

MINUTES OF THE HOUSE INSURANCE COMMITTEE

The meeting was called to order by Chairperson Patricia Barbieri-Lightner at 3:30 p.m. on March 11, 2004 in Room 527-S of the Capitol.

All members were present except:

Representative Ray Cox- excused

Committee staff present:

Bill Wolff Legislative Research Department

Ken Wilke, Revisor of Statutes

Renae Hansen, Secretary

Conferees appearing before the committee:

William Sneed, The State Farm Insurance Companies

Tara Eubanks, State Farm Insurance Companies

Larry Magill, Jr., Kansas Association of Insurance Agents

Jarrod Forbes, Kansas Insurance Department

Scott Brunner, Kansas Department of Social and Rehabilitation Services

Natalie G. Haag, Security Benefit Life Insurance Company

Others attending:

17 including but not limited to the attached list.

Hearing on:

SB 311: Insurance policies; issuance in a foreign language.

William Sneed, The State Farm Insurance Companies, (Attachment #1), spoke in favor of **SB 311** that was presented in the house last year and passed committee and the house favorably last year.

Tara Eubanks, State Farm Insurance Companies, (Attachment #2), based on the projected increase of the Hispanic and Asian population believes this **SB 311** is important to providing these Kansans with the best service possible in making what is one of the most important financial decisions for their family.

Questions were posed by: Representatives Stanley Dreher, and David Huff.

Larry Magill, Jr., Kansas Association of Insurance Agents, (Attachment #3), agrees with the intent of **SB311** to offer coverage in a foreign language, but to know it will be interpreted in the English version.

Jarrod Forbes, Kansas Insurance Department, (Attachment #4), **SB 311** furthers the Department of Insurance's objective of educating insurance consumers.

Hearing closed on **SB 311**.

Presentation on:

Kansas Department of Social and Rehabilitation Services overview.

Scott Brunner, Kansas Department of Social and Rehabilitation Services, Director of Medicaid, (Attachment #5), spoke on the overview of the SRS, including some budget recommendations by the Governor of Kansas, where dollars have gone in the past year, and numbers of individuals receiving specific kinds of care and services offered by the SRS.

Questions were asked by: Representatives Nile Dillmore, Bob Grant, Stanley Dreher, Patricia Barbieri-Lightner, and Scott Schwab.

Hearing on:

SB 342: Insurance; technical amendment to form of certain policies.

CONTINUATION SHEET

MINUTES OF THE HOUSE INSURANCE COMMITTEE at 3:30 p.m. on March 11, 2004 in Room 527-S of the Capitol.

Jarrold Forbes, Kansas Insurance Department, (Attachment #6), talked about the simple changes of **SB 342** from or to and. It will help Kansans get better benefit payments on individual accident and health policies. This change will more accurately reflect an ideal cost of benefits.

Questions were asked by Representative Stanley Dreher.

Natalie G. Haag, Security Benefit Life Insurance Company, (Attachments #7 and #8), explained the amendment that she proposed be added to **SB 342**. It changes specific statutes about who might sign a contract for a company, allowing for someone other than just the president or vice president together with the Corporate Secretary to sign for them.

Hearing Closed on **SB 342**.

The Insurance Department views this amendment as a friendly amendment to **SB 342**.

Representative Mike Burgess moved to amend the presented amendment into **SB 342**, seconded by Representative Scott Schwab, passed unanimously.

It was suggested by Representative Patricia Barbieri-Lightner proposed by the County Treasurers Department with approval by the Insurance Department, that **HB 2852**, on electronic filing, be amended into this bill also.

Representative Mary Kauffman moved to amend **SB342** to include **HB2852**, seconded by Representative Mario Goico, passed unanimously.

Representative Scott Schwab moved to amended the amended **SB 342** as it included **HB 2852**, but grandfather in the electronic verification wording, seconded by Representative Cindy Neighbor, passed unanimously.

Representative Scott Schwab moved to pass out **SB 342** as amended, seconded by Representative Mario Goico, passed unanimously.

Representative Scott Schwab will be carrying this bill to the floor.

Representative Mario Goico moved to pass out **SB 311** favorably to the house floor, seconded by Representative Bob Grant, unanimously passed.

Representative Mary Kaufman will carry this bill to the House floor.

Meeting Adjourned.

HOUSE INSURANCE COMMITTEE GUEST LIST

DATE: March 11, 2004

NAME	REPRESENTING
<i>David Jones</i>	KID
Bill Sneed	State Farm
<i>Brad Smoot</i>	BCBS / Pfizer
Tanya Dorf	SRS
<i>Scott Brunner</i>	SRS
David Hanson	Ks Insur Assoc
Larry Magill	Ks. ASSN OF INS AGENTS
Anthony Ellis	KS. JJA
Natalie Haag	Security Benefit

Polsinelli | Shalton | Welte

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Memorandum

TO: THE HONORABLE PATRICIA BARBIERI-LIGHTNER, CHAIR
HOUSE INSURANCE COMMITTEE

FROM: WILLIAM W. SNEED, LEGISLATIVE COUNSEL
THE STATE FARM INSURANCE COMPANIES

RE: S.B. 311

DATE: MARCH 11, 2004

Madame Chair, Members of the Committee: My name is Bill Sneed and I represent The State Farm Insurance Companies ("State Farm"). We appreciate the opportunity to appear in support of S.B. 311. We requested the introduction of S.B. 311, a bill that allows insurers to deliver foreign language insurance policies and other materials to Kansas policyholders. The bill is identical to last year's H.B. 2071. H.B. 2071 passed the House 123 to 1. S.B. 311 passed the Senate 40-0.

State Farm is the largest insurer of homes and autos in the United States and in Kansas. State Farm insures one out of every five cars and one out of every four homes in the United States. With the explosive growth of Kansans who speak languages other than English within the home and consider such foreign language as their first language, my client has started a nationwide campaign to introduce similar proposals as found in S.B. 311 in an effort to provide the insurance-buying public with additional avenues to provide information to the insured.

The reasons for the bill introduction in Kansas, as well as other states, are as follows.

First, there is the general principal that unless specifically authorized by statute, insurance companies are severely limited as what they can or cannot provide in the material that they present to their insureds.

Second, by allowing insurers to utilize a foreign language on a voluntary basis, the marketplace will be utilized to determine how quickly and to what extent this type of material will be used. Neither insurance companies nor state regulators are totally equipped for mandatory requirement of such foreign language policies. By leaving it voluntary, the industry and state regulators can move together in an effort to provide this information to the insuring public.

One AmVestors Place
555 Kansas Avenue, Suite 301
Topeka, KS 66603
Telephone: (785) 233-1446
Fax: (785) 233-1939

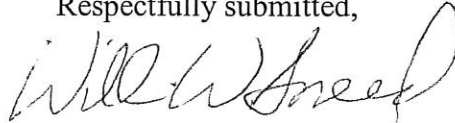
House Insurance
Date: 3/11/04
Attachment # 1

Third, creating a statutory basis for providing foreign language materials also provides an opportunity to statutorily provide protection for the consumers by making a knowing misrepresentation a violation of the Kansas Unfair Trade Practices law currently on the books.

We believe S.B. 311 provides an opportunity for Kansas to be a leader in this growing area of insurance law. It is in this fashion that we respectfully request that the Committee act favorably on S.B. 311.

If you have any questions, please feel free to contact me.

Respectfully submitted,



William W. Sneed

WWS:kjb

19646 / 32884
WWSNE 1078194

Memorandum

TO: Representative Patricia Barbieri-Lightner, Chair
Insurance House Committee

FROM: Tara Eubanks, Public Affairs Specialist
State Farm Insurance Companies

DATE: March 11, 2004

RE: SB 311

Madam chair, Members of the Committee: My name is Tara Eubanks and I am a Public Affairs Specialist with State Farm Insurance in Kansas. I am an officer for the Greater Kansas City Hispanic Chamber of Commerce and am involved in NCLR, National Council of La Raza.

