Approved: March 23, 2004
Date

MINUTES OF THE HOUSE INSURANCE COMMITTEE

The meeting was called to order by Chairperson Patricia Barbieri-Lightner at 3:30 p.m. on March 4, 2004 in Room 527-S of the Capitol.

All members were present.

Committee staff present:
Bill Wolff Legislative Research Department
Ken Wilke, Revisor of Statutes
Renae Hansen, Secretary

Conferees appearing before the committee:
Bill Kostar, Kansas Health Partners Benefit Association
David Hornick, Kansas Health Partners Benefit Association
Jarrod Forbes, Kansas Insurance Department
Dave Hanson, Kansas Insurance Association
Jim Hall, ACLI

Others attending:
See Attached List.

Presentation on: Kansas Health Partners Benefit Association

Bill Kostar, Kansas Health Partners Benefit Association, a non profit board, (Attachment #1), spoke on the Health Partnership Act and addressed the needs of the uninsured population. Some solutions were offered to give small businesses a break and be able to afford to offer their employees insurance. They are also in the process of making more people aware of the tax credit available to small business owners and the HIPP'S program.

David Hornick, Kansas Health Partners Benefit Association, (Attachments #2 & #3), talked about some very specific actual examples of how going out and talking to employers about what programs are available to small businesses to cut insurance costs, amazingly resulted in employers being willing and able to provide health care to their employees. Many of these plans do not include employee underwriting. Charts showing these specific cost savings for the employer were included in the testimony presented by Bill Kostar and David Hornick.

Questions were asked by: Representatives Nancy Kirk, Cindy Neighbor, and Jan Scoggins-Waite.

Hearing on:
SB 340: Insurance; risk-based capitol requirements.

Jarrod Forbes, Kansas Insurance Department, (Attachment #4), presented testimony in favor of **SB 340** that would change the date on the risk based capitol instructions and formulas that are amended each year to reflect any necessary modifications or adjustments.

Dave Hanson, Kansas Insurance Association, (Attachment #5), presented written testimony in favor of the bill.

Jim Hall, ACLI, spoke in support of **SB 340**. They very much support the risk based capitol system and commends Kansas for its continued use of risk based capitol.

Hearing closed on: **SB 340.**

Representative Eber Phelps moved to passed out favorably **SB 340**, seconded by Representative Mario Goico.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

MINUTES OF THE HOUSE INSURANCE COMMITTEE at 3:30 p.m. on March 4, 2004 in Room 527-S of the Capitol.

Representative Mario Goico offered a substitute motion to amend **HB 2547** into **SB 340**, seconded by Representative Nile Dillmore.

HB 2547 was passed out of committee but failed to be voted off the House floor before turn around. **HB2547** provides federal funding to pay 65% of the Insurance premium for unemployed workers. There is approximately 1,700 Kansas workers that would be affected.(Attachment #6)

Ken Wilke told of this balloon having the necessary language to merge these two bills to preserve the bills respective affective dates.

Representative Eber Phelps asked a few questions about the merging of the two bills.

Representative Nile Dillmore verified that the original language of **HB 2547** was preserved as presented earlier in the session. That was verified by Revisor Ken Wilke.

Substitute Motion to amend HB 2547 into SB 340 passed unanimously.

Representative Bob Grant moved to pass out favorably **SB 340** as amended, seconded by Representative Scott Schwab, passed unanimously.

Meeting Adjourned.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

HOUSE INSURANCE COMMITTEE GUEST LIST

DATE: March 4, 2004

NAME	REPRESENTING
Bill Sneed	Am Ins /
Natalie Haag	Security Benefit
Amy Campbell	KABR
Lanie Ann Lower	KAHP
Brad Smoot	BCBS / AIA
Jim Hall	ACLI
John Gechler	SPEEA
James Hodges	SPEEA
Jarrod Forbes	KID
David Hanson	Ks Insur Assn
David Hornick	KS Business Health Partnership
Bill Kostar	KS Business Health Partnership
Ken Daniel	NFIB / KBHPA

KANSAS HEALTH PARTNERS BENEFIT ASSOCIATION
PRESENTATION TO THE
KANSAS HOUSE INSURANCE COMMITTEE
THURSDAY, MARCH 4, 2004
BILL KOSTAR – HPBA BOARD CHAIR
DAVID HORNICK – HPBA INSURANCE CONSULTANT

- Review of Health Partnership Act: intents to insure lower-income employees of small business by providing insurance premium subsidies.
- Uninsured population has risen from 39 million to 43 million (250,000 in Kansas).
- Premium increases average 14.2%.
- Tight Federal and State budgets limit Medicaid expansion.
- Research and practical experience indicate that premium subsidies of $400.00/month/employee would be required.
- HPBA activities 2003 -
  - Lower benefit/lower premium insurance plans,
  - Expansion of HIPP'S program,
  - Pursue Medicaid waiver to enable subsidies,
  - Increase awareness of the Kansas tax credit.
- HPBA 2004 initiatives -
  - Develop innovative health plans with additional carriers,
  - Expand network and capability to reach small business market,
  - HIPP'S and waiver initiatives,
  - Expanded awareness and use of the tax credit,
  - Implement appropriate programs from the health planning office
- Continue to monitor health initiatives throughout U.S.
- Specific examples of insurance case successes.
- Questions.

House Insurance
Date: 3/4/04
Attachment # 1

Business Day

TUESDAY, JANUARY 20, 2004

The New York Times

Broader Health Coverage May Depend on Less

Some Consider Cutting Benefits to Expand Rolls

By MILT FREUDENHEIM

With the number of uninsured Americans rising to new heights, some policy makers and influential health care experts are saying that the best way to give health coverage to more people is to give some people less.

Experiments in several states are establishing stripped-down packages of basic benefits intended to be affordable for employers and uninsured workers, including young, middle-class people who have dropped out of the health insurance pool. Some officials say that government health benefits could be extended to more people, too, if the benefit package were narrower.

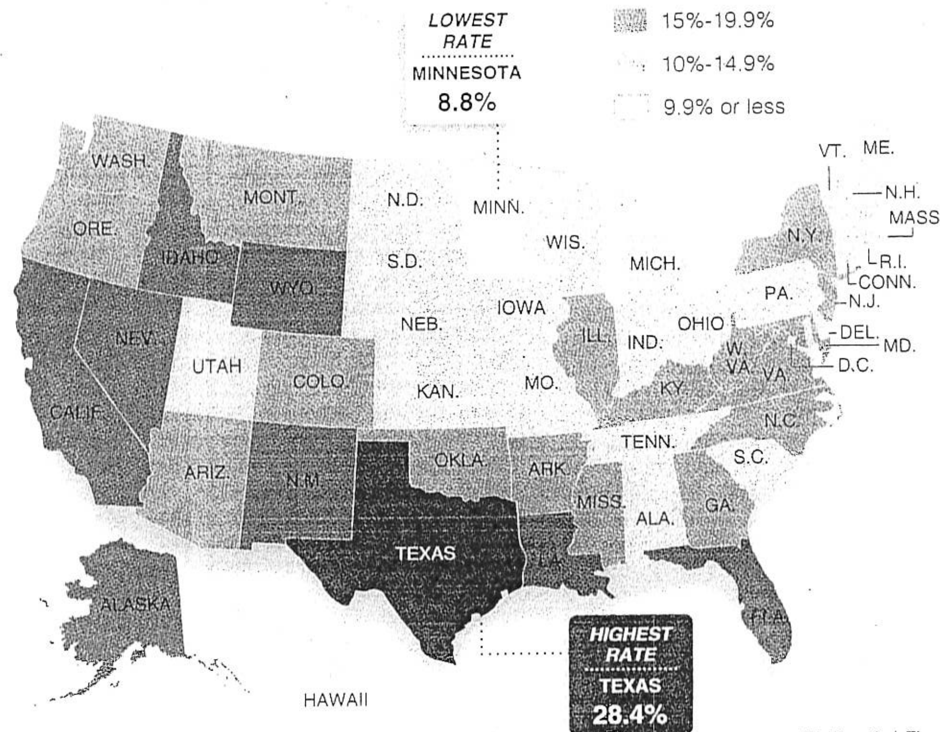
The idea is one of several ways that state officials, hemmed in by tight budgets and impatient with the federal government, are striving to address the consequences of 43 million Americans' going without health coverage. Many health policy experts and business groups say that medical care for the uninsured ultimately adds to costs for everyone who pays for health care.

