ 2,400	$ 25,675	187	62
346	Jayhawk	600.5	$ 25,475	$ 2,387	$ 27,862	48	63
386	Madison-Virgil	282.5	$ 22,850	$ 2,385	$ 25,235	218	64
463	Udall	321.0	$ 23,615	$ 2,364	$ 25,979	159	65
505	Chetopa	270.5	$ 24,881	$ 2,346	$ 27,227	76	66
385	Andover	2,800.4	$ 26,240	$ 2,300	$ 28,540	23	67
483	Kismet-Plains	693.5	$ 24,850	$ 2,300	$ 27,150	82	68
293	Quinter Public Schools	390.0	$ 24,250	$ 2,292	$ 26,542	120	69
264	Clearwater	1,144.0	$ 26,775	$ 2,280	$ 29,055	16	70
340	Jefferson West	945.5	$ 26,157	$ 2,280	$ 28,437	26	71
285	Cedar Vale	206.7	$ 25,759	$ 2,280	$ 28,039	39	72
424	Mullinville	109.0	$ 24,777	$ 2,280	$ 27,057	88	73
475	Geary County Schools	6,098.5	$ 24,390	$ 2,280	$ 26,670	107	74
454	Burlingame Public Schools	366.4	$ 23,171	$ 2,274	$ 25,445	206	75
430	South Brown County	725.3	$ 24,200	$ 2,246	$ 26,446	126	76
495	Ft. Larned	1,068.9	$ 22,440	$ 2,220	$ 24,660	251	77

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~~2-5-8~~ 2-5-9

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USD	USDName	98-99 FTE Enr	Base 98-99	Fringe 98-99	Base+ Fringe	Statewide Rank in Base+ Fringe	Statewide Rank in Board Paid Fringe
333	Concordia	1,302.7	$ 22,000	$ 2,220	$ 24,220	266	78
360	Caldwell	344.5	$ 25,900	$ 2,209	$ 28,109	34	79
231	Gardner-Edgerton-Antioch	2,388.6	$ 23,500	$ 2,189	$ 25,689	185	80
476	Copeland	121.5	$ 25,000	$ 2,171	$ 27,171	79	81
339	Jefferson County North	482.2	$ 25,500	$ 2,160	$ 27,660	57	82
238	West Smith County	195.5	$ 23,650	$ 2,160	$ 25,810	172	83
294	Oberlin	558.0	$ 23,320	$ 2,141	$ 25,461	204	84
376	Sterling	531.5	$ 26,300	$ 2,138	$ 28,438	25	85
300	Comanche County	357.0	$ 23,400	$ 2,135	$ 25,535	198	86
500	Kansas City	20,095.6	$ 24,917	$ 2,111	$ 27,028	91	87
447	Cherryvale	677.5	$ 25,775	$ 2,100	$ 27,875	47	88
486	Elwood	318.0	$ 25,599	$ 2,100	$ 27,699	55	89
429	Troy Public Schools	399.0	$ 25,417	$ 2,100	$ 27,517	61	90
303	Ness City	288.5	$ 24,495	$ 2,100	$ 26,595	114	91
453	Leavenworth	4,065.9	$ 24,125	$ 2,100	$ 26,225	140	92
366	Woodson	621.5	$ 23,000	$ 2,100	$ 25,100	228	93
242	Weskan	125.0	$ 23,400	$ 2,072	$ 25,472	202	94
359	Argonia Public Schools	270.0	$ 25,550	$ 2,070	$ 27,620	59	95
298	Lincoln	411.0	$ 24,200	$ 2,064	$ 26,264	137	96
501	Topeka Public Schools	13,586.0	$ 23,058	$ 2,062	$ 25,120	225	97
497	Lawrence	10,045.8	$ 23,310	$ 2,052	$ 25,362	210	98
462	Central	405.2	$ 24,070	$ 2,017	$ 26,087	151	99
377	Atchison Co Community Schools	806.0	$ 23,350	$ 2,001	$ 25,351	211	100
268	Cheney	709.6	$ 28,215	$ 2,000	$ 30,215	5	101
210	Hugoton Public Schools	963.5	$ 27,000	$ 2,000	$ 29,000	17	102
389	Eureka	799.0	$ 24,000	$ 2,000	$ 26,000	154	103
459	Bucklin	354.0	$ 23,850	$ 2,000	$ 25,850	166	104
315	Colby Public Schools	1,123.5	$ 24,950	$ 1,980	$ 26,930	93	105
434	Santa Fe Trail	1,317.0	$ 24,580	$ 1,980	$ 26,560	117	106
365	Garnett	1,121.5	$ 22,850	$ 1,980	$ 24,830	241	107
258	Humboldt	534.6	$ 23,664	$ 1,966	$ 25,630	192	108
421	Lyndon	507.0	$ 23,875	$ 1,932	$ 25,807	173	109
287	West Franklin	921.1	$ 23,812	$ 1,932	$ 25,744	184	110
450	Shawnee Heights	3,385.3	$ 26,200	$ 1,922	$ 28,122	33	111
331	Kingman-Norwich	1,220.8	$ 24,300	$ 1,920	$ 26,220	142	112
240	Twin Valley	628.5	$ 23,130	$ 1,920	$ 25,050	229	113
228	Hanston	138.5	$ 22,725	$ 1,914	$ 24,639	253	114
382	Pratt	1,375.0	$ 23,350	$ 1,906	$ 25,256	217	115
229	Blue Valley	15,430.6	$ 24,024	$ 1,900	$ 25,924	162	116
103	Cheylin	192.0	$ 22,980	$ 1,863	$ 24,843	239	117
[illegible]	Winfield	2,675.5	$ 25,055	$ 1,852	$ 26,907	95	118