State Farm is the largest insurer of homes and autos in the United States and Kansas. We insure approximately one out of every five cars and one out of every four homes in America. State Farm appreciates the opportunity to speak with you today as a proponent of Senate Bill 311. This bill allows insurers to provide foreign language insurance policies and other associated material to Kansas policyholders.

During the 2000 United States Census 12.5% of respondents identified themselves as Hispanic and 3.6% as Asian. Hispanics and Asians are the largest growing population segments in the United States. This rate of growth is reflected in Kansas. From 1990 to 2000 the Hispanic population in Kansas grew 108% and the Asian by 47%.

It is anticipated that this rate of growth will continue. According to the 2000 Census approximately 9% of all Kansans spoke a language other than English at home. Nationwide 74% of US born Hispanics use Spanish at home and 59% consider Spanish as their first language.

For the majority of the Hispanic population English is a second language.

House Insurance
Date: 3/11/04
Attachment # 2

Buying insurance is one of the most important financial decisions a family makes. Providing this information to consumers in their primary language is a service Kansans need and want. Our commitment to these policyholders is evident through our Spanish language website statefarm.com en espanol and our involvement in local communities such as providing many of our free safety & educational programs in Spanish, sponsoring local Hispanic chambers of commerce, The Fiesta in the Heartland in Kansas City and the annual festival in Topeka, Fiesta Mexicana.

SB 311 would allow insurers to deliver policies, endorsements and other associated material to applicants and policyholders in a foreign language. The insurer would be required to file the foreign language version with the Department of Insurance and to provide an English version to the consumer. The English language version would control. This would preserve contract interpretation that has been established by the courts, the legislature and the Insurance Department over a number of years. However, any insurer who knowingly misrepresented the content of these items in their foreign language version would be subject to the penalties provided in the unfair trade practices section of the Kansas Code.

We feel this is an important service we can offer a growing segment of Kansas and of our policyholder base and as such we urge you to support this bill.

**Testimony Before the House Insurance Committee
On S.B. 311
By Larry W. Magill, Jr.
Kansas Association of Insurance Agents
March 11, 2004**

Thank you madam chair and members of the committee for the opportunity to appear today in support of S.B. 311. My name is Larry Magill and I'm representing the Kansas Association of Insurance Agents. We have approximately 425 member agencies across the state and another 125 branch offices that employ a total of approximately 2500 people. Our members write approximately 35-40% of the personal property and liability insurance in Kansas.

The bill brief states that 12.5% of the respondents to the last census were Hispanic. I have seen statements that it is the fastest growing minority and that they will soon comprise 25% of the U.S. population and be the largest minority.

Our association supports this legislation intended to make it possible, and to encourage companies, to offer coverage in a foreign language but to know that it will be interpreted according to the existing case law in the English version.

We urge the committee to act favorably on SB 311.

House Insurance
Date: 3/11/04
Attachment # 3



Kansas Insurance Department

Sandy Praeger COMMISSIONER OF INSURANCE

COMMENTS
ON
SB 311—INSURANCE POLICIES; ISSUANCE IN A FOREIGN LANGUAGE
HOUSE COMMITTEE ON INSURANCE
March 11, 2004

Madam Chair and Members of the Committee:

Thank you for allowing me to testify on behalf of the Kansas Insurance Department regarding SB 311. This legislation allows insurance companies to provide informative documents in languages other than English. We at the department believe this will only further our objective of educating insurance consumers.

The Kansas Insurance Department welcomes this bill and commends the efforts of all insurers planning to implement this practice. We feel this service is very important to a growing segment of the Kansas population and urge your support of this bill.

Jarrod Forbes
Legislative Liaison

House Insurance
Date: 3/11/04
Attachment # 4



Kansas Department of Social and Rehabilitation Services

Agency Overview

For

House Insurance Committee

Janet Schalansky, Secretary

March 11, 2004

SRS Mission and Vision



Mission: To Protect Children and Promote Adult Self-Sufficiency

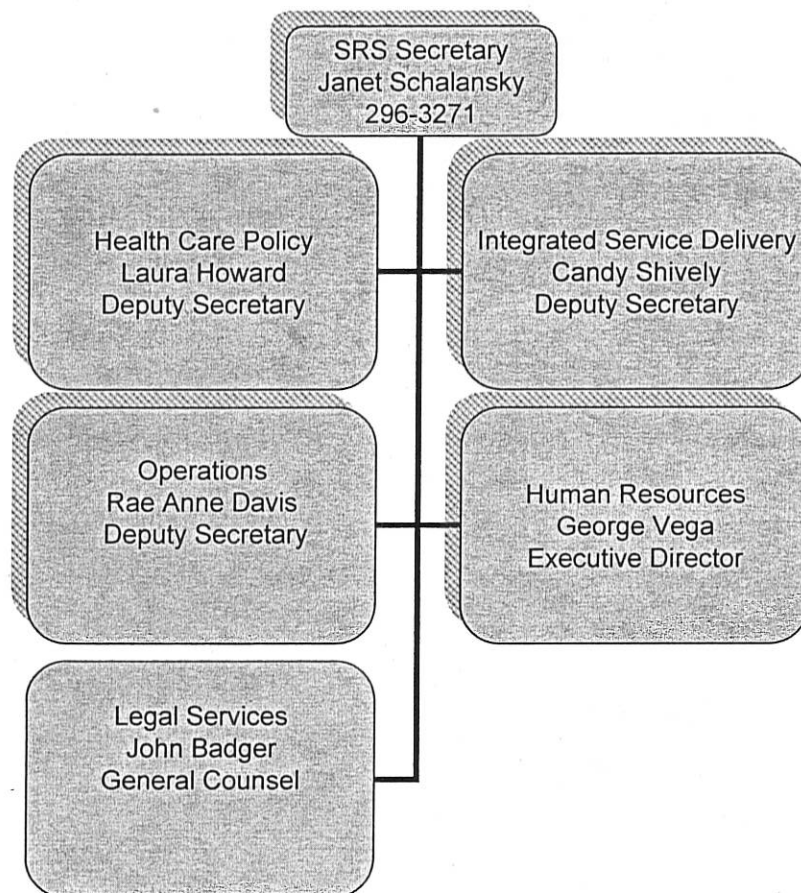
Vision: Partnering to connect Kansans with supports and services to improve lives

SRS Guiding Principles

All of us, every day, working on behalf of and with Kansans are guided by these principles:

- Act with integrity and respect in our work with customers, partners, and each other
- Champion customer success
- Demonstrate leadership without regard to position or title; embrace responsibility, take risks, make decisions and act to overcome challenges
- Strive for continuous improvement
- Demonstrate passion for our mission
- Recognize the value of partnerships both within the agency and with community partners to stretch capacity and achieve extraordinary results

Kansas Department of Social and Rehabilitation Services



SRS Expenditures by Category

FY 2005 Budget –Governor’s Budget Recommendation (in Millions)

