

Approved: March 16, 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 March 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: Paul Davis, Kansas Insurance Department
Bill Sneed American Investors and Health Insurance
Associations of America
Jim Schwartz, Kansas Employers Coalition on Health
Larrie Ann Brown, Kansas Association of Health Plans
Brad Smoot, Blue Cross/Blue Shield

Others attending: See Attached

Continued hearing on SB 291 - Medicare supplement disability; creating a reinsurance program

Paul Davis, Kansas Insurance Department, offered an amendment which provided definitions for "excess loss" and "Medicare supplement policy" (Attachment 1). The amendment also deleted requirement for disability to have occurred prior to April 28, 1996, and allows all medicare supplement insurers renewing or "issuing" policies to be participants in the plan, as well as disallowing discrimination in supplying those with disabilities supplemental insurance. The bill would then create a reinsurance mechanism much like that of the high risk pool which will be the administrator (Kansas Uninsurable Health Insurance Plan).

Brad Smoot, Blue Cross/Blue Shield, agreed with the proposed amendments and described it as being a joint effort between the industry and the Insurance Department (Attachment 2). He reviewed the proposed plan for assessment of those companies offering supplemental insurance and how the money would be shifted to those companies sustaining high losses. Companies participating in this plan will not be entitled to tax credits. HMO's will not be affected by this legislation.

Bill Sneed, Health Insurance Associations of America, also agreed with the proposed amended bill which would prospectively approach the cost issue of providing supplemental medical insurance for those qualifying individuals with disabilities. This group was not placed in the high risk pool originally due to the financial impact of the fiscal note.

Senator Praeger moved to report the bill favorably as amended. The motion was seconded by Senator Biggs. Motion carried.

Hearing on HB 2280 - Insurance companies; change of domicile by mutual holding companies

Paul Davis, Kansas Insurance Department, described the bill as being an economic development attempt as it provides a framework for a mutual holding company to relocate (redomesticate) to Kansas (Attachment 3). Tax credits for providing new jobs would be available to such companies.

Bill Sneed, AmVestors, explained that this bill would give the Insurance Commissioner jurisdiction over such transactions (Attachment 4).

Senator Feleciano moved that the bill be reported favorably. Motion was seconded by Senator Praeger. Motion carried.

Hearing on SB 2090 - Small employer health plans; mandatory requirements

Paul Davis, Kansas Insurance Department, explained the bill as being a collaborative effort between the Department and the industry to expand the opportunity through incentives for small employers to purchase health insurance (Attachment 5). This bill would expand eligibility to include associations, trusts, or any

CONTINUATION SHEET

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

arrangement providing a health benefit plan for employees, members, etc.; allows small employers to establish health benefit plans for the purpose of providing insurance coverage but may not condition eligibility due to health status; the employer cannot have contributed within the preceding two years to any health insurance premium on behalf of an employee who is to be covered by employer's contribution; allows for tax credits for five years; allows employers with over 10,000 employees to participate.

Jim Schwartz, Kansas Employers Coalition on Health, testified that the original bill allowed companies to group into associations and those companies with 10,000 or more employees could not participate (Attachment 6). This bill would open up the coverage provisions, raise the incentive slightly to account for inflation, and nullify the controversial provisions dealing with waivers from state mandates. Currently 1/4 of the small businesses operating in Kansas do not offer health insurance to their employees.

Larrie Ann Brown, Kansas Association of Health Plans, offered testimony supporting the bill which would provide incentives for small employers to offer health insurance to their employees (Attachment 7).

Brad Smoot, Blue Cross/Blue Shield, described this bill as a mechanism to encourage people to insure due to increased coverage as they would be required to adhere to the statutory mandates (Attachment 8). This new proposal opens up the benefit packages available and increases the income tax credit from \$25 per month per eligible employee to \$35.

Senator Biggs moved to report the bill favorably as amended. Motion was seconded by Senator Praeger. Motion carried.

Senator Corbin moved to approve the Minutes of March 3 and 4 as presented. Motion was seconded by Senator Clark. Motion carried.

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

SENATE BILL No. 291
By Committee on Financial Institutions and Insurance
2-10

9 AN ACT relating to the Kansas health insurance association; creating a
10 reinsurance program for medical supplement policies issued to persons
11 eligible for medicare ; prohibiting denial of coverage to such persons;
12 amending K.S.A. 1998 Supp. 40-2118, 40-2119 and 40-2121 and re-
13 pealing the existing sections.
14
15 *Be it enacted by the Legislature of the State of Kansas:*
16 Section 1. K.S.A. 1998 Supp. 40-2118 is hereby amended to read as
17 follows: 40-2118. As used in this act, unless the context otherwise re-
18 quires, the following words and phrases shall have the meanings ascribed
19 to them in this section:
20 (a) "Administering carrier" means the insurer or third-party admin-
21 istrator designated in K.S.A. 40-2120, *and amendments thereto.*
22 (b) "Association" means the Kansas health insurance association es-
23 tablished in K.S.A. 40-2119, *and amendments thereto.*
24 (c) "Board" means the board of directors of the association.
25 (d) "Church plan" means a plan as defined under section 3(33) of the
26 Employee Retirement Income Security Act of 1974.
27 (e) "Commissioner" means the commissioner of insurance.
28 (f) "Creditable coverage" means with respect to an individual, cov-
29 erage of the individual under any of the following:
30 (1) A group health plan.
31 (2) health insurance coverage;
32 (3) part A or Part B of Title XVIII of the Social Security Act;
33 (4) title XIX of the Social Security Act, other than coverage consisting
34 solely of benefit under Section 1928;
35 (5) chapter 55 of Title 10, United States Code;
36 (6) a medical care program of the Indian Health Service or of a tribal
37 organization;
38 (7) a state health benefit risk pool;
39 (8) a health plan offered under Chapter 89 of Title 5, United States
40 Code;
41 (9) a public health plan as defined under regulations promulgated by
42 the secretary of health and human services; and
43 (10) a health benefit plan under section 5(e) of the Peace Corps Act

(22 U.S.C. 2504(d)).

2 (g) "Dependent" means a resident spouse or resident unmarried
3 child under the age of 19 years, a child who is a student under the age
4 of 23 years and who is financially dependent upon the parent, or a child
5 of any age who is disabled and dependent upon the parent.