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USD	USDName	98-99 FTE Enr	Base 98-99	Fringe 98-99	Base+ Fringe	Statewide Rank in Base+ Fringe	Statewide Rank in Board Paid Fringe
262	Valley Center Public Schools	2,298.5	$ 27,600	$ 1,841	$ 29,441	12	119
444	Little River	275.3	$ 25,350	$ 1,818	$ 27,168	80	120
289	Wellsville	768.0	$ 26,600	$ 1,812	$ 28,412	27	121
488	Axtell	374.0	$ 22,445	$ 1,804	$ 24,249	262	122
449	Easton	704.5	$ 25,350	$ 1,800	$ 27,150	83	123
504	Oswego	497.5	$ 25,350	$ 1,800	$ 27,150	84	124
457	Garden City	7,115.9	$ 25,240	$ 1,800	$ 27,040	90	125
412	Hoxie Community Schools	446.5	$ 24,800	$ 1,800	$ 26,600	110	126
203	Piper	1,282.0	$ 24,525	$ 1,800	$ 26,325	135	127
420	Osage City	745.0	$ 24,300	$ 1,800	$ 26,100	149	128
474	Haviland	179.5	$ 24,110	$ 1,800	$ 25,910	164	129
101	Erie-St.Paul	1,184.5	$ 23,960	$ 1,800	$ 25,760	181	130
273	Beloit	811.6	$ 23,800	$ 1,800	$ 25,600	193	131
220	Ashland	246.0	$ 23,786	$ 1,800	$ 25,586	196	132
255	South Barber	325.5	$ 23,175	$ 1,800	$ 24,975	234	133
249	Frontenac Public Schools	644.0	$ 23,000	$ 1,800	$ 24,800	242	134
347	Kinsley-Offerle	355.9	$ 22,920	$ 1,800	$ 24,720	249	135
223	Barnes	391.1	$ 22,594	$ 1,800	$ 24,394	260	136
332	Cunningham	332.5	$ 24,650	$ 1,796	$ 26,446	127	137
261	Haysville	4,231.1	$ 28,950	$ 1,796	$ 30,746	4	138
409	Atchison Public Schools	1,627.4	$ 22,950	$ 1,794	$ 24,744	248	139
214	Ulysses	1,775.0	$ 26,000	$ 1,785	$ 27,785	52	140
343	Perry Public Schools	1,046.1	$ 25,450	$ 1,784	$ 27,234	75	141
208	WaKeeney	574.5	$ 23,176	$ 1,768	$ 24,944	236	142
425	Highland	278.5	$ 24,300	$ 1,740	$ 26,040	152	143
470	Arkansas City	2,889.0	$ 25,595	$ 1,733	$ 27,328	69	144
397	Centre	306.9	$ 24,420	$ 1,692	$ 26,112	148	145
345	Seaman	3,181.7	$ 25,000	$ 1,680	$ 26,680	106	146
403	Otis-Bison	335.5	$ 24,150	$ 1,680	$ 25,830	169	147
435	Abilene	1,514.0	$ 23,435	$ 1,680	$ 25,115	227	148
314	Brewster	160.5	$ 23,078	$ 1,680	$ 24,758	247	149
498	Valley Heights	513.0	$ 23,000	$ 1,680	$ 24,680	250	150
432	Victoria	302.0	$ 22,450	$ 1,680	$ 24,130	270	151
419	Canton-Galva	426.9	$ 24,750	$ 1,668	$ 26,418	128	152
212	Northern Valley	196.5	$ 22,570	$ 1,662	$ 24,232	263	153
282	West Elk	524.0	$ 25,650	$ 1,620	$ 27,270	72	154
256	Marmaton Valley	415.0	$ 25,097	$ 1,620	$ 26,717	104	155
499	Galena	793.0	$ 27,550	$ 1,608	$ 29,158	14	156
325	Phillipsburg	698.5	$ 25,630	$ 1,608	$ 27,238	74	157
380	Vermillion	628.3	$ 23,225	$ 1,565	$ 24,790	245	158
202	Turner	3,665.3	$ 23,758	$ 1,560	$ 25,318	212	159