What the proposals have in common is that, one way or another, they call on consumers and employers to share the burden of extending coverage, rather than relying on fresh doses of government money.

"The states are really thinking about the people who are left out. That is something new in this debate," said Wilhelmine Miller, staff director of a study issued last Wednesday by the National Academy of Sciences that urges President Bush and Congress to press for universal insurance coverage by 2010. Among other proposals, the report says that the federal government should establish "a uniform minimum level for coverage and benefits."

The basic-coverage notion is being tested in Utah, Oregon and Idaho and by counties in several other states. It is also at the core

Continued on Page 8



Source: Institute of Medicine analysis of U.S. Census Bureau data

The New York Times

Broader Health Insurance May Depend on Few

Continued From First Business Page

of a plan that Gov. Robert L. Ehrlich Jr., a Republican, will be presenting to Maryland's Democratic-led Legislature this week.

While the specifics will be worked out with lawmakers, Governor Ehrlich's plan would cut the coverage that the state requires all private insurance plans to provide. For example, insurers might no longer have to cover repeated attempts at in vitro fertilization. Hospital and doctor charges for inpatients would still have to be covered, as well as preventive measures like inoculations.

Dr. John Mendelsohn, president of the M. D. Anderson Cancer Center in Houston, a leading research and treatment institution, favors the basic-coverage concept. So does Dr. William McGuire, chief executive of the UnitedHealth Group, the nation's biggest health insurer. UnitedHealth's foundation is backing studies to foster discussion about what a basic insurance plan should include.

Maryland, which has been debating universal health care proposals for several years, is trying to come to a bipartisan consensus on a number of incremental steps toward that goal, according to Nelson J. Sabatini, the state's secretary of health and mental hygiene.

Besides a stripped-down benefits package, Maryland is planning a carrot-and-stick approach to try to persuade tens of thousands of uninsured middle-class residents to obtain coverage. People who do not do so could lose certain state income tax deductions and exemptions, while there would be tax credits to make insurance more attractive to young, healthy people.

Thirty-eight percent of Maryland's 690,000 uninsured residents have annual incomes above $55,200, and 186,000 of the uninsured earn more than $73,600, according to Mr. Sabatini. "We want to make health care affordable and to get people to do the socially responsible thing," he said.

More than 6 in 10 of Maryland's uninsured are low- or middle-income people who are not eligible for Medicaid and other government health plans, and officials say these people are a natural constituency for a basic insurance policy. Among them are thousands who work on Chesapeake Bay fishing boats, said Larry Simns, a bay boat captain who is president of the Maryland Watermen's Association.

"They wait until they are pretty near dead before they go to a doctor," he said.

Seeking a 'uniform minimum level' for health insurance.

Yet proposals like those in Maryland draw strong opposition on many fronts.

If states spend money or give up tax revenue to lure the middle-class uninsured at a time when Medicaid programs are being cut, "they can be seen as taking away benefits from some lower-income people and transferring them to some who are at least better off," said Anne K. Gauthier, vice president of the Academy for Health Services and Research in Washington, a nonprofit group.

Some research shows that consumers overestimate the risk of serious health problems and so might not be drawn to insurance that they think would leave them unprotected. And providers of specialized care, like chiropractors, can be counted on to urge their patients to demand coverage of such services.

"It will be controversial," said Casper Taylor, a former Democratic speaker of Maryland's lower house who is working with Mr. Sabatini on the governor's plan. "Maryland has a high number of mandated benefits. We are schizophrenic about it — on the one hand screaming about making health care affordable, and on the other hand we keep adding mandated benefits."

Some experts warn that cutting back mandated benefits will neither yield enormous savings nor slow the increase in costs associated with medical advances.

"There is very little in health care that you can trim off," said John Sheils, a health policy expert at the Lewin Group, a consulting firm based in Falls Church, Va., that has advised health care advocacy groups in several states. "If you develop a new procedure that does some good," he added, "ultimately all the insurers are going to have to recognize it and pay for it."

Dr. McGuire of UnitedHealth said the decision about what to cover is "a terribly complex issue.

"The definition of essential or basic coverage has to be made in the academic community," he said. "Science has to be involved."

Experts also note that state tax credits and penalties have only a slight impact on many uninsured people, who typically pay little in state taxes.

Still, Oregon has taken steps to expand its Medicaid rolls by limiting the range of benefits provided under the program, and Utah is making primary health care available to about 20,000 uninsured residents in the form of a basic benefit.

In Washington, the Senate majority leader, Bill Frist, Republican of Tennessee, and a Republican task force are working on a federal initiative, including tax credits, to help trim the number of people without insurance. President Bush is expected to propose an initiative for the uninsured in his State of the Union speech tonight, White House advisers said.

"Given the American preference

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for private rather than public spending and the aversion to taxes and to mandates of any sort, that leads us to trying a variety of incremental approaches," said Ms. Gauthier, who tracks state health care initiatives for the Robert Wood Johnson Foundation.

Besides the basic-coverage proposals, states are experimenting with a number of efforts to reduce the ranks of the uninsured.

Maine plans next month to ask for bids from private insurers interested in administering an insurance plan for employees of small businesses, along with self-employed people and those without company health plans.

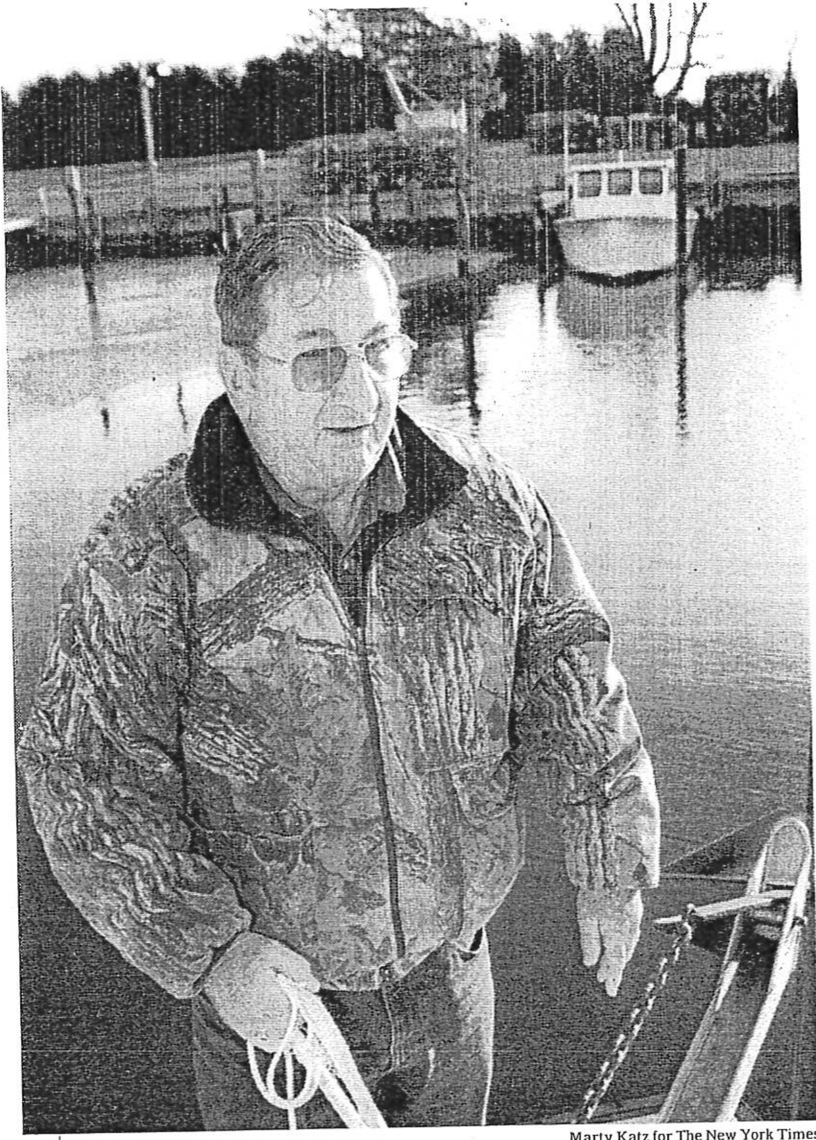
The plan will initially be open to small businesses, the self-employed and other individuals. Employers would have to cover up to 60 percent of the cost; for low-income workers, the premium will be subsidized by redirecting money that insurers now pay to cover charity care. While areas like dental and eye care would be omitted, the plan will offer standard benefits, according to Trish Riley, director of Gov. John Baldacci's office of health policy and finance.