6 (h) "Federally defined eligible individual" means an individual:

7 (1) For whom, as of the date the individual seeks coverage under this
8 section, the aggregate of the periods of creditable coverage is 18 or more
9 months and whose most recent prior coverage was under a group health
10 plan, government plan or church plan;

11 (2) who is not eligible for coverage under a group health plan, Part
12 A or B of Title XVII of the Social Security Act, or a state plan under Title
13 XIX of the Social Security Act, or any successor program, and who does
14 not have any other health insurance coverage;

15 (3) with respect to whom the most recent coverage was not termi-
16 nated for factors relating to nonpayment of premiums or fraud; and

17 (4) who had been offered the option of continuation coverage under
18 COBRA or under a similar program, who elected such continuation cov-
19 erage, and who has exhausted such continuation coverage.

20 (i) "Excess loss" means the total dollar amount by which claims ex-
21 pense incurred for any issuer of a medicare supplement policy or certif-
22 icate delivered or issued for delivery to persons in this state eligible for
23 medicare by reason of disability and who are under age 65 ~~having poli-~~
24 ~~cyholders who acquired such coverage prior to April 28, 1996, exceeds~~
25 65% of the premium earned by such issuer during a calendar year.

26 (j) "Governmental plan" means a plan as defined under section
27 3(32) of the Employee Retirement Income Security Act of 1974 and any
28 plan maintained for its employees by the government of the United States
29 or by any agency or instrumentality of such government.

30 (k) "Group health plan" means an employee benefit plan as de-
31 fined by section 3(1) of the Employee Retirement Income Security Act
32 of 1974 to the extent that the plan provides any hospital, surgical or med-
33 ical expense benefits to employees or their dependents (as defined under
34 the terms of the plan) directly or through insurance, reimbursement or
35 otherwise.

36 (l) "Health insurance" means any hospital or medical expense pol-
37 icy, health, hospital or medical service corporation contract, and a plan
38 provided by a municipal group-funded pool, or a health maintenance
39 organization contract offered by an employer or any certificate issued
40 under any such policies, contracts or plans. "Health insurance" does not
41 include policies or certificates covering only accident, credit, dental, dis-
42 ability income, long-term care, hospital indemnity, medicare supplement,
43 specified disease, vision care, coverage issued as a supplement to liability

1 insurance, insurance arising out of a workers compensation or similar law,
2 automobile medical-payment insurance, or insurance under which ben-
3 efits are payable with or without regard to fault and which is statutorily
4 required to be contained in any liability insurance policy or equivalent
5 self-insurance.

6 ~~(l)~~ (m) "Health maintenance organization" means any organization
7 granted a certificate of authority under the provisions of the health main-
8 tenance organization act.

9 ~~(m)~~ (n) "Insurance arrangement" means any plan, program, contract
10 or any other arrangement under which one or more employers, unions
11 or other organizations provide to their employees or members, either
12 directly or indirectly through a group-funded pool, trust or third-party
13 administrator, health care services or benefits other than through an
14 insurer.

15 ~~(n)~~ (o) "Insurer" means any insurance company, fraternal benefit so-
16 ciety, health maintenance organization and nonprofit hospital and medical
17 service corporation authorized to transact health insurance business in
18 this state.

19 ~~(o)~~ (p) "Medicaid" means the medical assistance program operated
20 by the state under title XIX of the federal social security act.

21 ~~(p)~~ (q) "Medicare" means coverage under both parts A and B of title
22 XVIII of the federal social security act, 42 USC 1395.

23 (r) "Medicare supplement policy" means a group or individual policy
24 of accident and sickness insurance or a subscriber contract of hospitals
25 and medical service associations or health maintenance organizations,
26 other than a policy issued pursuant to a contract under section 1876 of
27 the federal social security act (42 USC 1395 et seq.) or an issued policy
28 under a demonstration project specified in 42 USC 1395ss(g)(1), which
29 is advertised, marketed or designed primarily as a supplement to reim-
30 bursements under medicare for the hospital, medical or surgical expenses
31 of persons eligible for medicare.

32 ~~(q)~~ (s) "Member" means all insurers and insurance arrangements par-
33 ticipating in the association.

34 ~~(r)~~ (t) "Plan" means the Kansas uninsurable health insurance plan
35 created pursuant to this act.

36 ~~(s)~~ (u) "Plan of operation" means the plan to create and operate the
37 Kansas uninsurable health insurance plan, including articles, bylaws and
38 operating rules, adopted by the board pursuant to K.S.A. 40-2119, and
39 amendments thereto.

40 Sec. 2. K.S.A. 1998 Supp. 40-2119 is hereby amended to read as
41 follows: 40-2119. (a) There is hereby created a nonprofit legal entity to
42 be known as the Kansas health insurance association. All insurers and
43 insurance arrangements providing health care benefits in this state shall

1 be members of the association. The association shall operate under a plan
2 of operation established and approved under subsection (b) of this section
3 and shall exercise its powers through a board of directors established
4 under this section.

5 (b) (1) The board of directors of the association shall be selected by
6 members of the association subject to the approval of the commissioner.
7 To select the initial board of directors, and to initially organize the asso-
8 ciation, the commissioner shall give notice to all members in this state of
9 the time and place of the organizational meeting. In determining voting
10 rights at the organizational meeting, each member shall be entitled to
11 one vote in person or by proxy. If the board of directors is not selected
12 within 60 days after the organizational meeting, the commissioner shall
13 appoint the initial board. In approving or selecting members of the board,
14 the commissioner shall consider, among other things, whether all mem-
15 bers are fairly represented. Members of the board may be reimbursed
16 from the moneys of the plan for expenses incurred by them as members
17 of the board of directors but shall not otherwise be compensated by the
18 plan for their services.

19 (2) The board shall submit to the commissioner a plan of operation
20 for the association and any amendments thereto necessary or suitable to
21 assure the fair, reasonable and equitable administration of the plan. The
22 plan of operation shall become effective upon approval in writing by the
23 commissioner consistent with the date on which the coverage under this
24 act must be made available. The commissioner shall, after notice and
25 hearing, approve the plan of operation if it is determined to be suitable
26 to assure the fair, reasonable and equitable administration of the plan and
27 provides for the sharing of association losses on an equitable proportion-
28 ate basis among the members of the association. If the board fails to
29 submit a suitable plan of operation within 180 days after its appointment,
30 or at any time thereafter fails to submit suitable amendments to the plan
31 of operation, the commissioner shall, after notice and hearing, adopt and
32 promulgate such reasonable rules and regulations as are necessary or
33 advisable to effectuate the provisions of this section. Such rules and reg-
34 ulations shall continue in force until modified by the commissioner or
35 superseded by a plan of operation submitted by the board and approved
36 by the commissioner. The plan of operation shall, in addition to require-
37 ments enumerated elsewhere in this act:

- 38 (A) Establish procedures for the handling and accounting of assets
39 and moneys of the plan;
- 40 (B) select an administering carrier in accordance with K.S.A. 40-
41 2120, and amendments thereto;
- 42 (C) establish procedures for the collection of assessments from all
43 members to provide for claims paid under the plan and for administrative

