

Approved: 3-30-01
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Sandy Praeger at 9:30 a.m. on March 21, 2001 in Room 234-N of the Capitol.

All members were present except:

Committee staff present: Dr. Bill Wolff, Kansas Legislative Research Department
Ken Wilke, Office of the Revisor of Statutes
JoAnn Bunten, Committee Secretary

Conferees appearing before the committee:

Senator Mark W. Taddiken
Don Moler, Executive Director, League of Kansas Municipalities
Randy Allen, Executive Director, Kansas Association of Counties
Kim Austin-Smith, Director of Human Resources, City of Topeka
Douglas E. Smith, Kansas Legislative Policy Group

Others attending: See attached list.

Hearing on SB 258 - Report to legislature regarding counties opting into the state employees health plan

Senator Mark W. Taddiken testified before the Committee in support of **SB 258** which would require a feasibility study of allowing each county in the state to opt into the state health care benefits program. Senator Taddiken noted that the availability and affordability of health care in rural communities continues to be a major concern for people in those areas, and several Boards of County Commissioners in his district have discussed this issue with him. (Attachment 1)

Don Moler, Executive Director, League of Kansas Municipalities, testified before the Committee in support of the bill, and offered an amendment to include cities in the feasibility study. (Attachment 2)

Also testifying in support of the bill was Randy Allen, Executive Director, Kansas Association of Counties, (Attachment 3); Kim Austin-Smith, Director of Human Resources, City of Topeka, (Attachment 4); and Douglas E. Smith, Kansas Legislative Policy Group, (Attachment 5).

Written testimony was received from Kathleen Sebelius, Commissioner of Insurance, (Attachment 6). In her written testimony Commissioner Sebelius noted that the topic of expansion of the Kansas employee health benefits program to other selected public organizations had been discussed and studied for the past several years. As a member of the Health Care Commission, she supports the concept of including those entities already listed in the statutes to be included in the state health benefits program by rules and regulations of the Health Care Commission.

A copy of a report was given to the Chair by the Commissioner which was presented to the Health Care Commission in August 2000 that focused on employees of public organizations in Kansas entitled, *Demographic and Health Insurance Profile of Public Organizations in Kansas*. The purpose of the survey included in the report was to obtain information on health insurance coverage among public employers and to gauge the degree of interest their administrators had in learning more about or joining the state health insurance plan.

Committee discussion related to the concept of the Health Care Commission including certain groups on the payroll of a county, township, or public school district into the state health care benefits program. Terry Bernatis, Health Benefits Administrator, Health Care Commission, answered questions from the Committee relating to this issue. Administrative costs and other related facts were not available at the time which the Committee considered to be relevant.

CONTINUATION SHEET

It was agreed to by the Committee that **SB 258** should be recommended for further study during the interim. The Chair pointed out that this was also acceptable to Senator Taddiken. Senator Salmans made a motion that **SB 258** be recommended for study during the Interim, seconded by Senator Barnett. The motion carried.

Action on HB 2031 - Insurance ; Risk based capital requirements

The Chair noted that the hearing on **HB 2031** was held on February 27th, and there were no opponents or amendments offered to the bill. Senator Barnett made a motion that the Committee recommend **HB 2031** favorable for passage, seconded by Senator Feleciano. The motion carried.

Adjournment

The meeting was adjourned at 10:30 a.m. The next meeting of the Committee is scheduled for March 22, 2001.

SENATE FINANCIAL INSTITUTIONS & INSURANCE
COMMITTEE GUEST LIST

DATE: 3-21-01

NAME	REPRESENTING
Anne Spiess	KAIFA
Kim Duster	City of Topeka
Randy Allen	Kansas Association of Counties
Lonie R. Addis	KS Co. Commissioners Assn.
John D. Pinegar	City of Topeka
Doug Smith	Ks. Legislative Policy Group
Linda DeLooney	KS Insurance Dept
Rich Wittne	Hearst Midwest
H Boss	Dept of Admin
Jay Beard	Dept of Admin
Jules Nunnally	Federico Consulting
Hanni Ann Howe	KATP
Tom Bell	KHA
Cohen Mull	Kathy Damon + Assoc
Don Moler	LKM
David Hanson	Ks Ins Assoc

STATE OF KANSAS



TOPEKA

SENATE CHAMBER

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COMMITTEE ASSIGNMENTS
VICE-CHAIRMAN: ENERGY & NATURAL
RESOURCES
MEMBER: AGRICULTURE
ASSESSMENT & TAXATION
UTILITIES

To: Senate Financial Institutions and Insurance
Chairman Sandy Praeger and committee members

From: Senator Mark W Taddiken, 21st District

Date: March 20, 2001

Subject: **SB 258**

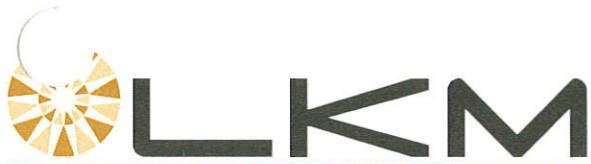
Madame Chair and committee members, thank you for this opportunity to testify before you in support of **SB 258**.