California took another route last year when Gov. Gray Davis, shortly before he was forced out of office, signed legislation requiring businesses with 50 or more workers to provide insurance or pay into a pool to cover the uninsured. Business groups opposed to the California law have threatened suits and sponsored petitions seeking a state referendum to overturn it.

In New York, the politically influential health care workers union, 1199/S.E.I.U., and the Greater New York Hospital Association are proposing a $3,000 tax on employers for each worker they do not insure, with a smaller tax for small businesses that pay low wages. The money would be used to extend coverage, through various state programs, to a million uninsured people. The health savings accounts authorized in the new Medicare law, effective in 2006, may provide a market-oriented way to lure some of the more affluent uninsured to obtain coverage.

The savings accounts can be combined with low-premium, high-deductible insurance, a potentially attractive formula for people who want to decide for themselves how much treatment they need, in the view of James Frogue, a health care expert at the American Legislative Exchange Council, which he said is a bipartisan group of state legislators who advocate free market policies.

"There will always be somebody rationing our care," Mr. Frogue said. "The question is who is going to do it."



Marty Katz for The New York Times

Larry Simns is one of thousands of fishermen in Maryland who are not eligible for Medicaid or other government health insurance.

Kansas health planning office readies first round of suggestions

BY LOLA BUTCHER
STAFF WRITER

Kansas' fledgling Office of Health Planning and Finance — established by Gov. Kathleen Sebelius in October — will make its legislative debut early next month with a proposal to tweak the health care system.

Dr. Robert Day, director of the office, said the proposal will seek to address three problems:

- Inadequate Medicaid reimbursement rates, which shift costs to other payers.
- Small businesses' difficulty in providing health insurance to low-wage workers.
- Access to care by uninsured people.

Day declined to offer specifics about the proposal, other than to say it is the first step of an emerging vision for health care in Kansas.

"While what we are doing now may seem modest, you need to see what we're going to do in the future," he said.

Because the state government is one of the largest payers for health care, Sebelius wants the Office of Health Planning and Finance to lead efforts to address broad issues plaguing the health care system.

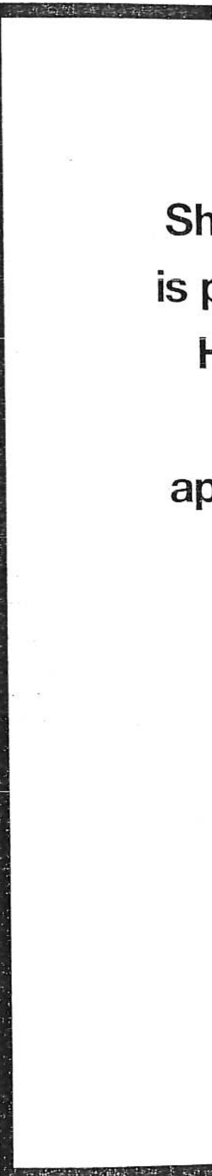
Day convened three round tables with highly placed health care executives to discuss costs, access and quality. He said he was surprised to find that the participants want to keep meeting to work toward fundamental change.

Dr. Robert St. Peter, president of Kansas Health Institute and a participant in the round tables, said health care leaders want a forum to discuss "big picture" issues because Kansas residents are so concerned about the health care system. A survey of Kansans commissioned by the institute in the fall found that 55 percent of working Kansans were worried they may not be able to afford health insurance within the next six months, and 44 percent were worried they might not be able to afford the prescription drugs they need.

Another round table participant, Marci Neilsen, assistant professor at the University of Kansas School of Medicine, said the state's approach to expanding health coverage is the right one.

"From my experience working on Capitol Hill during the Clinton administration, I know that one thing that Governor Sebelius is doing right is starting at ground zero, thinking through what really belongs in the public sector and what should be handled in the private sector," Neilsen said.

REACH LOLA BUTCHER *at 816-421-5900 or lbutcher@bizjournals.com.*

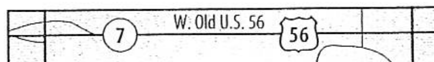


Surgery center marks opening of medical office push on 151st St.

Following the trend of other communities in the area, Olathe has its first physician-owned outpatient surgery center, and additional medical construction is on its way.

The Surgery Center of Olathe opened Dec. 1 on 151st Street just north of Olathe Medical Center.

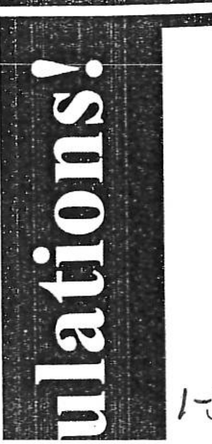
"I think this is the beginning of what is going to be a trend" along 151st Street, center administrator [illegible]



years," he said.

Because of declining reimbursement rates for some medical services, "some medical groups are looking for other revenue opportunities, which has driven the development of surgicenters, eye clinics and the like," he said.

The surgery center offers orthopedic and eye procedures and plans to add plastic surgery soon. It is



2002 Commercial Population Claims

Range	Population	Cost
a) $0 - $500	48% population	2% cost
b) $500 - $1,000	9% population	2% cost
c) $1,000 - $5,000	31% population	21% cost
d) $5,000 - $10,000	5% population	12% cost
e) $10,000 - $25,000	5% population	24% cost
f) $25,000 +	2% population	39% cost

(Handwritten annotations: a–d: 93% population, 37% cost; e–f: 7% population, 63% cost)

Above actuarial data compiled by Milliman USA.

House Insurance
Date: 3/4/04
Attachment # 2

Cost Saver Benefit Highlights Chart

Maximum Lifetime Benefit: $500,000 while insured, per person			
Deductible: $250 per person per year deductible (waived for Office Visits).			
Coinsurance: 80% in-network and 50% out of network (Office Visits paid at 100% in-network and 80% out of Network).			
Benefit Category	**Type Of Service**	**Benefit**	**Calendar Year Maximum Benefit**
Professional Services	Office Visit	$20 copay per visit for certain in office services, no annual limit on # of visits.	Combined $3,000 Benefit per Calendar Year for Office Visits and Other Professional Services
	Other Professional Services	$50 copay per bill, no benefit limit per bill and no annual limit on number of visits.	
Non-Surgical Outpatient & Emergency Services	Emergency Room	$50 copay per visit, maximum benefit $500 per bill, no annual limit on number of bills.	Combined $2,000 Benefit per Calendar Year for Non-Surgical Outpatient and Emergency Services
	Outpatient Services	$50 copay per bill, maximum benefit $500 per bill, no annual limit on number of bills.	
	Miscellaneous Medical Services	$50 copay per bill, maximum benefit $500 per bill, no annual limit on number of bills.	
Outpatient Surgical Facility	$250 copay per surgery, maximum benefit $1,000 per surgery, no annual limit on number of outpatient surgeries.		No Annual Limit.
Inpatient Facility	$250 copay per admission, maximum benefit of: $1,500 per day for Critical Care $1,250 per day for Intermediate Care or Step-Down Unit $1,000 per day for Standard Care $500 per day for Skilled Nursing or Rehab $100 per day for Extended Care $100 per day for substance abuse or mental/nervous stays (limited to 31 days in any 12 month period)		75 days or $100,000 Benefit in any 12 Consecutive Month Period.
Outpatient Prescription Drugs	$15 generic, $20 generic contraceptive copay per prescription. No limit on number of prescriptions. Brand name drugs provided at a discount.		$2,500 per Calendar Year.