Direct Service Delivery **\$248.5 (10.1%)**

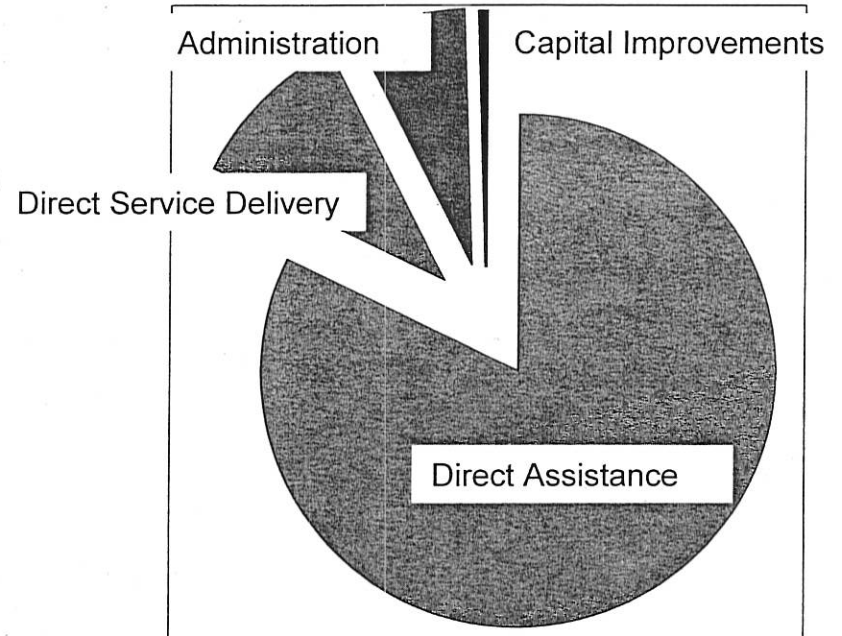
Administration **\$170.8 (7.0%)**

Total SRS Filled FTE (Dec. 2003) 5,580.20

Capital Improvements **\$14.5 (.6%)**

Direct Assistance **\$2,016.3 (82.3%)**

Cash Assistance	\$70.9
Child Care & Employment	\$80.2
Medical Assistance	\$1,218.9
Substance Abuse	\$21.1
Mental Health	\$67.3
Developmental & Physical	
Disability	\$329.3
Child Welfare Services	\$167.5
Rehabilitation Services	\$22.2
Other	\$38.9

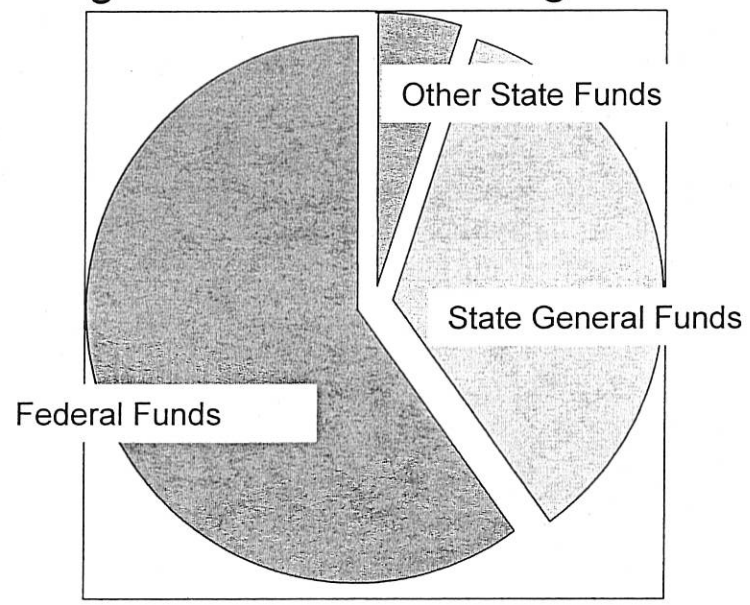


Total \$2,450.1 (All Funds)

Totals may not add due to rounding

SRS Expenditures by Revenue Source

FY 2005 Budget – Governor’s Budget Recommendation (In millions)



Total \$2,450.1 (All Funds)
(Totals may not add due to rounding)

State General Funds	\$856.5 (35.0%)
Federal Funds	\$1,470.3 (60.0%)
Other State Funds	\$123.3 (5.0%)
Fee Funds	\$75.4
Children’s Initiative Fund (tobacco)	\$33.1
State Institution Building Fund	\$14.2
Other	\$.6

Summary of Expenditures

Annual Expenditures in Millions for State Fiscal Years 2002 & 2003 (AF)

<u>Child, Adult, and Family Safety and Well-Being Services</u>	<u>SFY 2002</u>	<u>SFY 2003</u>
Adoption/Alternative Permanencies	\$28.2	\$32.3
Adoption Subsidy	\$17.1	\$17.6
Foster Care	\$91.9	\$88.4
 <u>Financial and Employment Services</u>		
Child Care	\$50.8	\$54.5
Child Support Collections (This line-item is not an expenditure, but total SRS child support collected on behalf of families)	\$143.1	\$146.8
Disability Determination Services	\$3.5	\$3.9
Food Assistance	\$106.8	\$133.9
General Assistance	\$6.0	\$6.9
Low Income Energy Assistance	\$8.8	\$12.6
Vocational Rehabilitation and Services for the Blind	\$18.0	\$17.3
Temporary Assistance for Families (TAF)	\$49.0	\$53.7
TAF Employment Services	(In Millions) \$8.0	\$9.6

Not a complete listing of SRS services

Summary of Expenditures

<u>Health and Medical Services</u>	<u>SFY 2002</u>	<u>SFY 2003</u>	
State Mental Retardation Hospitals	\$46.6	\$44.0	
Developmental Disability Services	\$232.4	\$235.7	
Mental Health Services	\$75.8	\$80.1	
Physical Disability Services	\$65.8	\$66.5	
State Mental Health Hospitals	\$56.5	\$55.9	
Sexual predator Treatment Program	\$1.6	\$2.4	
Addiction and Prevention Services	\$18.3	\$18.3	
Health Care Services:			
People Primarily in Managed Care Programs			
Families	\$106.6	\$128.4	
Children	\$118.9	\$136.4	
Pregnant Women	\$37.6	\$42.8	
People Primarily in the Fee-for-Service Program			
Persons who are Elderly and Disabled	\$471.7	\$490.2	
Children in Foster Care, Adoption, or JJA	\$34.0	\$40.4	
Persons Provided Partial Health Care Coverage	\$13.2	\$14.4	
MediKan Fee-for-Service	\$17.5	\$20.6	(In Millions)
Children's Health Insurance Program	\$43.2	\$47.6	

Summary of Persons Assisted

Number of consumers/beneficiaries for state fiscal years 2002 & 2003

<u>Child, Adult, and Family Safety and Well-Being Services</u>	<u>SFY 2002</u>	<u>SFY 2003</u>
Adoption/Alternative Permanencies	1,546	1,608
Adoption Subsidy	4,303	4,673
Foster Care	3,264	3,046
<u>Financial and Employment Services</u>		
Child Care	16,151	16,723
Child Support	308,239	299,809
Disability Determination Services	2,750	2,730
Food Assistance	131,723	155,800
General Assistance	3,152	3,660
Low Income Energy Assistance (Households)	31,834	38,346
Vocational Rehabilitation and Services for the Blind	7,859	7,406
Temporary Assistance for Families (TAF)	34,453	37,757
TAF Employment Services	11,342	14,182

Summary of Persons Assisted

<u>Health and Medical Services</u>	<u>SFY 2002</u>	<u>SFY 2003</u>
State Mental Retardation Hospitals	375	367
Developmental Disability Services	8,876	9,162
Mental Health Services	24,726*	25,700*
Physical Disability Services	4,875	5,016
State Mental Health Hospitals	431	409
Sexual Predator Treatment Program	65	82
Addiction and Prevention Services	14,111	14,999
Health Care Services:		
People Primarily in Managed Care Programs		
Families	52,400	62,041
Children	71,900	76,508
Pregnant Women	5,700	6,247
People Primarily in the Fee-for-Service Program		
Persons who are Elderly and Disabled	63,060	64,072
Children in Foster Care, Adoption, or JJA	10,000	10,322
Persons Provided Partial Health Care Coverage	6,660	7,652
MediKan Fee-for-Service	2,970	3,458
Children's Health Insurance Program	24,264	28,945

*Figure represents persons served per year

Consensus Caseloads

SRS Expenditures for Major Caseload Categories
 Governor's Budget Recommendation
 (Consensus Caseloads in Millions)

Population	FY 2003 Actual	FY 2004 GBR	FY 2005 GBR	FY 2003-2004 Change		FY 2004-2005 Change	
				Amount	%	Amount	%
Temporary Assist/Families	\$53.7	\$59.0	\$63.5	\$5.3	10%	\$4.5	8%
General Assistance	6.9	7.5	8.2	0.6	9%	0.7	9%
Foster Care Contract	88.4	89.5	92.2	1.1	1%	2.6	3%
Adoption Contract	32.3	33.6	34.9	1.3	4%	1.3	4%
Regular Medical Assistance	915.7	1,039.0	1,161.9	133.4	15%	122.9	12%
NF - Mental Health	13.5	13.1	13.1	(0.4)	-3%	0.0	0%