1 expenses incurred or estimated to be incurred during the period for which
2 the assessment is made. The level of payments shall be established by the
3 board pursuant to K.S.A. 40-2121, and amendments thereto. Assessments
4 shall be due and payable within 30 days of receipt of the assessment
5 notice;
6 (D) establish appropriate cost control measures, including but not
7 limited to, preadmission review, case management, utilization review and
8 exclusions and limitations with respect to treatment and services under
9 the plan; and
10 (E) develop and implement a program to publicize the existence of
11 the plan, the eligibility requirements and procedures for enrollment and
12 to maintain public awareness of the plan.
13 (F) Establish benefit levels, lifetime maximum benefits, and other
14 coverage and eligibility parameters, and establish such other require-
15 ments and procedures as are necessary to assure the availability of a ben-
16 efit program or programs conforming with the requirements of a qualified
17 high risk pool as set forth in section 111 of Public Law 104-191 and
18 amendments thereto.
19 (c) The association shall have the general powers and authority enu-
20 merated by this subsection in accordance with the plan of operation ap-
21 proved by the commissioner under subsection (b). The association shall
22 have the general powers and authority granted under the laws of this state
23 to insurers licensed to transact the kind of health service or insurance
24 included under K.S.A. 40-2123, and amendments thereto, and in addition
25 thereto, the specific authority and duty to:
26 (1) Enter into contracts as are necessary or proper to carry out the
27 provisions and purposes of this act, including the authority, with the ap-
28 proval of the commissioner, to enter into contracts with similar plans of
29 other states for the joint performance of common administrative func-
30 tions, or with persons or other organizations for the performance of ad-
31 ministrative functions;
32 (2) sue or be sued, including taking any legal actions necessary or
33 proper for recovery of any assessments for, on behalf of, or against par-
34 ticipating members;
35 (3) take such legal action as necessary to avoid the payment of im-
36 proper claims against the association or the coverage provided by or
37 through the plan;
38 (4) establish appropriate rates, rate schedules, rate adjustments, ex-
39 pense allowances, agents' referral fees, claim reserve formulas and any
40 other actuarial function appropriate to the operation of the plan. During
41 the first two years of operation of the plan, rates shall be established in
42 an amount that is estimated by the board to cover all claims that may be
43 made against the plan and the expenses of operating the plan. In following

1 years, rates for coverage shall be reasonable in terms of the benefits provided, the risk experience and expenses of providing the coverage, except that such rates shall not exceed 150% of the average premium rate charged for similar coverage in the private market. Rates and rate schedules may be adjusted for appropriate risk factors such as age, sex and geographic location in claims costs and shall take into consideration appropriate risk factors in accordance with established actuarial and underwriting practices, however particular health conditions or illnesses shall not constitute appropriate risk factors;

(5) assess members of the association in accordance with the provisions of K.S.A. 40-2121, and amendments thereto;

(6) design the policies of insurance to be offered by the plan which shall cover at least the expenses enumerated in subsection (b) of K.S.A. 40-2123, and amendments thereto, but with such limitations and optional benefit levels as the plan prescribes;

(7) issue policies of insurance in accordance with the requirements of this act; and

(8) appoint from among members appropriate legal, actuarial and other committees as necessary to provide technical assistance in the operation of the plan, policy and other contract design, and any other function within the authority of the association.

(d) *The association shall administer a reinsurance program for medicare supplement policies issued to Kansas residents who are eligible for medicare by reason of disability prior to April 28, 1996. All medicare*

supplement insurers renewing medicare supplement policies in this state sold prior to April 28, 1996, shall be participants in such reinsurance program. (1) On or before May 1, 2000, and each year thereafter, each issuer of a medicare supplement policy in the state shall provide to the association a calendar year accounting of the medicare supplement policies delivered or issued for delivery in the state prior to April 28, 1996, and covering persons eligible for medicare by reason of disability who are under age 65. (2) The accounting for medicare supplement policies covering persons eligible by reason of disability and under age 65 shall include the total number of such persons covered, the total premium earned on such persons, and the total claims expense incurred with respect to such persons during such year as paid through March 31, without estimates for incurred but not reported claims. (3) The association shall use such reports to develop the assessment required under subsection (d) of K.S.A. 1998 Supp. 40-2121, and amendments thereto.

Sec. 3. K.S.A. 1998 Supp. 40-2121 is hereby amended to read as follows: 40-2121. (a) Following the close of each fiscal year, the administering carrier shall determine the net premiums, the plan expenses of administration and the incurred losses for the year. Any net loss of the

issuing or

1 plan determined after taking into account amounts transferred pursuant
2 to subsection (h) of K.S.A. 79-4804, and amendments thereto, investment
3 income and other appropriate gains and losses shall be assessed by the
4 board to all members of the association in proportion to their respective
5 shares of total health insurance premiums received in this state during
6 the calendar year coinciding with or ending during the fiscal year of the
7 association or any other equitable basis as may be provided in the plan
8 of operation. For health maintenance organization members and insur-
9 ance arrangements, the proportionate share of losses shall be determined
10 through application of an equitable formula based upon claims paid on
11 the value of services provided. In sharing losses, the board may abate or
12 defer in whole or in part the assessment of a member if, in the opinion
13 of the board, payment of the assessment would endanger the ability of
14 the member to fulfill its contractual obligations. Health insurance benefits
15 paid by an insurance arrangement that are less than an amount deter-
16 mined by the board to justify the cost of collection shall not be considered
17 for purposes of determining assessments. Net gains, if any, shall be held
18 at interest to offset future losses or allocated to reduce future premiums.
19 In addition to any annual assessment at the close of the fiscal year of the
20 plan authorized by this subsection, the board may provide for interim
21 assessments of the members of the association, subject to the approval of
22 the commissioner, as may be necessary to assure the financial capability
23 of the association in meeting the incurred or estimated claims expenses
24 of the plan and the operating and administrative expenses of the plan.
25 (b) In addition to any assessment authorized by subsection (a), the
26 board may assess the members of the association for any initial costs
27 associated with developing and implementing the plan to the extent such
28 costs exceed the funds transferred to the uninsurable health insurance
29 plan fund pursuant to K.S.A. 40-2125 and amendments thereto. Such
30 assessment shall be allocated among the members of the association in
31 the manner prescribed by subsection (a) of this section or any other eq-
32 uitable formula established by the board. Assessments under this subsec-
33 tion shall not be subject to the credit against premium tax under subsec-
34 tion (c).
35 (c) For taxable years commencing after December 31, 1995, and
36 prior to January 1, 1998, 80% of any assessment made against a member
37 of the association pursuant to subsection (a) of this section may be claimed
38 by such member as a credit against such member's premium or privilege
39 tax liability imposed by K.S.A. 12-2624, 40-252 or 40-3213 and amend-
40 ments thereto, for the taxable year in which such assessment is paid. For
41 the tax year commencing after December 31, 1997, 70% of any assess-
42 ment made against a member of the association pursuant to subsection
43 (a) of this section may be claimed by such member as a credit against

1 such member's premium tax liability imposed by K.S.A. 12-2624, 40-252
2 or 40-3213 and amendments thereto, for the taxable year in which such
3 assessment is paid.