Horizons Cost Saver

Monthly Premium - Zip Code 66216
Shawnee Mission, KS
PPO Network: WPPA

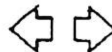
Age	Male Rate	Female Rate
20	$50	$73
25	$50	$73
30	$61	$89
35	$71	$98
40	$79	$107
45	$92	$129
50	$112	$150
55	$141	$171
60	$190	$193
Premium Total: $1,929		

Monthly Premium - Zip Code 66614
Topeka, KS
PPO Network: WPPA

Age	Male Rate	Female Rate
20	$51	$75
25	$51	$75
30	$63	$92
35	$73	$101
40	$82	$110
45	$94	$133
50	$116	$155
55	$145	$175
60	$196	$199
Premium Total: $1,986		

Effective Date: 1/1/04
Optional Pregnancy Benefit: This benefit is not included.
SIC: 6411 – Finance, Insurance and Real Estate/Insurance Agents, Brokers, and Service

Value with every product. Benefits for every need.



2-3

Client: New Case: Zipcode: 66441 Eff.Date: 10/1/2003

Horizons Cost Saver

Benefit Plan: Horizons Cost Saver Limited Benefit Plan (see Benefit Highlights page)

Selected PPO Network: WPPA

Optional Pregancy Benefit: This benefit IS included.
The approximate cost for this option for this census is $154.

Optional Life Benefit: This benefit IS Included (standard $10,000 benefit plus dependent life benefit).

Medicare IS Primary

SIC: 1721 - Construction/Special Trade Contractors/Painting and Paper Hanging

For benefit details including covered expenses and limitations please refer to plan certificate of insurance.

Monthly Premium

Name	Se	Age	Life	Coverage	Owner	Spouse Age	Children	Employee Rate	Spouse Rate	Children* Rate	Life Rate	Total Premium
	M	50	$10,000	I	N		N	$112	$0	$0	$8	$120
	M	32	$10,000	I	N		N	$66	$0	$0	$2	$68
	M	18	$10,000	I	N		N	$49	$0	$0	$2	$51
	M	53	$10,000	F	N	45	Y	$128	$121	$102	$10	$361
	F	24	$10,000	I	N		N	$112	$0	$0	$2	$114
	F	28	$10,000	I	N		N	$141	$0	$0	$2	$143
	M	25	$10,000	I	N		N	$49	$0	$0	$2	$51
	M	37	$10,000	F	N	40	Y	$74	$117	$112	$5	$308
	M	23	$10,000	S	N	23	N	$49	$119	$0	$4	$172
	M	47	$10,000	I	N		N	$97	$0	$0	$6	$103
	M	42	$10,000	C	N		Y	$82	$0	$108	$6	$196
	M	29	$10,000	I	N		N	$59	$0	$0	$2	$61
							SubTotals:	$1,018	$357	$322	$51	

Premium Subtotal $1,748

Monthly Fees $140

Admin fees are $8.00 per employee per month (max 10 employees). PPO access fees are $5.00 per employee per month. PPO Fees for multilocation groups accessing multiple networks may vary according to networks selected.

Monthly Total $1,888

IMPORTANT NOTICE: This supplemental group health insurance plan is LIMITED to the Benefits shown on the next page and as described in the Certificate of Insurance. It is designed to supplement and coordinate with other 'catastrophic' major medical coverage. However, coverage under a 'catastrophic' plan is not required to maintain coverage under this supplemental benefit plan. This plan does not provide 'catastrophic' insurance coverage. In some states supplemental plans are not subject to HIPPA guaranteed availability and we reserve the right to decline coverage on any group which we believe does not meet the qualifications for enrollment or whose participation would be detrimental to the plan.

**This quote uses an "all" children rate. When a group has a higher than normal average number of children per employee, rates may be increased to compensate for the number of children.*

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2-4

SUMMARY OF 2004 GOALS, OBJECTIVES, AND OPERATING BUDGET

WORKING DOCUMENT FOR JANUARY 2004 BOARD MEETING

Project: Statewide Small Business Health Insurance Coverage Expansion for Lower Income Workers and Their Families with the Kansas Business Health Partnership

Timeline: January 1, 2004 to December 31, 2004

External Funding Requirements: $300,000

Organization Information: The Kansas Health Partners Benefit Association is a private non-profit organization working with the Kansas Business Health Policy Committee, which was created by the Kansas Legislature, as part of the public/private partnership to find lower-cost health insurance solutions for Kansas' small businesses.

Key Contact Information:

Kansas Health Partners Benefit Association, Inc.
P.O. Box 1090, Great Bend, KS 67530
(800) 290-1368 Fax: (620) 792-7053
dcall@benefitmanagementks.com

Website: **www.hpbaks.org**

David Hornick, Marketing Manager
24518 159th Street, Leavenworth, KS 66048
(913) 351-3721 Fax: (913) 351-3722
hornickandassoc@aol.com

Populations Served: Lower income employees of small business and their families, males and females, all ages and ethnic groups across the state of Kansas.

Project Summary: Implementation activities continue and partial program support is being sought to inform the public and continue developing the state's Kansas Business Health Partnership health insurance premium subsidy program. The focus is on small businesses in Kansas not offering health insurance benefits to their workers or at risk of losing existing coverage. Funds are being used for (1) outreach and education geared toward small employers, insurance agents, and community leaders, and (2) design and implementation of a premium subsidy benefit plan that will succeed in the marketplace.

House Insurance
Date: 3/4/04
Attachment # 3

SUMMARY OF 2004 GOALS, OBJECTIVES, AND OPERATING BUDGET

WORKING DOCUMENT FOR JANUARY 2004 BOARD MEETING

CONTENTS:

NARRATIVE
- Description of Organization
- Defining the Need
- Program Objectives
- Planned Activities
- Expected Benefits and Outcomes
- Attaining Sustainability

ATTACHMENTS
1. Illustration of Kansas Business Health Partnership
2. Budget Narrative
3. External Funding Budget
4. Article 47—Kansas Business Health Partnership, 40-4701 and 40-4702
5. Board and Committee Members
6. Biographical Sketches of Key Personnel

DESCRIPTION OF ORGANIZATION

Background and Mission. The Kansas Health Partners Benefit Association, Inc. (KHPBA) was incorporated in Kansas in late 2001 as a 501c(6) tax-exempt corporation. We serve the mission of the Kansas Business Health Policy Committee – the cabinet level committee established under the Kansas Business Health Partnership Act that was signed into law on May 15, 2000 (see **Attachment 4**). Our goal is to reach lower income uninsured workers (and their families) employed with Kansas small businesses (under 50 employees) not currently offering or at risk of losing health insurance benefits. KHPBA is marketing a limited benefit non-subsidized plan while a subsidized health insurance premium plan is developed for qualified firms and workers.

Program Update. KHPBA has established its by-laws, set up business accounts, engaged a solid board, built a website, and executed agreements with Allied National Insurance Companies. Currently, KHPBA is actively marketing its Horizons Cost Save plan (30 firms enrolled). We conducted a media campaign, actively promoted the Insurance Department's tax credit program, and planned agent education with the Kansas Association of Independent Insurance Agents. Policy research has been conducted on (1) employer buy-in programs and premium subsidy activities in other states, (2) effective outreach and administrative strategies in state Medicaid HIPSS (Health Insurance Premium Payment Systems) programs, and (3) Medicaid waiver options. KHPBA has also conducted negotiations with other insurance carriers to make additional benefits products available to small businesses.