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2-19-61

USD	USDName	98-99 FTE Enr	Base 98-99	Fringe 98-99	Base+ Fringe	Statewide Rank in Base+ Fringe	Statewide Rank in Board Paid Fringe
428	Great Bend	3,176.5	$ 23,600	$ 1,560	$ 25,160	220	160
364	Marysville	968.3	$ 21,350	$ 1,560	$ 22,910	280	161
213	West Solomon Valley Schools	95.0	$ 22,000	$ 1,557	$ 23,557	277	162
367	Osawatomie	1,265.0	$ 25,650	$ 1,500	$ 27,150	81	163
406	Wathena	401.0	$ 25,250	$ 1,500	$ 26,750	102	164
369	Burrton	243.5	$ 25,225	$ 1,500	$ 26,725	103	165
405	Lyons	933.9	$ 24,450	$ 1,500	$ 25,950	160	166
354	Claflin	324.3	$ 24,100	$ 1,500	$ 25,600	194	167
479	Crest	311.0	$ 23,500	$ 1,500	$ 25,000	233	168
384	Blue Valley-Randolph	303.5	$ 24,000	$ 1,466	$ 25,466	203	169
323	Rock Creek	775.2	$ 25,103	$ 1,457	$ 26,560	118	170
311	Pretty Prairie	328.7	$ 25,625	$ 1,440	$ 27,065	87	171
320	Wamego	1,412.0	$ 25,437	$ 1,440	$ 26,877	97	172
349	Stafford	333.8	$ 25,200	$ 1,440	$ 26,640	109	173
422	Greensburg	296.0	$ 24,500	$ 1,440	$ 25,940	161	174
503	Parsons	1,718.5	$ 23,200	$ 1,440	$ 24,640	252	175
279	Jewell	186.0	$ 23,000	$ 1,396	$ 24,396	259	176
254	Barber County North	757.5	$ 25,190	$ 1,380	$ 26,570	115	177
301	Nes-Tre-La-Go	76.0	$ 22,009	$ 1,380	$ 23,389	278	178
456	Marais Des Cygne Valley	289.5	$ 22,850	$ 1,356	$ 24,206	267	179
371	Montezuma	214.0	$ 27,050	$ 1,320	$ 28,370	29	180
467	Leoti	476.0	$ 26,314	$ 1,320	$ 27,634	58	181
308	Hutchinson Public Schools	4,904.5	$ 24,525	$ 1,320	$ 25,845	167	182
496	Pawnee Heights	159.0	$ 24,460	$ 1,320	$ 25,780	179	183
407	Russell County	1,162.0	$ 24,340	$ 1,320	$ 25,660	189	184
250	Pittsburg	2,596.0	$ 22,410	$ 1,320	$ 23,730	274	185
334	Southern Cloud	274.0	$ 24,200	$ 1,300	$ 25,500	200	186
490	El Dorado	2,188.6	$ 26,011	$ 1,260	$ 27,271	71	187
464	Tonganoxie	1,474.0	$ 24,500	$ 1,255	$ 25,755	182	188
437	Auburn-Washburn	4,967.0	$ 23,720	$ 1,238	$ 24,958	235	189
217	Rolla	207.3	$ 27,600	$ 1,200	$ 28,800	19	190
267	Renwick	1,807.0	$ 27,386	$ 1,200	$ 28,586	21	191
509	South Haven	263.5	$ 26,150	$ 1,200	$ 27,350	68	192
283	Elk Valley	222.5	$ 25,700	$ 1,200	$ 26,900	96	193
253	Emporia	4,593.2	$ 25,596	$ 1,200	$ 26,796	100	194
244	Burlington	918.0	$ 25,456	$ 1,200	$ 26,656	108	195
357	Belle Plaine	838.5	$ 25,400	$ 1,200	$ 26,600	111	196
219	Minneola	277.5	$ 25,350	$ 1,200	$ 26,550	119	197
284	Chase County	493.2	$ 25,217	$ 1,200	$ 26,417	129	198
393	Solomon	428.5	$ 25,210	$ 1,200	$ 26,410	130	199
77	Ingalls	293.0	$ 25,200	$ 1,200	$ 26,400	131	200