4 For the tax year commencing after December 31, 1998, 65% of any
5 assessment made against a member of the association pursuant to sub-
6 section (a) of this section may be claimed by such member as a credit
7 against such member's premium tax liability imposed by K.S.A. 12-2624,
8 40-252 or 40-3213 and amendments thereto, for the taxable year in which
9 such assessment is paid.

10 For the tax year commencing after December 31, 1999, 60% of any
11 assessment made against a member of the association pursuant to sub-
12 section (a) of this section may be claimed by such member as a credit
13 against such member's premium tax liability imposed by K.S.A. 12-2624,
14 40-252 or 40-3213 and amendments thereto, for the taxable year in which
15 such assessment is paid.

16 The amendments made to the Kansas uninsurable health insurance
17 plan act by chapter 190 of the 1997 Session Laws of Kansas shall expire
18 on January 1, 2001.

19 *(d) In addition to the assessments otherwise authorized herein, the*
20 *board shall assess all issuers of medicare supplement policies covering*
21 *persons within this state to the extent necessary to assure that the excess*
22 *losses, if any, are distributed among such issuers of medicare supplement*
23 *policies in a ratio equal to the percentage market share in Kansas of each*
24 *such issuer for medicare supplement policies covering persons eligible for*
25 *medicare by reason of age. The association shall also assess to such issuers*
26 *of medicare supplement policies the costs the association incurs in oper-*
27 *ating the reinsurance program, making assessments, and collecting and*
28 *distributing moneys, which shall be assessed pro rata to such issuers based*
29 *on the market share of such issuers of medicare supplement policies cov-*
30 *ering persons eligible for medicare by reason of age. Such assessment shall*
31 *occur not later than July 1 of each year, based on such excess losses and*
32 *such market shares for the immediately preceding calendar year. Issuers*
33 *of medicare supplement policies shall remit the amount so assessed to the*
34 *association within the time frames established by the board for payment*
35 *of assessment otherwise authorized herein. The association shall pay to*
36 *any issuer of medicare supplement policies entitled thereto such amount*
37 *as is necessary to result in the equalization among all issuers of medicare*
38 *supplement policies in Kansas of excess losses in a proportion equivalent*
39 *to the percentage market share in Kansas of each issuer of medicare sup-*
40 *plement policies covering persons eligible for medicare by reason of age.*
41 *The amount of such assessments received by an insurer shall not be ac-*
42 *counted for as premium income nor shall such amounts be subject to*
43 *premium tax. The amount of such assessments shall not be available for*

1 use in premium tax credits provided for under subsection (c) of K.S.A.
2 1998 Supp. 40-2122, and amendments thereto. The association shall have
3 the ability to enforce assessments through its board.

4 Sec. 4 5. K.S.A. 1998 Supp. 40-2118, 40-2119 and 40-2121 are hereby
5 repealed.

6 Sec. 5 6. This act shall take effect and be in force from and after its
7 publication in the statute book.

Sec. 4. K.S.A. 40-2221 is hereby amended to read as follows: 40-2221. In addition to any other statutory authority not inconsistent herewith, the commissioner shall adopt rules and regulations establishing specific standards for medicare supplement policies delivered or issued for delivery in this state. The standards so established shall equal, or may exceed, the minimum standards and requirements permitted by section 1395SS(b)(B) of the federal social security act (42 U.S.C. § 1395 et seq.). In addition, an issuer of a medicare supplement policy (a) shall not deny coverage to an applicant under 65 years of age who becomes eligible for medicare by reason of disability if such person makes application for a medicare supplement policy within six months of the first day on which such person enrolls for benefits under medicare part B; (b) may not condition the issuance or effectiveness of a medicare supplement policy issued to a person eligible for medicare by reason of disability because of the health status, claims experience, receipt of health care, or medical condition of such applicant if such applicant makes application for a medicare supplement policy during the six month period beginning with the first day of the month in which such applicant enrolls for benefits under medicare part B; (c) shall make availability to persons eligible for medicare by reason of disability each type of medicare supplement policy such issuer makes available to person eligible for medicare by reason of age; and (d) shall not charge individuals who become eligible for medicare by reason of disability and who are under the age of 65 premium rates for any medical supplemental insurance benefit plan offered by the issuer that exceed the issuer's premium rates charged for such plan to individuals who are age 65.

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SB 291 1

Kansas Insurance Department Survey

July 10, 1998

Disabled Kansas Under Age 65 Covered by Medicare Supplement Insurance			
# of Disabled Covered in Kansas	Company	Statewide Premium Total through 1997	Total # of Lives Covered in Kansas
1,945	Blue Cross Blue Shield of Kansas, Inc.	\$155,734,844	132,924
0*	Prudential Insurance Company of America	\$27,872,037	22,800
207	Bankers Life and Casualty Company	\$18,039,694	12,813
132	Blue Cross and Blue Shield of Kansas City	\$10,266,209	5,877
1	United American Insurance Company	\$6,855,985	4,867
24	Federal Home Life Insurance Company	\$3,724,787	3,294
17	American Republic Insurance Company	\$3,017,236	2,867
81	Physicians Mutual Insurance Company	\$2,799,830	2,730
5	Union Bankers Insurance Company	\$2,681,071	1,624
42	Mennonite Mutual Aid Association	\$2,645,658	2,364
110	Principal Mutual Life Insurance Company	\$2,308,859	1,272
6	Standard Life and Accident Insurance Company	\$2,270,968	1,462
10	Reserve National Insurance Company	\$2,261,737	2,194
50	Pioneer Life Insurance Company	\$2,253,855	1,950
13	Hartford Life Insurance Company	\$2,062,662	2,438
29	Mutual Of Omaha Insurance Company	\$1,928,375	1,403
35	Continental General Insurance Company	\$1,673,923	1,640
50	American Family Mutual Insurance Company	\$1,007,085	923
10	Aid Association for Lutherans	\$868,980	542
229	Order of United Commercial Travelers of America	\$835,953	1,281
4	Humana Health Plan Inc	\$674,478	451