The availability and affordability of health care in rural areas continues to be a major concern of mine. I have had several Boards of County Commissioners in my District ask that their employees be able to enter into the State health insurance plan.

On the surface, it appears to be a desirable alternative for County employee health care plans. Currently counties without a large number of employees are sometimes at a disadvantage when one of their employees becomes ill. This can have a large impact on a small pool.

I would ask that you favorably consider **SB 258**. Thank you and I would stand for questions.

Senate Financial Inst. & Insurance
Date: 3-21-01
Attachment No. 1



League of Kansas Municipalities

300 SW Burlington Avenue
Topeka, Kansas 66603-3912
Phone: (785) 354-9565
Fax: (785) 354-4186

To: Senate Financial Institutions and Insurance Committee
From: Don Moler, Executive Director
Date: March 21, 2001
Re: Support for SB 258

First let me thank you for allowing the League to testify today in support of SB 258. The League has been working in concert with the Kansas Association of Counties in an effort to allow cities and counties to opt into the state employees health insurance plan. To this end we have held joint discussions with the County Association as well as discussions with Governor Bill Graves and Secretary of Administration Dan Stanley. Cities are very interested in having the option of joining the state plan and as a result we appear today in support of SB 258.

We would like to suggest one amendment to the bill which is simply to add cities to the feasibility study. We believe that cities and counties are similarly situated in this regard and have similar needs concerning health insurance for their employees. As a result we believe it is very important to explore this alternative and hopefully make it available to our cities. We would urge the committee to favorably report SB 258 and to include cities within the provisions of the bill. Thank you very much for allowing the League to testify today.

Senate Financial Inst. & Insurance
Date: 3-21-01
Attachment No. 2



KANSAS
ASSOCIATION OF
COUNTIES

Testimony concerning SB 258
Senate Financial Institutions and Insurance Committee
March 21, 2001
Presented by Randy Allen, Executive Director
Kansas Association of Counties

Chairperson Praeger and members of the committee, my name is Randy Allen, Executive Director of the Kansas Association of Counties. Thank you for the opportunity to present testimony on Senate Bill No. 258. On behalf of our 105 member counties, the Kansas Association of Counties expresses its strong support for SB 258, directing preparation of a report on the feasibility of allowing counties to opt into the state's health care benefits program.

At our annual meeting last November, the membership of our Association unanimously adopted a statement urging the State Health Care Commission to prepare and adopt rules and regulations providing counties an option to participate in the state's plans. Additionally, we indicated support for any modest appropriations necessary to finance any actuarial studies necessary for the state to assess the impact of county participation in the state's insurance plans.

We believe that providing an option for counties to participate in a bigger pool of insured persons will help control health insurance premium costs paid by counties. This will help control or hopefully reduce the taxes levied by counties to finance employee benefit costs for their employees. We think this is an idea that is right for taxpayers and is worth our time and effort.

We appreciate the opportunity to appear before you to support this legislation and pledge our commitment to work with the Legislature and administration and Health Care Commission to adequately study and then hopefully implement such a program. Thank you.

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its member counties. Inquiries concerning this testimony should be directed to Randy Allen or Judy Moler by calling (785) 272-2585.

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Senate Financial Inst. & Insurance
Date: 3-21-01
Attachment No. 3

**Testimony to the
Senate Committee on
Financial Institutions and Insurance
Regarding Senate Bill No.: 258
by
Kim Austin-Smith
Director of Human Resources
City of Topeka
March 21, 2001**

Madam Chairman, Members of the Committee:

It is my pleasure to appear before you today and present testimony in support of Senate Bill 258. This bill is included in the priority legislation package adopted by the Topeka City Council and supported as amended by the League of Kansas Municipalities.

There is no shortage of research documenting the extent to which health care costs are expected to rise for all employers. In fact the focus is not on how to reduce health care cost, but reducing the rate of increase of health care costs.