Links to Other Organizations. KHPBA has ties with a number of key Kansas organizations. The first agreements executed were the memo of understanding with the Kansas Business Health Policy Committee and a funding agreement with the Kansas Department of Social and Rehabilitation Services (SRS). KHPBA works regularly with the state Senate and House Insurance Committees, the Senate Health Insurance Issues Working Group, and the Insurance Department to extend the tax credit program and develop capacity for premium subsidies. Ties have been forged with insurance carriers, the Kansas Association of Independent Businesses, the Kansas Association of Independent Insurance Agents, and the Wyandotte County Community Health Council. KHPBA has used technical assistance from the Academy for Health Services Research and Health Policy, the Washington DC based program manager for the *State Coverage Initiatives* grant from RWJF. KHPBA also worked with Kansas' leaders involved in the State Planning Grant awarded by the U.S. Health Resources and Services Administration (HRSA) in 2001. Hornick and Associates LLC, Leavenworth KS, Benefit Management Inc. (BMI) and Call Insurance Services, Great Bend KS, contract with KHPBA for leadership, marketing, operational support, and benefits administration.

Financial Management and Accountability. BMI, Call Insurance Services, and Hornick and Associates LLC manage the KHPBA program. These firms have successfully managed benefits, billing, marketing, financial reporting, and customer service for employers and agents across Kansas and the U.S. KHPBA has used RWJF and Sunflower grant funds in collaboration with the Kansas Department of SRS and the Kansas Business Health Partnership.

DEFINING THE NEED

Underlying Problems. The lack of affordable health insurance for over 10 percent of Kansans under age 65 is the problem motivating this coverage expansion initiative. Most uninsured Kansans are employed and over 25 percent of small employers report not offering coverage to employees and dependents. Small employers regularly experience double-digit premium increases and lose coverage because carriers are exiting from the marketplace. Groups least likely to have coverage include Hispanics, African Americans, younger people, females, part-time workers, and lower income employees especially in southwestern Kansas and inner cities. While many firms want to offer coverage "*because it's the right thing to do*," many don't because they can't get affordable coverage or are struggling to maintain profitability. There is an increasing trend to reduce benefits, increase employee cost sharing, and increase deductibles. There is an ongoing need to educate insurance agents and small groups. Medicaid is not an option for many since Kansas has one of the lowest income qualification levels in the U.S.

Defining the Target Population. The Kansas Business Health Partnership Act defines the primary target population as lower-income workers in small firms across the state of Kansas that do not offer health insurance coverage to employees and their dependents. KHPBA also recognizes that middle-income employees, especially those with families, are in no better position to pay skyrocketing premiums or to be without insurance. The economic impact on small businesses extends to the ability to retain middle-income

employees. KHPBA has segmented these groups based on size and organizational characteristics. KHPBA has initiated education and outreach effort to small businesses and key groups influencing program enrollment. These groups include insurance broker/agents, business groups (e.g., local Chambers) and insurance associations.

PROGRAM OBJECTIVES

The primary objective of KHPBA is to develop an innovative, affordable health insurance benefits package for small business and their lower income uninsured workers. This work is being carried out with the guidance of a statewide public/private partnership. Primary sources of funding have been from RWJF and the Sunflower Foundation. Continued funding is needed to maintain momentum in designing and rolling out the benefits package and premium subsidy program. Two main activities underpin proposed work in 2004:

> Objective One – Continue outreach efforts and mobilize broker/agents and other key organizations to facilitate the success of KHPBA's non-subsidized plan and subsidized premium assistance program. We are finding that effective education underpins successful marketing and customer service by agents. Through our outreach efforts early adopters have been able to provide valuable feedback from the marketplace.
>
> Objective Two – Developing the employer-sponsored premium subsidy program involves four features: (1) streamlining and enhancing the Medicaid HIPPS program, (2) preserving and enhancing the tax credit program, (3) constructing and submitting a waiver to Medicaid for an employer buy-in program, and (4) researching other states' solutions. Additional work is being pursued on the Horizons Cost Saver plan and other benefits plans.

PLANNED ACTIVITIES

Here is a list of activities to be conducted by KPHBA in 2004:

Objective One – In order to meet our legislative mandate, we will continue to conduct outreach to insurance agents, small business owners, employees, insurance carriers, opinion leaders, and other key organizations:

- *Outreach Campaign* – We will continue public relations and outreach work to KHPBA stakeholders. This is being driven by our marketing plan and includes brochures, an active website, features and benefits scripts, and schematics illustrating the sources and flow of premium dollars for health insurance.
- *Educational Programming* – We will continue delivery of educational efforts with insurance agents. We encourage their questions, curiosity, and openness to the program model. Educational topics include tax credits, the program benefits package, customer service, and broker/agent support.

- *Conduct Meetings* – We will continue to schedule, and convene group meetings with prospective program participants. Follow-up meetings and one-on-one sessions are being scheduled with opinion leaders and interested prospects in target groups like small businesses, associations, business clubs, and chambers of commerce.
- *Develop Profiles* – We are continuing to develop a profile of likely program enrollees based on market research and feedback at educational sessions. Data include employer size, type of firm, location, and employee characteristics (e.g., gender, age, occupation, income, part-time status).
- *Seek Insurance Carrier, Plan, and Provider Feedback* – We will continue to engage key insurance carriers, Medicaid, and providers across the state to expand the scope of marketing, develop a provider network, and define underwriting criteria.

Objective Two – Develop the employer-sponsored premium subsidy program.

- *Build on the Success of the Horizons Cost Saver Plan* – The enhanced Cost Saver plan for small groups in Kansas will be the basis for activities including:
    - Broker/agent education, ongoing support, and access to data;
    - Defining employer and employee participation rules;
    - Enrolling and supporting customers;
    - Paying commissions to agents;
    - Billing, claims, and funds disbursement to insurance carriers; and
    - Information systems and software support.
- *Streamline and enhance the Medicaid HIPPS program* – Refashioning this function will speed up enrollment and improve the effectiveness of a program that already subsidizes health insurance premiums for qualified employees.
- *Preserve and enhance the tax credit program* – By working with the legislature to extend the tax credit program we will give small business owners an added financial incentive to purchase health insurance benefits for all of their workers.
- *Construct and submit a waiver to Medicaid for an Employer Buy-in Program* – The CMS approval of a Medicaid 1115 or similar waiver will provide the vehicle for combining federal dollars with employer contributions and employee premium dollars.
- *Research Models in Other States* – We will continue to research features of successful employer buy-in and subsidy programs in other states to learn about their funding sources, participation criteria, and marketing strategies.
- *Use Technical Assistance from RWJF and other sources* – We will continue to use available technical assistance from the Academy for Health Services Research and Health Policy, the Institute for Health Policy Solutions, and other sources of policy expertise. This technical assistance is provided at no cost to Kansas.

Roles and Responsibilities of Staff and Partners. Staff at BMI and Hornick and Associates is responsible for operations, testing, and continued program development. Call Insurance Services is responsible for agent relations and marketing. These firms are responsible for grant and contract management, financial reporting, and general program

administration. The Kansas Business Health Partners Committee oversees the effort and lends direction and support. Staff at SRS will collaborate on the design of a Medicaid 1115 waiver. State associations, business groups, and agents are cooperating in our outreach and education efforts.

Beneficiaries. Small business owners and their lower income employees and dependents will benefit by having access to affordable health insurance. This benefits Kansans by improving the climate for small business to operate in the state. In the short run, insurance agents will benefit from KHPBA's outreach and education. The premium subsidy program will benefit agents and insurance carriers by speeding up enrollment.

Time Line. Our 2004 plan will include work in (1) public relations and outreach, (2) educational sessions for insurance agents, (3) enrolling employers and employees in the Cost Saver program, (4) designing the subsidized employer buy-in program, and (5) pursuing a Medicaid waiver.