*Prudential lost AARP Business to United Healthcare Insurance Company in 1997, affecting group business

Senate Financial Institutions & Insurance

Date 3/10/99

Attachment # 2

July 10, 1998

8	Mutual Protective Insurance Company	\$534,365	619
6	Combined Insurance Company of America	\$534,110	485
1	Pyramid Life Insurance Company	\$522,534	326
	Time Insurance Company	\$452,558	760
26	Central States Health and Life Company of Omaha	\$444,662	458
	Fortis Insurance Company	\$434,527	732
	Allianz Life Insurance Company of North America	\$410,365	545
6	American Family Life Assurance Company of Columbus	\$381,309	284
0	Golden Rule Insurance Company	\$377,926	248
0	American General Life Insurance Company	\$365,644	244
7	Monumental Life Insurance Company	\$308,149	205
2	USAA Life Insurance Company	\$305,620	361
1	Life Investors Insurance Company of America	\$245,061	285
12	Life Insurance Company of Georgia	\$234,746	135
6	National Foundation Life Insurance Company	\$180,327	105
0	New York Life Insurance Company	\$168,257	123
	Globe Life and Accident Insurance Company	\$131,346	125
2	Provident Life and Accident Insurance Company	\$127,674	N/A
3	World Insurance Company	\$126,325	104
3	Guarantee Trust Life Insurance Company	\$107,840	159
	Atlas Insurance Company	\$95,656	95
	Allied Life Insurance Company	\$93,672	112
2	Bankers United Life Assurance Company	\$84,852	84
0	Harvest Life Insurance Company	\$60,268	78

*Prudential lost AARP Business to United Healthcare Insurance Company in 1997, affecting group business.

July 10, 1998

0	Union Labor Life Insurance Company	\$41,529	36
0	United Teacher Associates Insurance Company	\$33,834	18
0	Healthy Alliance Life Insurance Company	\$30,910	29
8	Medico Life Insurance Company	\$27,262	29
0	Providian Life and Health Insurance Company	\$24,255	15
8	Humana Insurance Company	\$23,342	31
	Celtic Life Insurance Company	\$22,492	19
2	PFL Life Insurance Company	\$20,032	16
0	Academy Life Insurance Company	\$15,565	14
	Union Fidelity Life Insurance	\$14,680	17
0	Bankers Multiple Line Insurance Company	\$14,610	9
0	Hartford Life and Accident Insurance Company	\$9,215	9
	National Travelers Life Company	\$8,265	4
0	Colonial Life and Accident Insurance Company	\$3,393	8
2	Central Benefits National Life Insurance Company	\$3,351	3
	American Travellers Life Insurance Company	\$3,084	2
0	National Helath Insurance Company	\$2,795	10
3	Lincoln National Life Insurance Company	\$2,171	3
0	Bankers Fidelity Life Insurance Company	\$0	0
0	Continental Life and Accident Company	\$0	0
0	Health and Life Insurance Company of America	\$0	0
159	United Healthcare Insurance Company	N/A	N/A
Total		Total	Total
3,267		\$258,812,804	214,660

*Prudential lost AARP Business to United Healthcare Insurance Company in 1997, affecting group business.



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

March 10, 1999

TO: Senate Financial Institutions and Insurance Committee

FROM: Paul T. Davis, Assistant Director for Governmental Affairs

RE: House Bill 2280 – Changing domicile of mutual holding companies

Mr. Chairman and members of the Committee:

I am appearing in support of House Bill 2280, which allows a mutual holding company organized under the laws of another state to become a domestic mutual holding company in Kansas. A mutual holding company is an entity that is created when a mutual insurance company goes through a demutualization process. Several years ago, you enacted legislation that made it easier for an insurance company to redomesticate to Kansas. House Bill 2280 allows a mutual holding company to take advantage of the same provisions that insurance companies may use to redomesticate to Kansas..

House Bill 2280 requires a foreign mutual holding company to file restated articles of incorporation and a certificate of domestication with the Secretary of State to redomesticate to this state. Mutual holding companies must also comply with all of the requirements of Kansas law relative to the organization of a domestic mutual holding company and designate the mutual holding company's principal place of business as a place in Kansas. By redomesticating to Kansas, the mutual holding company would be subject to the authority and jurisdiction of Kansas.

Senate Financial Institutions & Insurance

Date 3/10/99

Attachment # 3

420 SW 9th Street
Topeka, Kansas 66612-1678

785 296-3071
Fax 785 296-2283
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The Insurance Department welcomes the redomestication of mutual holding companies to Kansas. We want to create a business environment that encourages insurance companies and mutual holding companies to redomesticate to Kansas. More domesticated insurance companies and mutual holding companies in Kansas will translate into more jobs and economic growth for our state. Thank you for your consideration of House Bill 2280 and we respectfully request favorable passage of the bill.

MEMORANDUM

TO: The Honorable Don Steffes, Chairman
Senate Financial Institutions & Insurance Committee

FROM: Bill Sneed, Legislative Counsel
AmVestors Financial Corporation
American Investors Life Insurance Company

DATE: March 10, 1999

RE: H.B. 2280

Mr. Chairman, Members of the Committee: My name is Bill Sneed and I appear today on behalf of AmVestors Financial Corporation and its subsidiary, American Investors Life Insurance Company. We appreciate the opportunity to appear before you today in support of H.B. 2280.

H.B. 2280 amends K.S.A. 40-2,162. This statute creates the mechanism that a company must use when redomesticating from another state to Kansas. Inasmuch as there is overlapping jurisdiction between the Secretary of State (which regulates corporations) and the Insurance Department (which regulates insurance companies), the legislature enacted these laws to create the statutory framework on redomestication. My client is currently owned by a mutual holding company in Des Moines, Iowa. They are reviewing the possibility of redomesticating the holding company to Kansas. In discussing this issue with the Secretary of State and the Insurance Department, in order to avoid any potential conflicts it was determined that we should insert the term "mutual holding company" as a part of the insurance redomestication act, thus affirmatively stating that the Insurance Department will have jurisdiction over such a transaction.

This bill passed the House 124-0.

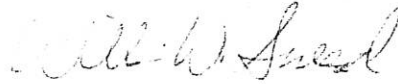
Senate Financial Institutions & Insurance

Date 3/10/99

Attachment # 4

We believe this bill to be technical in nature, and as such we respectfully request your favorable support. If you have any questions, please feel free to contact me.