Other Caseloads

SRS Expenditures for Major Caseload Categories Governor's Budget Recommendation (Other Caseloads In Millions)

Population	FY 2003 Actual	FY 2004 GBR	FY 2005 GBR	FY 2003-2004 Change		FY 2004-2005 Change	
				Amount	%	Amount	%
Child Care Assistance	54.5	59.4	59.4	4.9	9%	0.0	0%
Adoption Support	17.6	18.0	18.7	0.4	2%	0.7	4%
Family Preservation	9.4	10.0	10.0	0.6	6%	0.0	0%
Rehabilitation Services	13.5	15.5	15.5	(2.7)	-16%	0.0	0%
ICF-MR	19.5	17.0	17.0	(2.5)	-13%	0.0	0%
MR-DD Waiver *	199.4	206.1	213.8	10.2	5%	4.2	2%
PD Waiver *	61.1	63.8	71.4	3.6	6%	6.7	10%
HealthWave	47.9	51.6	57.0	3.7	8%	5.4	10%
Head Injured Waiver	4.6	6.0	6.0	1.4	30%	0.0	0%
Total (Consensus Caseloads and Other Caseloads)	\$1,531.7	\$1,692.6	\$1,841.6	160.9	11%	149.0	9%

* At the end of FY 2003, SRS pended the Medicaid claims for the PD and DD waivers in order to ensure there would be sufficient funds available to pay them. Once submitted, two weeks worth of claims were held and did not go into payment status until the first week in FY 2004. Individual providers that experienced a hardship because of the pended claims were able to request special checks.

Consensus Caseloads

Average Monthly People for Major Caseload Categories
Governor's Budget Recommendation

Population	FY 2003 Actual	FY 2004 GBR	FY 2005 GBR	FY 2003-2004 Change		FY 2004-2005 Change	
				Amount	%	Amount	%
Temporary Assist/Families	37,757	41,034	43,812	3,277	8.7%	2,778	6.8%
General Assistance	3,660	3,975	4,329	315	8.6%	354	8.9%
Foster Care Contract	3,046	3,078	3,136	32	1.1%	58	1.9%
Adoption Contract	1,608	1,608	1,610	0	0.0%	2	0.1%
Regular Medical Assistance	230,299	243,115	257,121	12,816	5.6%	14,006	5.8%
NF - Mental Health	620	604	604	(16)	-2.6%	0	0.0%

Other Caseloads

Average Monthly People for Major Caseload Categories
Governor's Budget Recommendation

Population	FY 2003 Actual	FY 2004 GBR	FY 2005 GBR	FY 2003-2004 Change		FY 2004-2005 Change	
				Amount	%	Amount	%
Child Care Assistance	16,723	18,214	18,214	1,491	8.9%	0	0.0%
Adoption Support	4,673	5,036	5,438	359	7.7%	402	8.0%
Family Preservation (Families)	2,570	2,574	2,511	4	0.2%	(63)	-2.4%
Rehabilitation Services	7,406	7,847	7,867	441	6.0%	20	0.3%
ICF-MR	321	295	295	(26)	-8.1%	0	0.0%
MR-DD Waiver	5,627	6,079	6,349	208	3.6%	323	5.4%
PD Waiver	3,616	4,047	4,572	250	6.5%	606	14.7%
Head Injured Waiver	115	123	123	8	7.0%	0	0.0%
HealthWave	28,945	31,782	35,221	2,855	9.9%	3,200	10.1%
Total (Consensus Caseloads and Other Caseloads)	401,247	424,323	444,745	23,076	5.8%	20,422	4.8%

Totals may not add due to rounding

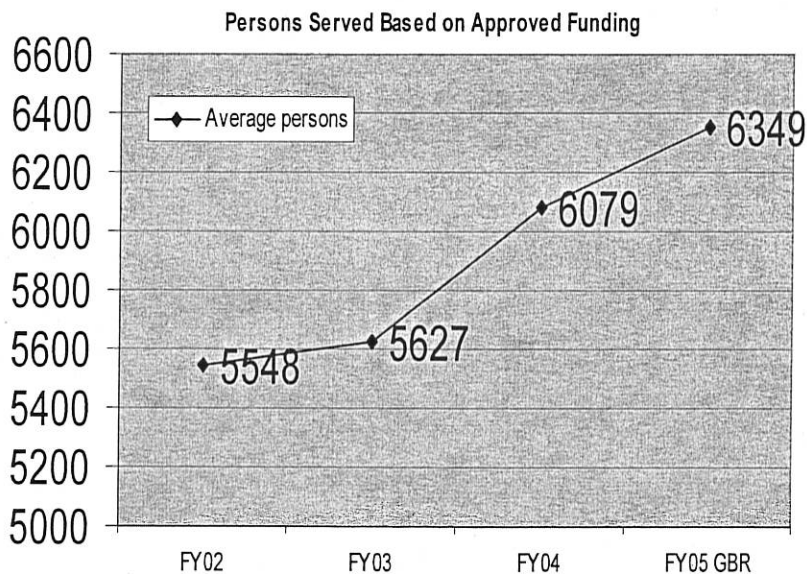
Federal Poverty Level 2003

Annual Income Guidelines for 1-5 Member Household

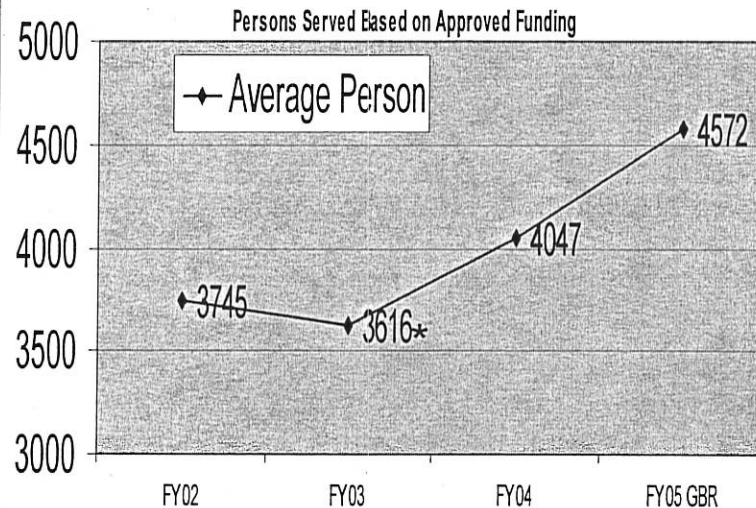
Selected SRS Services	Percent of 2003 Federal Poverty Level	HH1	HH2	HH3	HH4	HH5
TAF and GA-Cash and Medical	32%	2,874	3,878	4,883	5,888	6,893
Elderly/Disabled Persons on SSI-Medicaid	72%	6,466	8,726	10,987	13,248	15,509
Children age 6-18 Medicaid/Waivers	100%	8,980	12,120	15,260	18,400	21,540
	110%	9,878	13,332	16,786	20,240	23,694
	120%	10,776	14,544	18,312	22,080	25,848
Food Assistance/Energy Assistance	130%	11,674	15,756	19,838	23,920	28,002
Children Age 1-5 Medicaid	133%	11,943	16,120	20,296	24,472	28,648
	140%	12,572	16,968	21,364	25,760	30,156
	145%	13,021	17,574	22,127	26,680	31,233
Pregnant Women & Infants-Medicaid	150%	13,470	18,180	22,890	27,600	32,310
	160%	14,368	19,392	24,416	29,440	34,464
	170%	15,266	20,604	25,942	31,280	36,618
	180%	16,164	21,816	27,468	33,120	38,772
Child Care Subsidy	185%	16,613	22,422	28,231	34,040	39,849
	190%	17,062	23,028	28,994	34,960	40,926
	195%	17,511	23,634	29,757	35,880	42,003
Children's Health Insurance Program	200%	17,960	24,240	30,520	36,800	43,080