Impediments to Progress. Unsuccessful attempts to win a Medicaid 1115 waiver and secure external funding will jeopardize program continuity. Insufficient knowledge of program benefits by prospective enrollees and inadequate enrollment in the program will delay the breakeven point and threaten program viability. Discontinuation of the state tax credit program for uninsured businesses could reduce the affordability of the program and raise the amounts that employers and employees must contribute. "Adverse selection" (i.e., enrollment of a sicker-than-average population) could make the program unprofitable for insurance carriers. This could reduce interest or increase premiums.

EXPECTED BENEFITS AND OUTCOMES

Criteria for Success. Criteria for success include:

- Engaging a critical mass of prospective customers in an outreach effort;
- Identifying a group of early adopters and program endorsers;
- Rolling out a marketing plan slated to initial sales prospects;
- Improving use of HIPPS and the tax credit programs;
- Continuing to acquire feedback on customer's preferences and pricing sensitivity.

Measuring Outcomes. Program outcomes will be measured with the following criteria:

Objective One – We are looking at attendance at outreach sessions, numbers of expressions of interest, requests for information, marketing leads, and follow-up activities. We track early adopters and endorsements from opinion leaders.

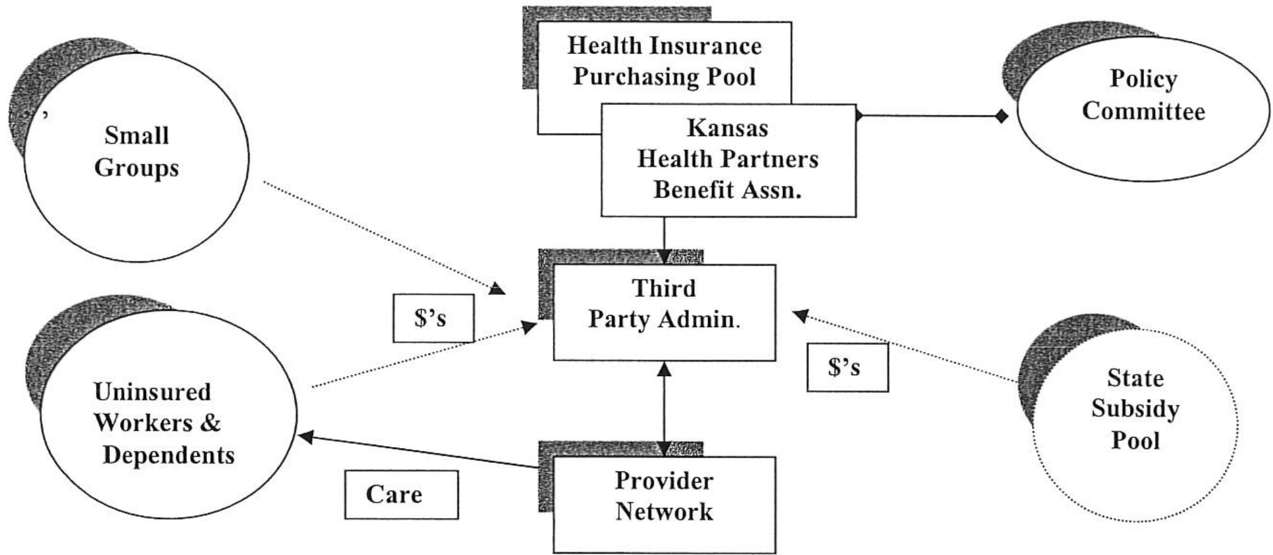
Objective Two – Influencing the operations of the HIPPS program, retaining the tax credit program for small businesses, effectively marketing the Cost Saver plan, and beginning work on the Medicaid waiver will mark success in 2004.

ATTAINING SUSTAINABILITY

KHPBA is designing a program meant to be sustainable in the Kansas health insurance marketplace. If there is sufficient enrollment in the premium subsidy and benefits program by small businesses and lower income employees, revenues generated will help support program administration. We want to offer a program that also has enough appeal to attract higher income workers and larger businesses, perhaps with a sliding fee scale. Sufficient enrollment will reinforce our working relations with health insurance carriers, agents, and healthcare providers across the state. An award of a Medicaid 1115 waiver will secure a stable funding stream with which to support premium subsidies. Ongoing contracts with BMI, Call Insurance Services, and Hornick and Associates will provide expertise and management required for effective program administration. External funding for education, outreach, policy formulation, and securing premium subsidies is vital to the longer-term success of this innovative Kansas public/private partnership.

ATTACHMENT 1

ILLUSTRATION OF KANSAS BUSINESS HEALTH PARTNERSHIP



ATTACHMENT 2. BUDGET NARRATIVE

Background. This is the second year of operation for the Kansas Health Partners Benefit Association. Initial funding was derived from The Robert Wood Johnson Foundation through Kansas' participation in the *State Coverage Initiatives* program (funding $149,845) and the Sunflower Foundation ($79,000). The following table summarizes KHPBA's external funding requirements for 2004.

Budget. The 2004 operating budget is $350,000. This includes $300,000 of external support (including $30,000 in indirect charges to help support general program operations) and $50,000 of in-kind support. Here is an explanation of the direct expense categories covered by external support:

Staffing Expenses -- The amount allocated to existing personnel in salary will be $40,000 plus $5,000 for fringe benefits (12.5%). This is to help cover part of the time of one staff person at BMI. No new staff will be added with external funding this year.

Consultants – The amount of $100,000 will be allocated to one or more consultants to assist with outreach, consumer and agent education, and continued program development.

Travel Expenses – Travel is budgeted at $10,000. This is mainly for travel within Kansas. Staff travel will be partly covered as in-kind contributions.

Education and Outreach – We are budgeting $100,000 for education and outreach. This will include scheduling and convening meetings with groups of small businesses, health insurance broker/agents, and other key organizations. Public relations work, KHPBA brochures, and other educational materials are included in this amount.

Supplies and Other Direct Costs – The budget for supplies will be $5,000 and printing is budgeted at $10,000.

In-Kind Support and Total Project Costs – The total projected 2004 expenses of $350,000 includes $300,000 of external funding and $50,000 of in-kind support from KHPBA and its partners. In-kind support is committed from the Kansas Department of SRS, other involved agencies, and board members. BMI and Call Insurance Services will continue to manage the program now and as premium subsidy funds are awarded.

ATTACHMENT 3. **EXTERNAL FUNDING BUDGET**

Budget Beginning Date: January 1, 2004
Budget Ending Date: December 31, 2004

EXTERNAL FUNDING REQUIREMENT:

Personnel Salary (existing)	$40,000
Fringe Benefits	$5,000 (12.5%)
Personnel Salary (new)	$0
Fringe Benefits	$0
Consultants	$100,000
Travel	$10,000
Other: Supplies	$5,000
Equipment	$0
Printing	$10,000
Education and Marketing	$100,000
Indirect Costs	$30,000 (10%)
Amount of External Funding Required	**$300,000**

AMOUNT PROVIDED BY KHPBA AND PROJECT PARTNERS:

Total Cash Support	**$20,000***	
In-kind Support		
KS Dept. of SRS	$15,000	
BMI/Hornick & Assoc.	$15,000	
Total In-kind Support	**$30,000***	
Total support provided by KHPBA and partners		**$50,000**
TOTAL COST OF PROPOSED PROJECT		**$350,000**

ATTACHMENT 4. 40-4701
Chapter 40.--INSURANCE
Article 47.--KANSAS BUSINESS HEALTH PARTNERSHIP

40-4701. Kansas business health partnership act; definitions. As used in K.S.A. 40-4701 through 40-4707 and amendments thereto:

(a) "Carrier" means any insurance company, nonprofit medical and hospital service corporation, nonprofit optometric, dental, or pharmacy service corporation, municipal group-funded pool, fraternal benefit society or health maintenance organization, as these terms are defined by chapter 40 of the Kansas Statutes Annotated, and amendments thereto, that offers health benefit plans covering eligible employees of one or more small employers in the state.