Double-digit increases unfortunately represent the national averages, and the picture looks fairly bleak for the next several years. Factors fueling health care cost increases are complex and driven by many variables including:

- Rising costs of prescription drugs
- Medical research and technology
- Aging workforce using more services

Many organizations find themselves in a "catch 22" where health insurance cost is concerned.

The City of Topeka is no different. We know that in a tight labor market where there is an abundance of jobs, a competitive benefit package can sometimes make the difference between accepting another job, or staying with an organization. We, like others, feel somewhat reticent in considering alternatives that place more financial responsibility on the employee. However, the cost for health services, and in our specific situation, a significant rise in utilization, makes it very necessary that we look at alternative solutions. The City of Topeka would be very supportive of Senate Bill No. 258 as a possible consideration for the reduction of increased health care costs.

Thank you for your time and consideration of this matter. I am happy to answer any question you may have.

Senate Financial Inst. & Insurance
Date: 3-21-01
Attachment No. 4

**Testimony to the
Senate Committee on
Financial Institutions and Insurance
Regarding Senate Bill No. 258**

**By
Douglas E. Smith
Kansas Legislative Policy Group
March 21, 2001**

Madam Chairman, Members of the Committee:

It is my pleasure to appear before you today in support of Senate Bill No. 258. Our firm represents Kansas Legislative Policy Group, which is an organization consisting of 37 Counties, located in western Kansas. I am appearing today in their behalf.

Like all units of government, counties are challenged by the necessity of providing quality, affordable health care coverage for their employees. The cost of providing health care coverage is one of the fastest increasing components of county government budgets.

Kansas Legislative Policy Group strongly supports Senate Bill No. 258. This measure will provide an opportunity for the Health Care Commission to study in-depth the feasibility of counties to opt into the state employees health care benefits program.

KLPG believes that commencement of a study is the proper course of action and that data obtained during the study will provide the information necessary for state policy makers to arrive at a fact based conclusion.

Thank you for your time and consideration of this matter.

Senate Financial Inst. & Insurance

Date: 3-21-01

Attachment No. 5



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

TO: Senate Committee on Financial Institutions and Insurance
FROM: Kathleen Sebelius, Insurance Commissioner
RE: SB 258- Feasibility study allowing counties to opt into the state employees health care benefits program
DATE: March 21, 2001

Madam Chairwoman and members of the Committee:

Thank you for the opportunity to discuss SB 258, which requires a feasibility study of allowing each county to opt into the state health care benefits program. The study mentioned in the bill would look at certain criteria for counties.

Expansion of the Kansas employee health benefits program to other selected public organizations has been a topic discussed and studied for the past several years. In 1999, the health care commission voted to include school districts in state health benefits program.

In the year 2000, a report was prepared focusing on employees of public organizations in Kansas. It contained a profile of employees and public organizations based on data from the Kansas Employees Retirement System and a survey administered by the Kansas Department of Administration. The report, Demographic and Health Insurance Profile of Public Organizations in Kansas, was written by Edwin Fonner, Jr. and others, and presented to the Health Care Commission in August 2000. The report defined governmental subunits and not-for profit organizations cited in K.S.A. 75-6506 (counties; townships; cities; special districts or other government entities; public

school district; licensed child care facilities operated by a not-for-profit corporation providing residential group foster care for children and receiving reimbursement for all or part of such care from the Department of SRS; nonprofit community mental health centers; nonprofit community facilities for the mentally retarded; and independent living agencies).

The survey mentioned above was sent to 1,053 KPERS-member organizations. Of the 1,006 employers with one or more employees, 628 surveys (62.5 percent) were returned and analyzed. The purpose of the survey was to obtain information on health insurance coverage among public employers and to gauge the degree of interest their administrators had in learning more about, or joining the state health insurance plan.

A short synopsis of those surveyed is:

- A significant number of public organizations are struggling to pay for employee health insurance
- The average increase in premiums was over 8 percent.
- Thirty percent of respondents had a premium increase exceeding 10 percent.
- One quarter of the respondents did not provide health benefits for employees.
- About 80 of the survey respondents were interested in learning more about or participating in the state health plan.

For further details of the report and survey, I will leave with Senator Praeger a copy of the report, Demographic and Health Insurance Profile of Public Organizations in Kansas.

Current statutes relating to the state employee benefit programs (K.S.A. 75-6506) already state that the Kansas state employees health care commission can designate 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, etc. may be included in the state health care benefits program.

As a member of the Health Care Commission, I support the concept of including those entities already listed in the statutes. Again, the health care commission can designate by rules and regulations the inclusion of those specific entities.

I thank you for allowing me to share this information with you.