Persons Served Through PD & DD Waiver Based on Approved Funding

DD Waiver



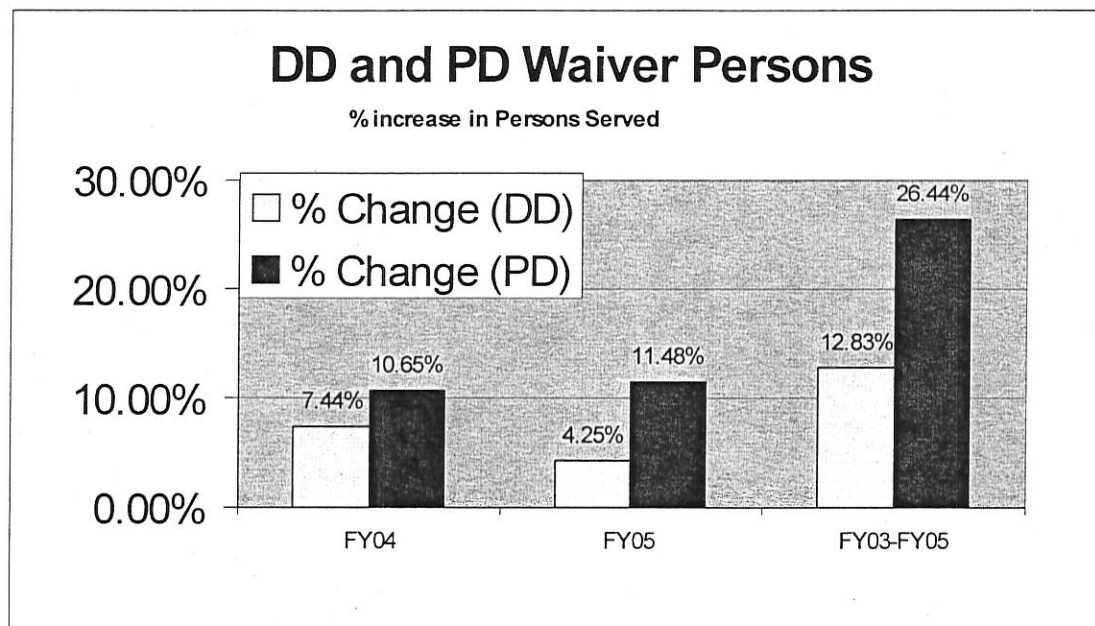
PD Waiver



* As a part of SRS' FY 2003 allotment, the level of care score on the Physical Disabilities (PD) waiver was raised from 26 to 30 for a few months. Also, services for persons who had been previously grandfathered in were discontinued. These level of care score changes account for the dip in the average number of persons served on the PD waiver during that year.

Change in Persons Served Through DD and PD Waiver SFY 2004 & SFY 2005

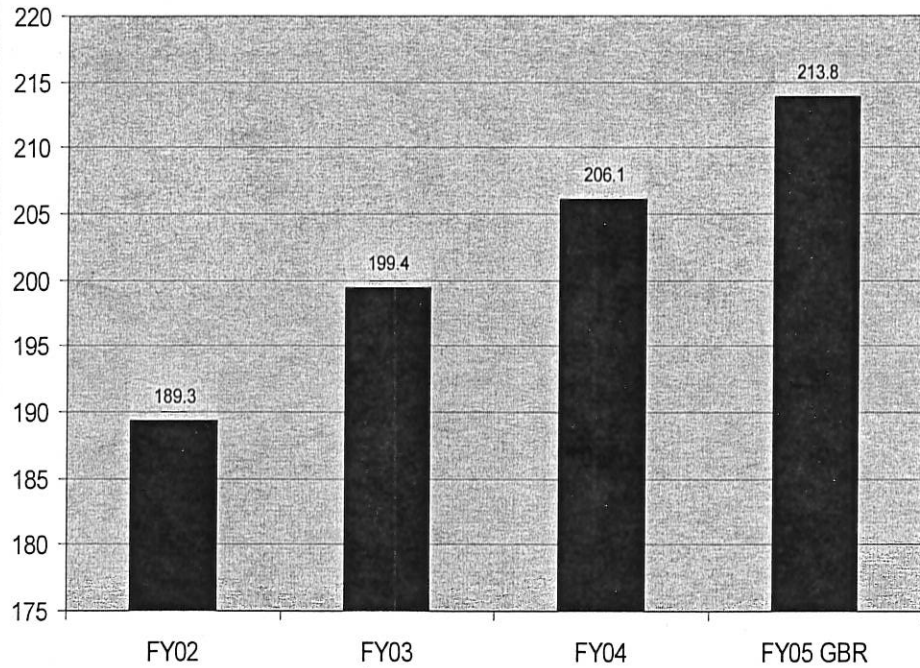
The chart summarizes the percentage increase in persons served in FY 04 and FY05 on both waivers, as well as the percentage increase in persons served during a two-year period. From FY 2003 - FY 2004, there has been an increase of 10.65% in the number of persons served on the PD waiver, and an increase of 7.44% in the number of persons served on the DD waiver. For FY 2005, there will be an increase of 11.48% in the number of persons served on the PD waiver and a 4.25% increase in the number of persons served on the DD waiver. During this two-year period, there will be an increase of 12.83% in persons served on the DD waiver and a 26.44% increase in persons served for the PD waiver.



PD & DD Waiver Spending

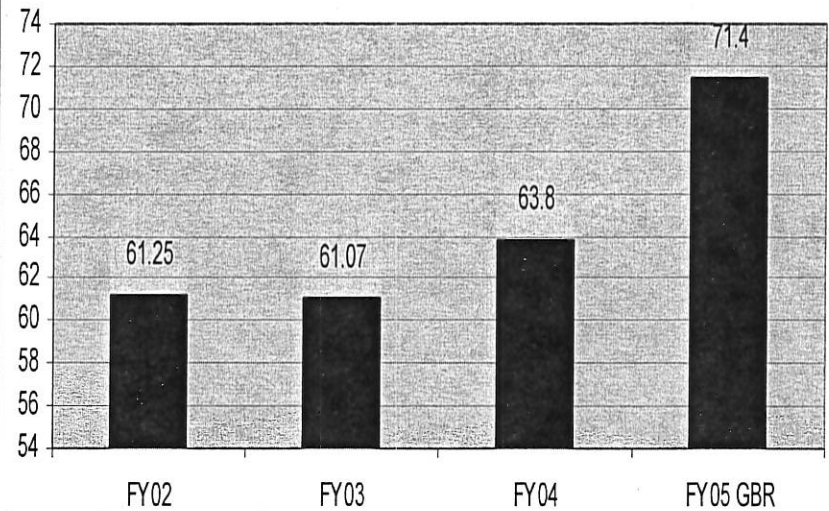
DD Waiver Spending

Spending (Millions)



PD Waiver Spending

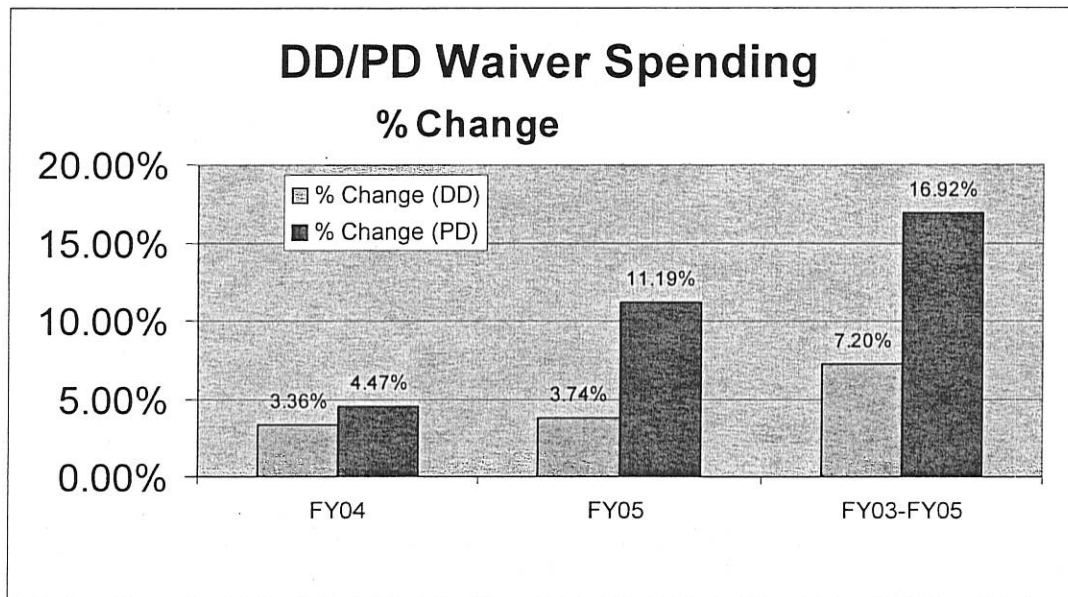
Spending (millions)