(b) "Health committee" means the Kansas business health policy committee as specified in K.S.A. 40-4702, and amendments thereto.

(c) "Dependent" means the spouse or any child of an eligible employee.

(d) "Eligible employee" shall have the meaning ascribed to it in K.S.A. 40-2209d and amendments thereto.

(e) "Health benefit plan" means any hospital or medical expense policy, health, hospital or medical services corporation contract, and a plan provided by a municipal group-funded pool, or a health maintenance organization contract offered by any employer or any certificate issued under any such policy, contract or plan.

(f) "Kansas business health partnership" or "health partnership" means a nonrisk bearing nonprofit corporation that has responded to a request for a proposal by the health committee and has been selected by the health committee to provide health insurance through multiple unaffiliated participating carriers to small employers and their employees.

(g) "Low wage or modest wage employee" means any employee whose family income does not exceed 200% of the poverty level.

(h) "Small employer" shall have the meaning ascribed to it in K.S.A. 40-2209d and amendments thereto.

40-4702
Chapter 40.--INSURANCE
Article 47.--KANSAS BUSINESS HEALTH PARTNERSHIP

40-4702. Same; Kansas business health policy committee; membership; organization; powers and duties. (a) The governor of the state of Kansas shall appoint a cabinet level committee which shall be known as the Kansas business health policy committee.

(b) The Kansas business health policy committee, hereinafter referred to as the health committee, shall consist of:

(1) The secretary of the department of commerce and housing or the secretary's designee;

(2) the secretary of the department of social and rehabilitation services or the secretary's designee;

(3) the commissioner of insurance or the commissioner's designee;

40-4702 (Continued)

(4) one member appointed by the president of the senate;

(5) one member appointed by the speaker of the house of representatives;

(6) one member appointed by the minority leader of the senate;

(7) one member appointed by the minority leader of the house of representatives; and

(8) three members at large from the private sector appointed by the governor.

The secretary of each state agency represented on this committee shall provide such staff and other resources as the health committee may require.

(c) (1) The initial meeting of the health committee shall be convened within 60 days after the effective date of this act by the governor at a time and place designated by the governor.

(2) Meetings of the health committee subsequent to its initial meeting shall be held and conducted in accordance with policies and procedures established by the health committee.

(3) Commencing at the time of the initial meeting of the health committee, the powers, authorities, duties and responsibilities conferred and imposed upon the health committee by this act shall be operative and effective.

(d) The health committee shall develop and approve a request for proposals for a qualified entity to serve as the Kansas business health partnership, hereinafter referred to as health partnership, which shall provide a mechanism to combine federal and state subsidies with contributions from employers and employees to purchase health insurance in accordance with guidelines developed by the health committee.

(e) The health committee shall evaluate responses to the request for proposals and select the qualified entity to serve as the health partnership.

(f) The health committee shall:

(1) Develop and approve subsidy eligibility criteria provided that:

(A) Low wage and modest wage employees of small employers shall be eligible for subsidies if:

(1) The small employer has not previously offered health insurance coverage; or

(2) the small employer has previously offered health insurance coverage and a majority of such small employer's employees are low wage or modest wage employees as defined in K.S.A. 40-4701;

(B) any small employer's employee with a child who is eligible for coverage under the state childrens' health insurance program established by K.S.A. 38-2001 *et seq.*, and amendments thereto, or in the state medical assistance program shall be eligible automatically for a subsidy and shall be included in the determination of eligibility for the small employer and its low-and-modest wage employees; and

(C) at least 70% of the small employer's employees are insured through the partnership; and

40-4702 (Continued)

(2) determine and arrange for eligibility determination for subsidies of low wage or modest wage employees; and

(3) develop subsidy schedules based upon employee wage levels.

(g) The health committee shall oversee and monitor the ongoing operation of any subsidy program and the financial accountability of all subsidy funds.

(h) The health committee is hereby authorized to accept funds from the federal government, or its agencies, or any other source whatsoever for research studies, investigation, planning and other purposes related to implementation of the objectives of this act. Any funds so received shall be deposited in the state treasury and shall be credited to a special revenue fund which is hereby created and shall be known as the health committee insurance fund and used in accordance with or direction of the contributing federal agencies. Expenditures from such fund may be made for any purpose in keeping with the responsibilities, functions and authority of the department. Warrants on such fund shall be drawn in the same manner as required of other state agencies upon vouchers signed by the secretary of the department of social and rehabilitation services upon receiving prior approval of the health committee.

(i) The health committee is authorized to develop policies for the use of additional federal or private funds to subsidize health insurance coverage for low-and-modest wage employees of predominantly low-wage small employers.

(j) The health committee is hereby authorized to organize, or cause to be organized, one or more advisory committees. No member of any advisory committee established under this subsection shall receive any payment or other compensation from the health partnership. The membership of each advisory committee established under this subsection shall contain at least one representative who is a small employer and one representative who is an eligible employee as defined in K.S.A. 40-4701 and one representative of the insurance industry.

ATTACHMENT 5. BOARD AND COMMITTEE MEMBERS

KANSAS HEALTH PARTNERS BENEFIT ASSOCIATION BOARD

William Kostar, Chair, Mayor, City of Westwood KS and independent human resources management consultant

Kenneth L. Daniel, Jr., Midway Sales and Distribution, Inc., Topeka

Gary Gore, Executive Director, Great Bend Chamber of Commerce

Karen Latta, Vice Chair and Corporate Secretary, Director of economic development, Junction City/Geary County

David F. Patzman, attorney, Mission Woods.

Al Tikwart, Jr., small business owner, Mission

Gail Urban, MBA, Treasurer, CFO, Meadowlark Hills Retirement Community

Dennis Call, KHPBA co-executive director, President, Benefit Management Inc.

David Hornick, KHPBA co-executive director, Principal, Hornick & Associates LLC

THE KANSAS BUSINESS HEALTH POLICY COMMITTEE

Bill Riley, Chair, President, Kansas 4-H Foundation

Willa DeCastro, Wichita

Paul Feliciano, Wichita

Pat Kaufman, Shawnee Mission

John E. Moore, Topeka

John Naramore, Lawrence

Sandy Praeger - Commissioner, Department of Insurance

Janet Schalansky, Secretary, Dept. of SRS

Sue Storm, Shawnee Mission

Ruth Teichman, Stafford

ATTACHMENT 6. BIOGRAPHICAL SKETCHES OF KEY PERSONNEL

Dennis Call, President of Benefit Management, Inc., Contract/Project Manager - Dennis has 29 years of industry experience as an insurance agent and insurance agency owner. He has experience in: individual accident and health, small and large group accident and health, the fully-insured and self-funded market, as well as many facets of life insurance and pension planning. He is a 1971 graduate of Emporia State University with a B.S. in Education. Dennis holds the professional designation of CLU. He is licensed in Colorado, Nebraska, Kansas, Texas, Missouri, and holds a Series 63 license for the State of Kansas. Dennis has served as a School Board member and College Trustee. He is a stockholder and Board of Director for Community Bank of the Midwest.

David Hornick, Agent Relations/Marketing Manager - David has 12 years experience in the health insurance industry as a licensed agent. He has held positions at The Country Companies Insurance Group, The Epoch Group, and American Trust Administrators. David is currently the principal of Hornick and Associates, a general life and health agency specializing in small group health care plans. Through his positions in the industry, David has been involved in the marketing and administration of a wide variety of health care plans competing with most of the major health insurance carriers in the state. He is a 1989 graduate of the University of Kansas with a B.A. in Political Science. David's responsibilities include all aspects of agent relations and marketing of KHPBA.