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USD	USDName	98-99 FTE Enr	Base 98-99	Fringe 98-99	Base+ Fringe	Statewide Rank in Base+ Fringe	Statewide Rank in Board Paid Fringe
413	Chanute Public Schools	1,954.5	$ 25,000	$ 1,200	$ 26,200	143	201
316	Golden Plains	176.0	$ 25,000	$ 1,200	$ 26,200	145	202
241	Wallace County Schools	306.0	$ 24,900	$ 1,200	$ 26,100	150	203
292	Wheatland	184.5	$ 24,717	$ 1,200	$ 25,917	163	204
455	Hillcrest Rural Schools	152.6	$ 24,600	$ 1,200	$ 25,800	177	205
310	Fairfield	449.5	$ 24,375	$ 1,200	$ 25,575	197	206
328	Lorraine	556.5	$ 24,090	$ 1,200	$ 25,290	215	207
466	Scott County	1,123.0	$ 23,930	$ 1,200	$ 25,130	224	208
401	Chase-Raymond	182.0	$ 23,597	$ 1,200	$ 24,797	244	209
302	Smoky Hill	160.5	$ 23,426	$ 1,200	$ 24,626	254	210
304	Bazine	112.0	$ 22,500	$ 1,200	$ 23,700	275	211
337	Royal Valley	857.0	$ 26,590	$ 1,154	$ 27,744	53	212
324	Eastern Heights	194.5	$ 24,600	$ 1,080	$ 25,680	186	213
442	Nemaha Valley Schools	519.3	$ 22,600	$ 1,080	$ 23,680	276	214
398	Peabody-Burns	466.5	$ 24,900	$ 1,000	$ 25,900	165	215
104	White Rock	199.5	$ 24,000	$ 1,000	$ 25,000	232	216
481	Rural Vista	451.5	$ 23,230	$ 1,000	$ 24,230	264	217
390	Hamilton	122.0	$ 23,000	$ 979	$ 23,979	271	218
368	Paola	2,058.7	$ 26,617	$ 960	$ 27,577	60	219
383	Manhattan	5,830.7	$ 24,885	$ 960	$ 25,845	168	220
234	Ft. Scott	2,117.7	$ 22,908	$ 960	$ 23,868	272	221
508	Baxter Springs	886.0	$ 27,234	$ 900	$ 28,134	32	222
200	Greeley County Schools	318.5	$ 24,750	$ 900	$ 25,650	190	223
506	Labette County	1,785.0	$ 27,475	$ 768	$ 28,243	30	224
404	Riverton	828.5	$ 27,350	$ 720	$ 28,070	37	225
431	Hoisington	746.0	$ 25,800	$ 720	$ 26,520	123	226
511	Attica	162.4	$ 24,238	$ 700	$ 24,938	237	227
326	Logan	208.5	$ 24,566	$ 660	$ 25,226	219	228
216	Deerfield	367.8	$ 27,500	$ 600	$ 28,100	35	229
225	Fowler	168.5	$ 27,425	$ 600	$ 28,025	40	230
205	Bluestem	776.5	$ 26,779	$ 600	$ 27,379	65	231
348	Baldwin City	1,244.0	$ 25,883	$ 600	$ 26,483	124	232
335	North Jackson	428.6	$ 25,710	$ 534	$ 26,244	138	233
379	Clay Center	1,588.0	$ 23,819	$ 480	$ 24,299	261	234
257	Iola	1,674.0	$ 23,715	$ 480	$ 24,195	268	235
260	Derby	6,690.3	$ 26,650	$ 362	$ 27,012	92	236
207	Ft. Leavenworth	1,685.0	$ 26,890	$ 360	$ 27,250	73	237
362	Prairie View	922.9	$ 27,525	$ 300	$ 27,825	50	238
374	Sublette	485.3	$ 26,300	$ 300	$ 26,600	113	239
426	Pike Valley	300.0	$ 25,000	$ 300	$ 25,300	214	240
266	Maize	4,895.0	$ 33,756	$ 150	$ 33,906	1	241