Respectfully submitted,



William W. Sneed



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

March 10, 1999

TO: Senate Financial Institutions and Insurance Committee

FROM: Paul T. Davis, Assistant Director for Government Affairs

RE: HB 2090 – Small Employers Health Benefit Plans

Mr. Chairman and members of the committee:

I am appearing in support of House Bill 2090, which helps expand opportunities for small employers to purchase health insurance. This bill was introduced at the request of the Kansas Insurance Department. However, the bill is really the product of a collaborative effort between several interested parties, especially the Kansas Employer Coalition on Health. Jim Schwartz with the Kansas Employer Coalition on Health reported to the Insurance Department that a recent scientific poll of small business groups in Kansas found that 38% of uninsured small business groups would consider sponsoring health insurance if the cost was relatively low. Commissioner Sebelius believes that data like the kind presented by the Kansas Employer Coalition on Health there is an opportunity to help small employer's provide health care for a population currently without health insurance.

K.S.A. 40-2239 through 40-2247 were enacted in the 1990s to encourage small employers to purchase health insurance for their employees. The incentives include exemption from insurance premium taxes and income tax credits. This bill makes some relatively minor changes to the original small employer benefit plan laws by providing further incentives for small employers to

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Senate Financial Institutions & Insurance

Date 3/10/99

Attachment # 5

take advantage of the provisions of this act and expands the pool of employers that are eligible to form a small employer health benefit plan.

As I stated earlier, a group representing insurance companies, employer groups, managed care groups and regulatory oversight met and discussed this bill. Commissioner Sebelius set a parameter that these small employer health benefit plans had to follow small group reform laws. H.B. 2090 is the result of that group's effort. Below is a brief description of the current law and the changes to the current law that the bill seeks to make:

Section 1 – Establishes definitions of an eligible employee; family member; health benefit plan, premium, and small employer health benefit plan. The definition of small employer health benefit plan now is expanded in the bill to include associations, trusts, or any arrangement providing a health benefit plan for employees, members, etc.

Section 2 – Allows small employers to establish health benefit plans for the purpose of providing insurance coverage. However, if an association or trust is used for such purposes, the association or trust may not condition eligibility of its members on their health status.

Section 3 - In order to participate, an employer or group would need to comply with the small group reform laws. The employer can not have contributed within the preceding two years to any health insurance premium on behalf of an employee who is to be covered by the employer's contribution. An employer paying his or her own health insurance premiums or paying for his or her dependents does not qualify as paying premiums on an employee. Additionally, this bill does away with the requirement that a small employer employ no more than fifty (50) employees who do not have health insurance as a spouse, dependent or otherwise or who are not eligible for medicaid or state medical assistance.

Section 4. Allows for tax credits for the small group benefit plan for five years. The amount is somewhat graduated. It allows: \$35 per month per eligible covered employee or member or 50% of the total amount paid by the employer during the taxable year, whichever is less for the first two years of participation. In the third year, the tax credit is 75% of the lesser of \$35 per month per employee or 50% of the total amount paid by the employer during that taxable year. The fourth year the credit is equal to 50% of the lesser \$35 per month per employee or 50% of the total amount paid by the employer during the taxable year. In the fifth year, the credit is 25% of the less of \$35 per month per employee or 50% of the total amount paid by the employer during the taxable year. In the sixth and subsequent years, no credit shall be allowed. Also, the language sets out how the claim for the credit is made, and that it shall apply to taxable years after 1999.

Section 5. Makes the health benefit plans follow the mandates for benefits that are in small group reform laws.

There are two amendments which we have worked on with the Kansas Employer's Coalition on Health Care. The first amendment strikes the language "an aggregate of 10,000" in line twenty-nine (29) on page two (2). This amendment would allow employers with over ten thousand (10,000) employees to take advantage of the provisions of this act. The second amendment removes language regarding the carrying over of tax credits on lines thirty-five through thirty-seven (35-37) on page three (3) and adds the language "shall be refunded to the taxpayer." This amendment makes the tax credits provided for in Section 4 of the bill refundable to those small employers that don't make a profit and therefore are not paying any income tax.

Thank you for your consideration of House Bill 2090. We respectfully request favorable passage of the bill.

Session of 1999

HOUSE BILL No. 2090
By Committee on Insurance
1-21

10 AN ACT concerning accident and health insurance; relating to small em-
11 ployer health benefit plans; amending K.S.A. 40-2239, 40-2240, 40-
12 2242 and 40-2246 and K.S.A. 1998 Supp. 40-2241 and repealing the
13 existing sections; also repealing K.S.A. 40-2244 and 40-2245.

14

15 *Be it enacted by the Legislature of the State of Kansas:*

16 Section 1. K.S.A. 40-2239 is hereby amended to read as follows: 40-
17 2239. As used in this act, unless the context requires otherwise:

18 (a) "Carrier" means an insurance company, medical or hospital serv-
19 ice corporation, medical and hospital service corporation or health main-
20 tenance organization which holds a valid certificate of authority from the
21 insurance commissioner.

22 (b) "Commissioner" means the commissioner of insurance.

23 (c) "Eligible employee" means an employee who is employed by the
24 employer for an average of at least ~~17.5~~ 30 hours per week and who elects
25 to participate in one of the benefit plans provided under this act, and
26 includes individuals who are sole proprietors, business partners and lim-
27 ited partners. The term "eligible employee" does not include individuals:

28 (1) Engaged as independent contractors;

29 (2) whose periods of employment are on an intermittent or irregular
30 basis; or

31 (3) who have been employed by the employer for fewer than 90 days.

32 (d) "Family member" means an eligible employee's spouse and any
33 unmarried dependent child or stepchild.

34 (e) "Health benefit plan" means a contract for group medical, sur-
35 gical, hospital or any other remedial care recognized by state law and
36 related services and supplies.

37 (f) "Premium" means the monthly or other periodic charge for a
38 health benefit plan.

39 (g) "Small employer health benefit plan" means an ~~organization of~~
40 ~~small employers arrangement~~ providing a health benefit plan for the pur-
41 pose described in K.S.A. 40-2240, and amendments thereto.

42 Sec. 2. K.S.A. 40-2240 is hereby amended to read as follows: 40-

43 2240. (a) Any ~~two or more employers~~ small employer as defined in sub-
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1 section (4) of K.S.A. 40-2209d, and amendments thereto, may establish a
 2 small employer health benefit plan for the purpose of providing a health
 3 benefit plan as described in ~~K.S.A. 40-2244 and 40-2245~~ subsection (u)
 4 of K.S.A. 40-2209d, and amendments thereto, covering such employers'
 5 eligible employees and such employees' family members. ~~Small employer~~
 6 ~~health benefit plan member employers shall adopt a plan of operation~~
 7 ~~providing for the selection of a board of directors and such additional~~
 8 ~~provisions necessary or proper for the execution of the plan's purposes.~~
 9 ~~Such plan of operation may provide for a delegation of powers and duties~~
 10 ~~to a corporation, association or other organization which performs func-~~
 11 ~~tions similar to those of the small employer health benefit plan~~ If an
 12 association or trust is used for such purposes, the association or trust may
 13 not condition eligibility or membership on the health status of members
 14 or employees.