Change in Total Spending for DD and PD Waivers FY 2004 & FY 2005

The chart below shows the total spending for the DD and PD waivers in FY 2004, FY2005 and for two years from FY03 to FY05.

- The approved budget for FY04 for the DD waiver, excluding the cost of pended claims, increased by 3.36% above actual FY03 spending.
- The approved budget for FY04 for the PD waiver, excluding the cost of pended claims, increased by 4.47% above actual FY03 spending.
- The GBR for FY05 is 3.74% more than the approved budget for FY04 for the DD waiver, excluding pended claims.
- The GBR for FY05 is 11.19% more than the approved budget for FY04 for the PD waiver, excluding pended claims.
- For the two years of FY03 to FY05, the percentage increase in spending for the DD waiver equals 7.20%.
- For the two years of FY03 to FY05, the percentage increase in spending for the PD waiver equals 16.92%.

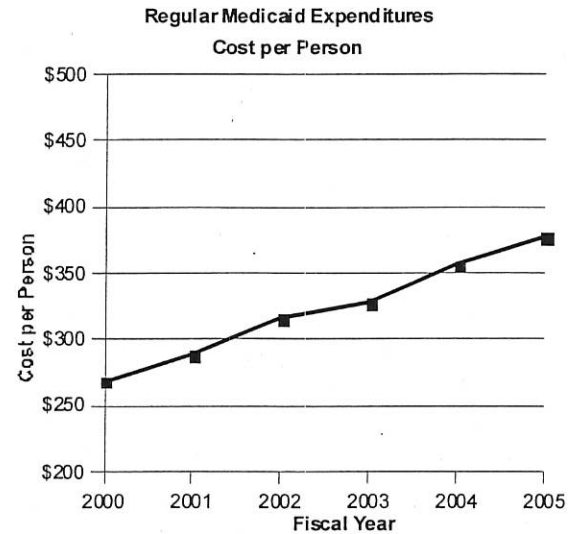
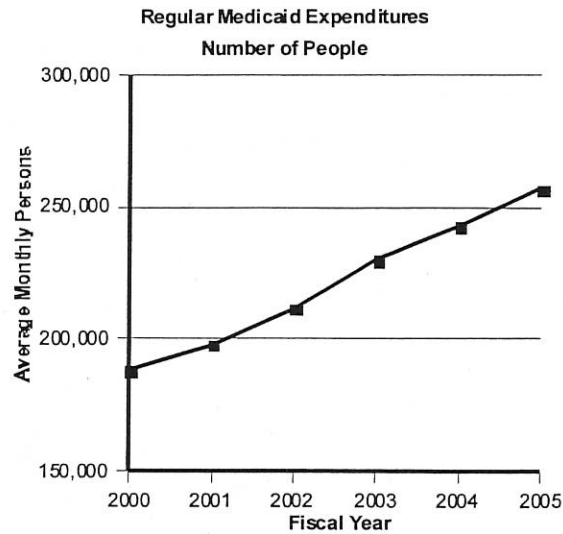


Trends in Health Care Services and Expenditures

- Medical Assistance services account for 60.5% of the direct assistance provided through SRS
- One in three children in Kansas receives health care from Medicaid, the State Children's Health Insurance Program or the state MediKan program, making SRS the largest insurer of children in the state.
- Overall, SRS is the third largest insurer, after Medicare and Blue Cross/Blue Shield, for all Kansans.
- In FY 2003, more than 230,000 Kansans received health care services each month through SRS medical assistance programs.

Medicaid Expenditures

Regular Medical



Fiscal Year	Average Monthly Persons	Percent Change from Prior Year	Average Cost per Person per Month	Percent Change from Prior Year	Expenditures	Percent Change from Prior Year
2000	188,250	8.2%	\$269	3.1%	\$607.2 Million	11.6%
2001	197,999	5.2%	\$289	7.6%	\$687.2 Million	13.2%
2002	211,585	6.9%	\$316	9.4%	\$803.4 Million	16.9%
2003	230,299	8.8%	\$331	4.7%	\$915.7 Million	14.0%
2004 GBR*	243,115	5.6%	\$356	7.5%	\$1,039.0 Million	13.5%
2005 GBR*	257,121	5.8%	\$377	5.7%	\$1,161.9 Million	11.8%

Note: The amounts shown in the charts for FY 2004 and FY 2005 do not include the effects of the temporary restraining order on the 24 month limit on MediKan. Dollar amount may not add due to rounding

Medicaid Expenditures

Family Medical

Fiscal Year	Average Monthly Persons	Percent Change from Prior Year	Average Cost per Person per Year	Percent Change from Prior Year	Expenditures	Percent Change from Prior Year
2003 Actual	149,008	12.2%	\$177.66	3.6%	\$317.7 Million	16.2%
2004 Projected	158,556	6.4%	\$188.29	6.0%	\$358.2 Million	12.8%
2005 Projected	168,955	6.6%	\$198.41	5.4%	\$402.3 Million	12.3%

Persons in the Family Medical group are families who are receiving Temporary Assistance for Families; families receiving extended health care upon entering employment; pregnant women, infants and children eligible due to poverty; or families whose medical costs reduce their available income to the poverty level.

Dollar amount may not add due to rounding.

Medicaid Expenditures

People Who are Aged or Disabled

Fiscal Year	Average Monthly Persons	Percent Change from Prior Year	Average Cost per Person Per Month	Percent Change from Prior Year	Expenditures	Percent Change from Prior Year
2003 Actual	64,071	1.7%	\$637.59	1.5%	\$490.2 Million	3.2%
2004 Projected	65,350	2.0%	\$691.85	8.5%	\$542.5 Million	10.7%
2005 Projected	67,117	2.7%	\$755.01	9.1%	\$608.1 Million	12.1%

These are persons who, due to aging or disability, qualify for federal disability and meet the income eligibility level, and persons who qualify for federal disability but whose income is too high to meet the income standard except that their medical costs reduce their available income to the income eligibility level spend down

Dollar amounts may not add due to rounding.

Medicaid Expenditures

Children in Custody

Fiscal Year	Average Monthly Persons	Percent Change from Prior Year	Average Cost per Person per Month	Percent Change from Prior Year	Expenditures	Percent Change from Prior Year
2003 Actual	6,111	-0.6%	\$395.54	28.1%	\$29.0 Million	27.4%
2004 Projected	6,200	1.5%	\$469.95	18.8%	\$35.0 Million	20.5%
2005 Projected	6,317	1.9%	\$524.78	11.7%	\$39.8 Million	13.8%

* These children are in the custody of SRS or the Juvenile Justice Authority. The cost per child has increased at a more rapid rate because of the greater use of community mental health center services. In the past, some of these costs were included as a part of the child welfare contracts.