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USD	USDName	98-99 FTE Enr	Base 98-99	Fringe 98-99	Base+ Fringe	Statewide Rank in Base+ Fringe	Statewide Rank in Board Paid Fringe
227	Jetmore	330.0	$ 26,230	$ 116	$ 26,346	133	242
299	Sylvan Grove	206.0	$ 25,294	$ 100	$ 25,394	208	243
361	Anthony-Harper	1,087.2	$ 25,671	$ 92	$ 25,763	180	244
102	Cimarron-Ensign	637.5	$ 27,768	$ 41	$ 27,809	51	245
439	Sedgwick Public Schools	463.5	$ 29,900	$ -	$ 29,900	8	246
507	Satanta	438.0	$ 29,300	$ -	$ 29,300	13	247
297	St. Francis Community Schools	441.0	$ 28,000	$ -	$ 28,000	41	248
341	Oskaloosa Public Schools	726.4	$ 28,000	$ -	$ 28,000	42	249
263	Mulvane	1,939.0	$ 27,950	$ -	$ 27,950	43	250
492	Flinthills	339.0	$ 27,900	$ -	$ 27,900	45	251
381	Spearville	361.0	$ 27,877	$ -	$ 27,877	46	252
358	Oxford	457.0	$ 27,827	$ -	$ 27,827	49	253
206	Remington-Whitewater	549.0	$ 27,700	$ -	$ 27,700	54	254
471	Dexter	200.5	$ 27,686	$ -	$ 27,686	56	255
468	Healy Public Schools	103.5	$ 27,360	$ -	$ 27,360	67	256
482	Dighton	344.4	$ 27,200	$ -	$ 27,200	78	257
480	Liberal	4,065.0	$ 26,871	$ -	$ 26,871	98	258
226	Meade	441.0	$ 26,775	$ -	$ 26,775	101	259
204	Bonner Springs	2,131.1	$ 26,528	$ -	$ 26,528	121	260
245	Leroy-Gridley	365.5	$ 26,350	$ -	$ 26,350	132	261
338	Valley Falls	462.0	$ 26,200	$ -	$ 26,200	144	262
491	Eudora	1,101.1	$ 26,000	$ -	$ 26,000	155	263
438	Skyline	346.0	$ 26,000	$ -	$ 26,000	156	264
243	Lebo-Waverly	582.5	$ 26,000	$ -	$ 26,000	157	265
351	Macksville	295.0	$ 25,806	$ -	$ 25,806	174	266
502	Lewis	190.5	$ 25,500	$ -	$ 25,500	201	267
327	Ellsworth	753.5	$ 25,430	$ -	$ 25,430	207	268
469	Lansing	1,916.5	$ 25,306	$ -	$ 25,306	213	269
417	Morris County	1,037.1	$ 25,150	$ -	$ 25,150	221	270
252	Southern Lyon County	658.5	$ 25,120	$ -	$ 25,120	226	271
251	North Lyon County	715.5	$ 25,050	$ -	$ 25,050	230	272
290	Ottawa	2,290.7	$ 24,900	$ -	$ 24,900	238	273
433	Midway Schools	232.0	$ 24,770	$ -	$ 24,770	246	274
221	North Central	160.5	$ 24,550	$ -	$ 24,550	255	275
451	B & B	270.0	$ 24,480	$ -	$ 24,480	257	276
458	Basehor-Linwood	1,694.5	$ 24,225	$ -	$ 24,225	265	277
353	Wellington	1,971.7	$ 24,192	$ -	$ 24,192	269	278
272	Waconda	560.5	$ 23,746	$ -	$ 23,746	273	279
291	Grinnell Public Schools	160.0	$ 23,200	$ -	$ 23,200	279	280
239	North Ottawa County	687.6	$ 22,775	$ -	$ 22,775	281	281
[illegible]7	Altoona-Midway	359.5	$ 22,550	$ -	$ 22,550	282	282