15 (b) Employers desiring to ~~organize~~ offer a small employer health ben-
 16 efit plan shall notify the commissioner and provide the commissioner with
 17 information on the number of employees and family members to be cov-
 18 ered by the insurance described in ~~K.S.A. 40-2244 and 40-2245~~ 40-2209d,
 19 and amendments thereto. The commissioner shall provide assistance to
 20 employers desiring to organize and maintain any such benefit plan and
 21 may aid in the acquisition of the health care insurance by the small em-
 22 ployer health benefit plan. The commissioner shall issue a certificate to
 23 every employer participating in any such small employer health benefit
 24 plan entitling such employer to claim the tax credit authorized by K.S.A.
 25 40-2246 and amendments thereto subject to the following limitation: No
 26 certificate shall be issued to any employer seeking the same after certif-
 27 icates have already been issued under this act to employers offering health
 28 benefits described in ~~K.S.A. 40-2244 and 40-2245~~ 40-2209d, and amend-
 29 ments thereto, to ~~an aggregate of 10,000~~ employees and family members
 30 entitling such employers to claim the credits for taxable years which com-
 31 mence after December 31, ~~1991~~ 1999, and before January 1, ~~1993~~ 2002.
 32 Sec. 3. K.S.A. 40-2242 is hereby amended to read as follows: 40-

33 2242. (a) As a condition to participation as a member of any small em-
 34 ployer health benefit plan as provided in K.S.A. 40-2240 and amendments
 35 thereto, an employer shall:

36 (1) ~~Employ no more than 50 employees who do not have health in-~~
 37 ~~surance as a spouse, dependent or otherwise or who are not eligible for~~
 38 ~~medicaid or state medical assistance;~~

39 (2) ~~have not contributed within the preceding two years to any health~~
 40 ~~insurance premium on behalf of an employee who is to be covered by~~
 41 ~~the employer's contribution other than a contribution by an employer to~~
 42 ~~a health insurance premium within the preceding two years solely for the~~
 43 ~~benefit of the employer or the employer's dependents; and~~

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1 ~~(3) make a minimum contribution to be set by the board of directors~~
2 ~~of the small employer health benefit plan toward the premium incurred~~
3 ~~on behalf of a covered employee.~~

4 ~~(b) The small employer health benefit plan may terminate the par-~~
5 ~~ticipation of any employer if, for a period of three months, the employer~~
6 ~~fails to perform any action required by this act or by the plan of operation.~~

7 ~~(c) No small employer health benefit plan may require membership~~
8 ~~in any association, organization or other entity as a prerequisite to mem-~~
9 ~~bership and full participation by any employer except as specifically au-~~
10 ~~thorized by this act.~~

11 Sec. 4. K.S.A. 40-2246 is hereby amended to read as follows: 40-
12 2246. (a) A credit against the taxes otherwise due under the Kansas in-
13 come tax act shall be allowed to an employer for amounts paid during the
14 taxable year for purposes of this act on behalf of an eligible employee as
15 defined in K.S.A. 40-2239 and amendments thereto to provide health
16 insurance or care.

17 (b) The amount of the credit allowed by subsection (a) shall be \$25
18 \$35 per month per eligible covered employee or 50% of the total amount
19 paid by the employer during the taxable year, whichever is less, for the
20 first two years of participation. In the third year, the credit shall be equal
21 to 75% of the lesser of \$25 \$35 per month per employee or 50% of the
22 total amount paid by the employer during the taxable year. In the fourth
23 year, the credit shall be equal to 50% of the lesser of \$25 \$35 per month
24 per employee or 50% of the total amount paid by the employer during
25 the taxable year. In the fifth year, the credit shall be equal to 25% of the
26 lesser of \$25 \$35 per month per employee or 50% of the total amount
27 paid by the employer during the taxable year. For the sixth and subse-
28 quent years, no credit shall be allowed.

29 (c) If the credit allowed by this section is claimed, the amount of any
30 deduction allowable under the Kansas income tax act for expenses de-
31 scribed in this section shall be reduced by the dollar amount of the credit.
32 The election to claim the credit shall be made at the time of filing the
33 tax return in accordance with law. If the credit allowed by this section
34 exceeds the taxes imposed under the Kansas income tax act for the taxable
35 year, that portion of the credit which exceeds those taxes ~~may be carried~~
36 ~~over to the tax in succeeding tax years until the credit is used. The credit~~
37 ~~shall be applied first to the earliest income years possible.~~

38 (d) Any amount of expenses paid by an employer under this act shall
39 not be included as income to the employee for purposes of the Kansas
40 income tax act. If such expenses have been included in federal taxable
41 income of the employee, the amount included shall be subtracted in ar-
42 riving at state taxable income under the Kansas income tax act.

43 (e) This section shall apply to all taxable years commencing after
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shall be refunded to the taxpayer.

1 December 31, ~~1991~~ 1999.

2 Sec. 5. K.S.A. 1998 Supp. 40-2241 is hereby amended to read as
3 follows: 40-2241. (a) Any small employer health benefit plan organized
4 for the purposes described in K.S.A. 40-2240 and amendments thereto
5 shall be authorized to enter into contracts with carriers for the health care
6 insurance described in K.S.A. ~~40-2244 and 40-2245~~ 40-2209d, and
7 amendments thereto, or health care providers for services on behalf of
8 its member employees. A small employer health benefit plan may contract
9 with more than one carrier to provide insurance.

10 (b) Where appropriate, the small employer health benefit plan shall
11 provide options under which eligible employees may arrange coverage
12 for their family members. Options for additional coverage for employees
13 and their family members at an additional cost or premium may be
14 provided.

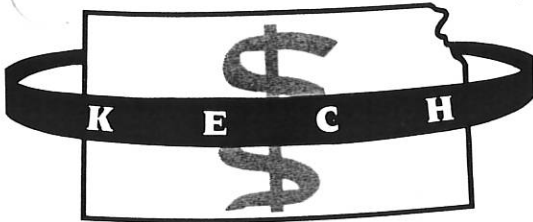
15 ~~(c) The small employer health benefit plan and any carrier may con-~~
16 ~~tract for coverage within the scope of this act notwithstanding any man-~~
17 ~~dated coverages otherwise required by state law. The provisions of K.S.A.~~
18 ~~40-2,100 to 40-2,105, inclusive, 40-2,114 and subsection (i) of 40-2209~~
19 ~~and K.S.A. 40-2229 and 40-2230, and amendments thereto, shall not be~~
20 ~~mandatory with respect to any health benefit plan under this act.~~

21 ~~(d) The small employer health benefit plan may impose a maximum~~
22 ~~aggregate amount on the benefits available to any covered employee or~~
23 ~~dependents from the health benefit plan provided under this act.~~

24 ~~(e) (c)~~ (c) The provisions of K.S.A. 40-2209 and 40-2215 and amend-
25 ments thereto shall apply to all contracts issued under this section or the
26 act of which this section is a part and to health benefit plans as defined
27 in K.S.A. 40-2239 and amendments thereto, and the provisions of such
28 sections shall apply to small employer health benefit plans.