Bill Kostar, KHPBA Chair, is the mayor of Westwood KS and chairman of the Westwood Foundation. He is the past president of the Shawnee Mission Rotary Club, former chairman of the Johnson County Council of Mayors, and on the Mid-America Regional Transportation Council Committee. Bill is a creative, entrepreneurial leader with skills that deal with managing and developing people. Mr. Kostar has over 25 years of experience with organizational effectiveness, role definition, recruiting and retention strategies, and management of employee benefit programs. Bill has a degree in Political Science from the University of Illinois and has held various human resources executive positions. He taught management and leadership courses at the college level and has been active in many civic organizations.

Stephen L. Jacques, a principal in Jacques & Colby Integrated Communications and Public Affairs. He served on the White House staff in the Carter Administration as Assistant to the Vice President, as Director of Communications of the U.S. Department of State, Director of Communications and Senior Advisor to the Undersecretary of the Technology Administration and Undersecretary of the Bureau of Export Administration of the U.S. Department of Commerce in the Clinton Administration. Steven has led Presidential and Vice Presidential advance teams in both administrations. He has created and implemented strategic communication plans for major corporations, municipalities and national nonprofit organizations, served in senior staff positions and consulted for campaigns for U.S. Senate and House of Representatives, governor and numerous state and local elective offices. Steven received his master's degree in International Affairs and bachelor's degree in Political Science from Washington University in St. Louis. His responsibilities include public affairs and media relations for KHPBA.

Kansas Insurance Department

Sandy Praeger COMMISSIONER OF INSURANCE

COMMENTS
ON
SB 340—RISK-BASED CAPITAL REQUIREMENTS
HOUSE INSURANCE COMMITTEE
March 4, 2004

Madam Chair and Members of the Committee:

Thank you for the opportunity to visit with you on behalf of the Kansas Insurance Department. This bill is a proposal to amend K.S.A. 40-2c01(j), which is the definition of "RBC instructions" for life and property & casualty insurance companies.

Risk-based capital (RBC) is a method that has been used by the Kansas Insurance Department since the mid 1990's to evaluate the financial solvency of insurance companies doing business in this state. The RBC statutes also prescribe various forms of regulatory action that may be taken, or shall be taken, in the event that a company's calculated RBC meets certain thresholds.

Companies must file financial reports with the Department using RBC instructions and formulas developed by the National Association of Insurance Commissioners (NAIC). These instructions, including the formulas, are amended each year to address various matters, such as changes to line references in the annual statement blanks and to reflect any necessary modifications or adjustments to the formulas.

The current law requires companies to use the December 31, 2002 version of the "RBC instructions". This bill would reflect a change in the date of the standard so that companies would use the "RBC instructions", including the formulas, in effect as of December 31, 2003.

The passage of this bill would be beneficial in our efforts to monitor and regulate the insurance industry and on behalf of the Kansas insured.

Jarrod Forbes
Legislative Liaison

House Insurance
Date: 3/4/04
Attachment # 4

KANSAS INSURANCE ASSOCIATIONS

DAVID A. HANSON, LEGISLATIVE COUNSEL
800 S.W. JACKSON, SUITE 900
TOPEKA, KS 66612-1259

TELEPHONE NO. (785) 232-0545
FAX NO. (785) 232-0005

House Insurance Committee
Testimony on Senate Bill 340

Kansas Association of Property & Casualty Ins. Cos.

Member Companies:

Armed Forces Insurance Exchange
Ft. Leavenworth

Bremen Farmers Mutual Insurance Co.
Bremen

Columbia Insurance Group
Salina

Farm Bureau Mutual Insurance Company
Manhattan

Farmers Alliance Mutual Insurance Company
McPherson

Farmers Mutual Insurance Co.
Ellinwood

Federated Rural Electric Insurance Exchange
Lenexa

Kansas Mutual Insurance Co.
Topeka

Marysville Mutual Insurance Co.
Marysville

Mutual Aid Association of the Church of the Brethren
Abilene

Mutual Aid eXchange
Overland Park

Upland Mutual Insurance Co.
Chapman

Kansas Life Insurance Association

Member Companies:

The American Home Life Insurance Company
Topeka

American Investors Life Insurance Company
Topeka

Blue Cross/Blue Shield of Kansas
Topeka

Employers Reassurance Corporation
Overland Park

First Life America Corporation
Topeka

Preferred Health Systems
Wichita

The Pyramid Life Insurance Company
Shawnee Mission

Security Benefit Life Insurance Company
Topeka

March 4, 2004

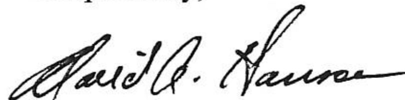
Madam Chairperson and Members of the Committee:

Thank you for this opportunity to present information on behalf of the Kansas Association of Property and Casualty Insurance Companies and the Kansas Life Insurance Association, whose members are domestic insurance companies in Kansas.

The risk-based capital provisions referenced in the Bill were developed by the NAIC for adoption and use by the states as a standardized method of monitoring the solvency of insurers and assessing the need for corrective action. We had requested the reference date in the statutory definition of "RBC instructions" to make sure that the adopted instructions and formula were limited to those that we had had an opportunity to review, rather than potential future revisions, which could adversely affect our companies' risk-based capital evaluation and the resulting action or control levels. While we believe our companies remain in good standing under the previously adopted NAIC instructions and formula, we also believe any significant changes in those instructions and formula by the NAIC should be carefully considered before adoption in Kansas.

At this point, we do not believe there will be any substantial adverse effect from the latest revisions referred to in the Bill before you. Thank you for your consideration.

Respectfully,



DAVID A. HANSON

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House Insurance
Date: 3/4/04
Attachment # 5

Kansas Insurance Department

Sandy Praeger COMMISSIONER OF INSURANCE

March 4, 2004

Dear Representative

As we have discussed before, the legislation contained in House Bill 2547 is very important for Kansas workers who have lost their jobs due to international trade agreements. This legislation will allow approximately 1,700 Kansans to have 65% of their health insurance premiums paid for by the federal government. With Kansas jobs being lost to international trade agreements, passing this legislation will go a long way to ease the financial burden on numerous families. Below are some of the key points of this important legislation.

- The federal Trade Act of 2002 provides assistance to certain workers who lose their jobs due to the effects of international trade in paying for qualified health insurance. The Act also provides such assistance to certain beneficiaries of the Pension Benefit Guaranty Corporation.

- States play an important role in providing health insurance options and assisting individuals to enroll by providing a federally approved plan as the avenue for this assistance.

- If an individual is a displaced worker and is eligible to receive certain federal Trade Assistance Act (TAA) benefits, the Kansas Department of Human Resources Employment and Training Division will send a letter notifying the individual about TAA benefits and the Health Care Tax Credit (HCTC) program.

- HCTC covers 65% of the eligible premium amount paid by the participant for a qualified health plan.

- As an HCTC participant, the individual can use the tax credit to pay for certain types of health insurance plans. There are automatic options and state alternatives. The most common automatic option is CORBA continuation

House Insurance
Date: 3/4/04
Attachment # 6

420 SW 9TH STREET
TOPEKA, KANSAS 66612-1678

PHONE 785.296.3071
FAX 785.296.2283

CONSUMER HOTLINE
1.800.432.2484

WEBSITE
www.ksinsurance.org

coverage and the most common alternative selected by states is the state high-risk pool.

- If a state elects to accept one or more alternative plans as qualified health plans, these plans must meet certain criteria to qualify. The provisions of Kansas House Bill 2547, brought by Insurance Commissioner Sandy Praeger, would allow the Kansas Health Insurance Association (Kansas High Risk Pool) to meet the criteria to qualify as a state alternative for eligible participants to receive the 65% premium payment.

- Questions concerning the HCTC program can be answered by calling the HCTC Customer Contact Center Toll free at 1-866-628-4282. For information about the Kansas Health Insurance Association may be obtained by calling 1-800-290-1368 or by visiting their web site www. benefitmanagementks. com

Again, on behalf of 1,700 Kansans, thank you for considering this important legislation. If our office can be of any further assistance please feel free to contact me at your convenience.

Sincerely,

Jarrod Forbes
Legislative Liaison