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USD	USDName	98-99 FTE Enr	Base 98-99	Fringe 98-99	Base+ Fringe	Statewide Rank in Base+ Fringe	Statewide Rank in Board Paid Fringe
295	Prairie Heights	91.5	$ 22,250	$ -	$ 22,250	283	283
388	Ellis	371.0	$ 22,065	$ -	$ 22,065	284	284
392	Osborne County	496.5	$ 22,034	$ -	$ 22,034	285	285

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SB151 Viatical Settlements

(B) any person who is retained to represent a viator and whose compensation is paid by or at the direction of the viator regardless of whether the viatical settlement is consummated.

(2) A viatical settlement representative is deemed to represent only the viatical settlement provider or viatical settlement broker.

(f) "Viatical settlement broker" means a person that on behalf of a viator and for a fee, commission or other valuable consideration, offers, or attempts to negotiate viatical [settlement] between a viator and one or more viatical settlement providers. Irrespective of the manner in which the viatical settlement broker is compensated, a viatical settlement broker is deemed to represent only the viator and owes a fiduciary duty to the viator to act according to the viator's instructions and in the best interest of the viator. The term viatical settlement broker does not include an attorney, accountant or financial planner retained to represent the viator and whose compensation is paid directly by or at the direction of the viator.

[settlements

(g) "Viatical settlement contract" means a written agreement entered into between a viatical settlement provider and a viator. The agreement shall establish the terms under which the viatical settlement provider will pay compensation or anything of value, which compensation or value is less than the expected death benefit of the insurance policy or certificate, in return, for the viator's assignment, transfer, sale, devise or bequest of the death benefit or ownership of all or a portion of the insurance policy or certificate of insurance to the viatical settlement provider. The term viatical settlement contract also includes any contract for a loan or other financial transaction secured primarily by an individual or group life insurance policy, other than a loan by a life insurance company pursuant to the terms of the life insurance contract, or a loan secured by the cash value of a policy.

(h) "Viatical settlement provider" means a person, other than a viator, that: (1) Enters into a viatical settlement contract; or (2) obtains financing from a financing entity for the purchase, acquisition, transfer or other assignment of one or more viatical settlement contracts, viaticated policies or interests therein, or otherwise sells, assigns, transfers, pledges, hypothecates or otherwise disposes of one or more viatical settlement contracts, viaticated policies or interests therein.