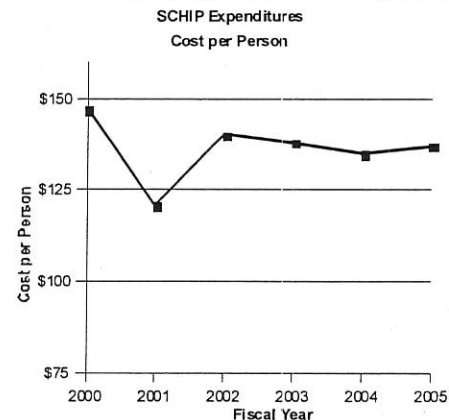
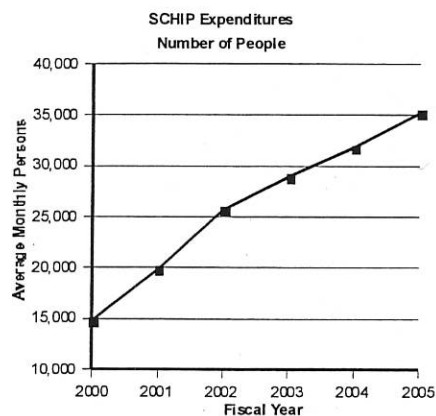
Dollar amount may not add due to rounding.

State Children's Health Insurance Program

Rates of Uninsured Children and Adults

- Henry J. Kaiser Foundation indicated, based on data from 2000-2001, 9% or 64,300 Kansas children had no health insurance; this compares with a 12% rate of uninsured children nationwide.
- Henry J. Kaiser Foundation reported 15% of Kansas non-elderly adults, ages 19-64, were uninsured, based on state data from 2000-2001; this compares with a 19% rate of uninsured adults nationwide.
- Prior to the implementation of the State Children's Health Insurance Program, HealthWave, the Census Bureau indicated a three-year average of 8.1% of children under age 19 being uninsured. The Census Bureau reports the three-year average following the 1995 implementation of HealthWave to be 5.5% of children under age 19 as being uninsured.
- Currently, 90,890 children and adults are enrolled in HealthWave, which includes both Title XIX Medicaid and Title XXI State Children's Insurance Program; 60,168 children and adults are Title XIX eligible and 30,722 are Title XXI eligible.

State Children's Health Insurance Program



Fiscal Year	Average Monthly Persons	Percent Change from Prior Year	Average Cost per Person per Month	Percent Change from Prior Year	Expenditures	Percent Change from Prior Year
2000	14,792	NA	\$147	NA	\$26.1 Million	NA
2001	19,909	34.6%	\$121	-17.8%	\$28.8 Million	10.6%
2002	25,703	29.1%	\$140	16.3%	\$43.3 Million	50.1%
2003	28,945	12.6%	\$138	-1.9%	\$47.9 Million	10.5%
2004 GBR	31,800	9.9%	\$135	-1.9%	\$51.6 Million	7.8%
2005 GBR	35,000	10.1%	\$136	0.4%	\$57.0 Million	10.5%

Dollar amount may not add due to rounding.

Managing Health Care Costs

Pharmacy

- Continued emphasis on cost management of the pharmacy programs, including implementation of the preferred drug list (PDL) authorized by the 2002 Legislature.
 - 13 drug classes currently on the PDL
 - Estimated FY 2004 savings is \$8.0 million
 - Example: With the use of the PDL, the average price for a proton pump inhibitor has decreased from \$94 to \$81, resulting in an estimated \$3.0 million in annual savings.
 - Drug classes reviewed by the PDL Advisory Board include; gastrointestinal drugs, cholesterol-lowering drugs, antidiabetic, migraine, cardiovascular, skeletal muscle relaxants, allergy, inflammation and pain, incontinence, and anti-emetics.
- Other efforts to manage rising pharmaceutical costs include mandating the use of generic drugs, and reimbursement modifications made in recent years.

Managing Health Care Costs

Chronic Disease Management – Care Management

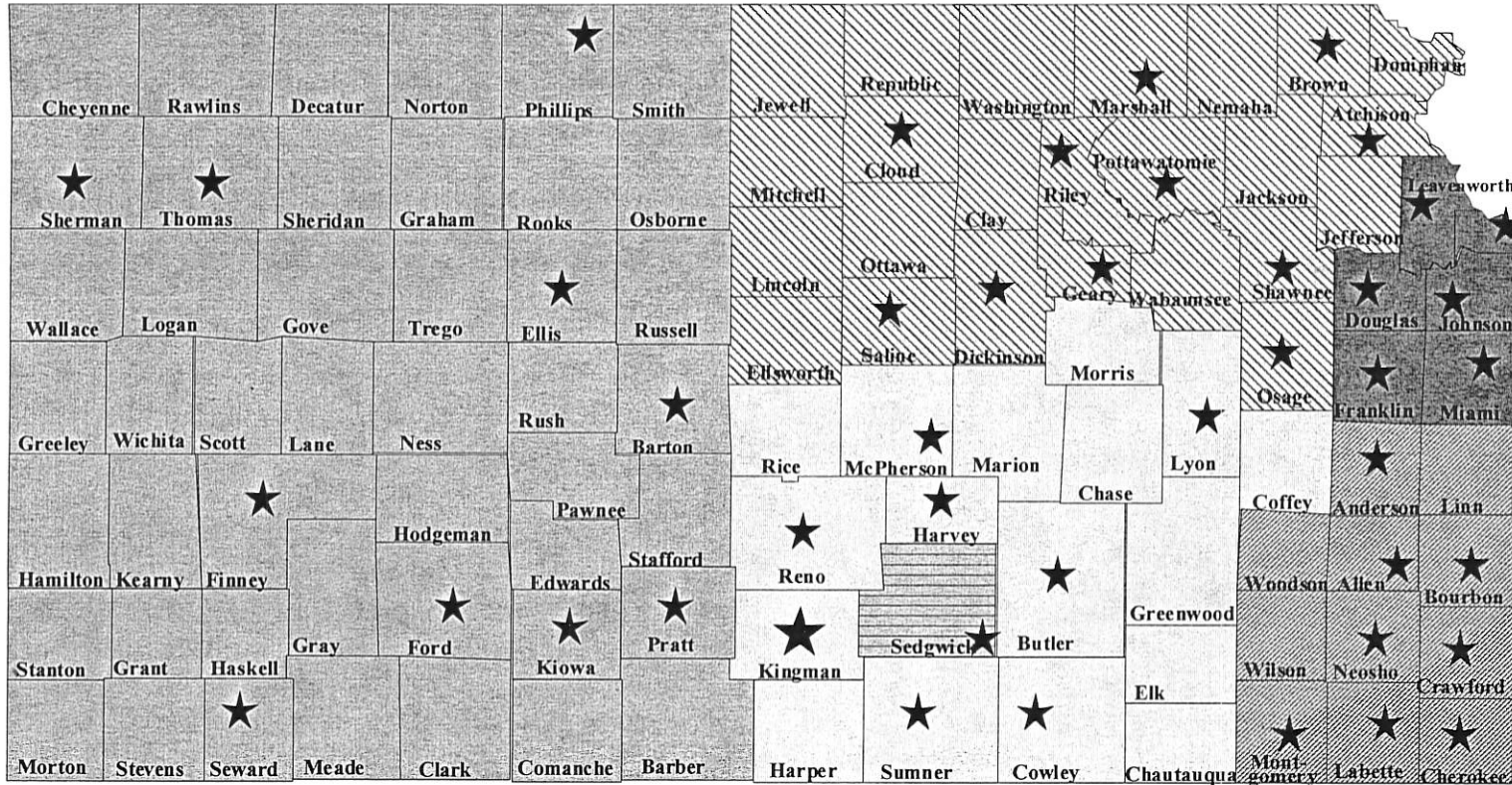
- Implementation of a chronic disease management/care management program in Sedgwick County in FY 2005.
 - SRS has been working with CMS since last spring and has received approval for its program and financing design.
 - Care managers will coordinate care for high-risk individuals using disease management strategies, case management, and evidence-based technology.
 - Collaborative approach between the care manager and the primary care physician, acute care centers and natural supports.