29 Sec. 6. K.S.A. 40-2239, 40-2240, 40-2242, 40-2244, 40-2245 and 40-
30 2246 and K.S.A. 1998 Supp. 40-2241 are hereby repealed.

31 Sec. 7. This act shall take effect and be in force from and after its
32 publication in the statute book.



Kansas Employer Coalition on Health, Inc.

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Testimony to Senate Committee on Financial Institutions & Insurance on HB 2090

(Incentives for small groups to sponsor employee health coverage)

by James P. Schwartz Jr.
Consulting Director
March 10, 1999

Early this decade Kansas was in the forefront of states that were trying to do something about the problems of health insurance among small businesses. We tightened the allowable rate variations, and we guaranteed that any small group, regardless of claims experience, could get a quote on a basic employee health plan. About the same time, some incentives were written into law (KSA-40-2239 to 2247) to provide incentives for previously uninsured groups to become covered. The idea was to draw uninsured small groups into sponsoring coverage—and then wean them off the subsidy.

Since then two relevant things have happened:

First, the problem of the uninsured has worsened. In 1997 a KU study found that at any one time 200,000 Kansans are without coverage. National statistics have shown that the number of uninsureds has increased by about one million per year throughout this decade, despite a slowdown in costs for the past five years. That equates to about 10,000 additional uninsured Kansans per year. We also know through several studies that the uninsured tend to be associated with small businesses. That's because a quarter of small groups in Kansas currently offer no coverage at all (KECH, July 1998).

Second, the legislation that provided incentives for small groups to become covered was never marketed. And even if it had been, the meager coverage provisions and the organizational barriers in the statute made it a non-starter. As a result it never was applied. Not a single group was affected.

Now that the problem of uninsured small groups is worse than ever, many of us would like to give another try to the incentive concept. The problem with the current legislation, though, is that it is too restrictive. The coverage requirements are archaic and far too limited, and the approach to aggregating groups is too narrow.

HB 2090 would open up the coverage provisions, raise the incentive slightly to account for inflation, and nullify the controversial provisions dealing with waivers from state mandates. Basically what we're looking at is a \$35 per employee per month tax credit for small groups that have been uninsured for two years, declining over a period of five years. There is also a waiver of the premium tax for that period. The bill would also change existing language by applying to any small group insurance product, thus giving the concept the widest possible application.

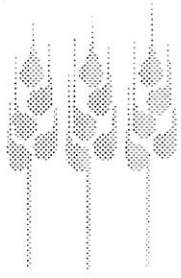
HB 2090 is not a silver bullet. It will not put an end to the problem of the uninsured. What it will do is temporarily tilt the odds in favor of small groups becoming insured for

Senate Financial Institutions & Insurance

the first time. In our survey of small groups last summer, we found that over a third of uninsured groups would be interested in starting coverage if they could contribute just \$65 per month toward coverage, about half the cost of single coverage. The \$35 offered in this bill would go a long way toward bridging that gap. In other words, there's reason to believe that this modest incentive would make a difference to the many small groups that just need a nudge to join the ranks of the insured. And look at it this way, if it doesn't work, it doesn't cost anything.

I must take this occasion to tell you that I'm transitioning to a new job. The Coalition has spun off an independent non-profit that will serve as Kansas's first health insurance purchasing cooperative for small groups. I'll be running that project. The reason why this news is relevant to HB 2090 is that if 2090 becomes law, the purchasing cooperative is well situated to make sure this law reaches the intended audience. The only hesitation I have about this offer is the question of whether the purchasing group—or any other distribution method—can be mobilized fast enough to include most of the state before the law sunsets two years from now. For that reason you might want to reconsider the date of that sunset provision at the end of Section 2.

Again, HB 2090 is not a cure-all. It will take yet more carrots—and some sticks—to finally solve this country's worsening health insurance problem. But this is a significant step. We hope you agree it's worth a try.



Kansas Association of Health Plans

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**Testimony before the
Senate Financial Institutions and Insurance Committee
The Honorable Don Steffes, Chairman
Hearings on HB 2090
March 10, 1999**

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

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

I am here in support of HB 2090 which provides an incentive for small employers to offer health insurance to their employees. The KAHP is aware of the fact that the number of uninsured is growing in the state of Kansas and this bill seems to be a mechanism to address this problem. The KAHP is supportive of anything that can be done to mitigate the problem of the growing number of uninsured.

Thank you again for allowing me to make comments on this bill and I will be happy to try and answer any questions the committee may have.

Senate Financial Institutions & Insurance

Date 3/10/99

Attachment # 7

BRAD SMOOT

ATTORNEY AT LAW

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**Statement of Brad Smoot, Legislative Counsel
Blue Cross Blue Shield of Kansas
To
Senate Financial Institutions and Insurance Committee
Regarding 1999 House Bill 2090
March 10, 1999**

Blue Cross Blue Shield of Kansas is a not-for-profit mutual insurance company providing health insurance to more than 700,000 Kansans in 103 counties. We are pleased to support House Bill 2090.

When the first small employer health insurance incentive bill was passed in 1990, Blue Cross Blue Shield of Kansas was the first -- possibly the only-- company to develop, file an approved policy and market it to the business community. No one wanted it, probably because of the limited benefit packages. So when the guaranteed issue for small groups law was passed some years later (making all types of benefit packages available), this 1990 law truly became obsolete.

The changes proposed by the Kansas Insurance Department in HB 2090 could revive the concept of encouraging employers to participate in the health insurance market for the benefit of their employees. This new proposal opens up the benefit packages available and increases the income tax credit from \$25 per month per eligible employee to \$35. In addition, employers are not required to form an association or trust in order to benefit from the tax credit.

Whether this is the best effort we can make is unclear. HB 2090 does, however, focus our attention on encouraging more Kansans to seek coverage and contribute to the health insurance pool. It is a positive step. A carrot, not a stick. We encourage you to look favorably on this proposal. Thank you for consideration of our views.

Senate Financial Institutions & Insurance

Date 3/10/99

Attachment # 8