The term viatical settlement provider shall not include:

(1) A bank, savings bank, savings and loan association, credit union or other licensed lending institution that takes an assignment of a life insurance policy as collateral for a loan;

(2) the [issues] of a life insurance policy providing accelerated benefits under K.S.A. 40-401, and amendments thereto, and pursuant to the contract; or

[issuer

Senate Financial Institutions & Insurance

Date 2/10/99

Attachment # 4

or education so as to be qualified in the business for which the license is applied for; and

(4) has provided a certificate of good standing from the state of its domicile except that no such certificate shall be required ~~when the applicant is an individual~~. Strike

(g) The commissioner shall not issue a license to a nonresident applicant, unless: (1) A written designation of an agent for service of process is filed and maintained with the commissioner; or (2) the applicant has filed with the commissioner, the applicant's written irrevocable consent that any action against the applicant may be commenced against the applicant by service of process on the commissioner.

Sec. 4. The commissioner after notice and opportunity for a hearing conducted in accordance with provisions of the Kansas administrative procedures act, may deny, suspend, revoke or refuse to renew the license of a viatical settlement provider, viatical settlement representative or viatical settlement broker if the commissioner finds that:

(a) There was any material [representation] in the applicant for the license. [misrepresentation

(b) The licensee or any officer, partner, member or key management personnel: (1) Has been convicted of any fraudulent or dishonest practice; (2) is subject toa final administrative action; or (3) is otherwise shown to be untrustworthy or incompetent.

(c) The viatical settlement provider demonstrates a pattern of unreasonable payments to viators.

(d) The licensee has been found guilty of, or has pleaded guilty or nolo contendre to, any felony, or to a misdemeanor involving fraud or moral turpitude, regardless of whether a judgment of conviction has been entered by a court.

(e) The viatical settlement provider has entered into any viatical settlement contract that has not been approved pursuant to this act.

(f) The viatical settlement provider has failed to honor contractual obligations set out in a viatical settlement contract.

(g) The licensee no longer meets the requirements for issuance of the original license.

(h) The viatical settlement provider has assigned, transferred or pledged a viaticated policy to a person other than a viatical settlement provider licensed in this state or a financing entity.

(i) The licensee has violated any provision of this act.

Sec. 5. A person shall not use a viatical settlement contract or provide to a viator a disclosure statement form in this state unless filed and approved by the commissioner. The commissioner may disapprove a viatical settlement contract or disclosure statement form, if in the commissioner's discretion, the contract or provisions contained therein are unreasonable, year or less. The provider or broker shall explain the procedure for these contacts at the time the viatical settlement contract is entered into. The limitations set forth in this subsection shall not apply to any contacts with an insured under a viaticated policy for reasons other than determining the insured's health status.

Sec. 11. The commissioner shall have the authority to:

promulgate rules and regulations to

(a) Promulgate regulations supplementing this act.

(b) Establish standards for evaluating reasonableness of payments under viatical settlement contracts. This authority includes, but is not limited to, regulation of discount rates used to determine the amount paid in exchange for assignment, transfer, sale, devise or bequest of a benefit under a life insurance policy.

requirements

(c) Establish appropriate licensing requirements, fees not to exceed $200 and standards for continued licensure for viatical settlement providers, representatives and brokers.

Establish requirements

(d) Standards for a bond or any other mechanism for financial accountability for viatical settlement providers.

(e) Standards governing the relationship and responsibilities of both insurers and viatical settlement providers, brokers and representatives during the viatication of a life insurance policy or certificate.

Establish requirements for any other matters

(f) Any other rules and regulations necessary for the proper enforcement of the act.

Sec. 12. A violation of this act shall also be considered an unfair or deceptive act or practice under K.S.A. 40-2404, and amendments thereto and subject to the penalties contained in K.S.A. 40-2401 *et seq.* and amendments thereto.

Sec. 13. A viatical settlement provider, viatical settlement representative or viatical settlement broker transacting business in this state may continue to do so pending approval or disapproval of the viatical settlement provider's, viatical settlement representative's or viatical settlement broker's application for a license provided that the required application is filed with the commissioner by July 1, 1999.

Sec. 14. K.S.A. 40-2,140, 40-2,141, 40-2,142, 40-2,143, 40-2,144, 40-2,145, 40-2,146, 40-2,147, 40-2,148, 40-2,149, 40-2,150, 40-2,151 and 40-2,152 are hereby repealed.

Sec. 15. This act shall take effect and be in force from and after its publication in the ~~statute book.~~

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