Key Initiatives in Health Care Services

- Implementation of the Working Healthy Program for persons with disabilities
 - Allows persons with disabilities to maintain their Medicaid coverage as their income increases by paying a premium.
 - More than 600 persons currently enrolled in Working Healthy
- Cash and Counseling Waiver
 - A cash and counseling waiver will be submitted to CMS this spring.
 - Upon approval, the waiver will allow persons enrolled in Working Healthy to access personal assistance services through this waiver.
 - Uses a cash and counseling model which allows increased control by the consumer over the services provided.
- Medical Coverage for Children Aging out of the Child Welfare and Juvenile Justice Systems
 - A Medicaid state plan amendment has been submitted to CMS to provide ongoing medical coverage for youth who age out of the child welfare and juvenile justice systems. The 2003 Legislature authorized coverage for youth aging out of the child welfare system. CMS has indicated the coverage must include youth from the juvenile justice system. We are awaiting CMS approval.

Projected Service Delivery Redesign

Consolidation of Management Areas 6 Regions



- ◆ Stars indicate anticipated service centers at the end of FY 2005
- ◆ SRS presently has more than 400 access points and anticipates that amount to increase

5-31

Governor's Budget Recommendation

Highlights of SRS Changes

- Additional Funding for SRS' Fall 2003 Consensus Caseload estimates for Regular Medical, Temporary Assistance for Families (TAF), Nursing Facilities for Mental Health (NF/MH), General Assistance (GA), Foster Care, and Adoption in FY 2004 and FY 2005. There was an increase in SGF for Foster Care due to federal policy and funding changes. SGF for NF/MHs also increased due to changes in ages of the people at NF/MHs. Other changes were due to numbers of persons served and changes in cost.
- Restoration of the Protection Reporting Center (PRC) for FY 2004 and FY 2005. As part of SRS' FY 2003 allotment reductions, the PRC was contracted out to a private vendor. SRS reestablished the PRC as a state-operated 24 hours-a-day, seven-days-a-week hotline which will take Child in Need of Care and adult abuse and neglect reports statewide. Area Offices will continue to take calls during business hours.
- Additional funding for the Adoption Support caseload increase in FY 2004 and FY 2005.
- New SGF funds to establish the Assistive Technology Revolving Loan program. These are state matching funds to provide loans to assist persons with disabilities in accessing assistive technology. The University of Kansas will administer this grant, and the federal grant dollars are included in their budget.
- Additional funding for the Home and Community Based Services (HCBS) waiting lists for persons with physical disabilities and persons with developmental disabilities in FY 2004 and FY 2005. The FY 2004 GBR also increases SRS' fee funds spending limitation so fee funds could be used to pay the HCBS claims that were pended at the end of FY 2003.

Governor's Budget Recommendations

Highlights of SRS Changes

- Adds an enhancement of \$15.2 million AF (\$6.0 million SGF) in FY 2005 to provide additional people with in-home services for those with physical and developmental disabilities. The FY 2004 GBR increases our fee fund spending limitation so fee fund could be used to pay the HCBS claims that were pended at the end of FY 2003.
- Reduction in the SRS budget to account for the savings associated with reducing the number of SRS Management Areas
- Elimination of services for children ages 12 and under at Larned State Hospital, and providing mental health services for children in their homes and communities. SRS will be working with stakeholders to design alternative services for young children in their homes and communities.
- Additional funding for the census increase in the Sexual Predator Treatment Program in FY 2004. The program is increasing at a rate of three persons per month. Seventy-two FTE positions were added to provide the intensive services required by this population.
- Replacement of the Intergovernmental Transfer (IGT) funds with SGF. Due to changes in federal regulations, SRS will not receive \$8.0 million IGT funds for the HCBS waivers. SGF was needed to replace these state matching funds.

Highlights for 2004 Legislative Session

SRS Legislative Proposals

- **Access to Birth Records From KDHE – HB 2571**
- **Managed Care Requirements in SCHIP – SB 367**
- **Child Welfare Tuition Program – HB 2734**

On-Going Issues

-
- ❑ Rising Social Service Caseloads
 - ❑ Managing Health Care Costs
 - ❑ Preserving the Safety Net for Vulnerable Kansans
 - ❑ Assessing the Future of State Hospitals and the Capacity of Community Service Provider Networks
 - ❑ Balancing Demand for Services with Available Funding
 - ❑ SRS Service Delivery Redesign
 - ❑ Managing Programs with Fewer Dollars and Staff
 - ❑ Coordinating Services and Operations Across State Government
 - ❑ Increased Scrutiny From the Centers for Medicare and Medicaid Services of Social Service Programs and Financing
 - ❑ Federal Reauthorization Temporary Assistance to Needy Families and Child Care Legislation
 - ❑ Assessing the Fiscal and Programmatic Impact of the Federal Medicare Reform Legislation



Kansas Insurance Department

Sandy Praeger COMMISSIONER OF INSURANCE

COMMENTS
ON
SB 342—PERTAINING TO REQUIRED PROVISIONS
OF INDIVIDUAL ACCIDENT AND HEALTH POLICIES
HOUSE INSURANCE COMMITTEE
March 11, 2004

Madam Chair and Members of the Committee:

Thank you for the opportunity to visit with you on behalf of the Kansas Insurance Department. Senate Bill 342 would amend K.S.A. 40-2202 by changing an *or* to *and*. We believe this change will help ensure benefit payments of individual accident and health insurance policies are geographically accurate.

As with most service driven industries, the price for health care can be different based partly on where you live or where you receive treatment. By passing this bill, Kansans will be assured that the benefits they receive are reasonable and customary for where they live and the treatment they receive.

We believe Kansas consumers will benefit greatly by this change and we urge your support of SB 342. I would be happy to answer any questions you may have.

Jarrold Forbes
Legislative Liaison

House Insurance
Date: 3/11/04
Attachment # 6

**House Insurance Committee
Senate Bill 342
Testimony of Natalie G. Haag
Security Benefit Life Insurance Company
March 10, 2004**

Madam Chair and Members of the Committee:

Thank you for the opportunity to propose an amendment to Senate Bill 342. I appear today on behalf of the Security Benefit Life Insurance Company. Security Benefit has been operating in Topeka since 1892 when it was founded as a local fraternal society, christened the Knights and Ladies of Security. Today, Security Benefit primarily engages in the financial services business, offering annuities and mutual funds in all fifty states.

In an effort to insure that the Security Benefit Group of Companies was operating in accordance with the best practices for companies engaged in our line of business, the Board of Directors recently undertook a complete review of our governance practices. The General Counsel was active in this effort. During the process, our General Counsel noted the outdated statutes governing who must sign a contract on behalf of the Insurance Company as set forth in K.S.A. 40-306.

We are not seeking to amend the existing language of Senate Bill 342. Instead, we are asking you to consider amending the bill to include another uncontroversial modification to the Insurance Code, specifically the provisions of K.S.A. 40-306 as set forth in the attached document. This provision was originally adopted in 1927 and amended in 1973. As the attorneys in the Legislature can tell you, a contract is legally binding if it is signed by a person in the company with the actual and/or apparent authority to do so. The current statutory provision requires that the President or Vice-President, together with the Corporate Secretary sign every contract for the Company. This is an outdated provision that makes doing business cumbersome.

It is our proposal that the language of the statute be amended by striking the contract signature requirements. Insurance Companies are bound by the same legal contracts as other companies and Kansas statutes should reflect that current legal standard. We presented our proposal to the Kansas Insurance Department to insure that there was not a continuing need for this provision. The Department saw no issues with regard to this proposal and suggested we pursue an amendment.

Thank you for the opportunity to make this proposal.

House Insurance
Date: 3/11/04
Attachment # 7

K.S.A. § 40-306

KANSAS STATUTES ANNOTATED

CHAPTER 40.--INSURANCE

ARTICLE 3.--ORGANIZATION, MERGER OR CONSOLIDATION OF STOCK COMPANIES

40-306. Officers and agents; signatures to contracts; exception.

The board of directors shall elect from their number a president and vice- president, and shall appoint a secretary, treasurer and such other officers as shall be prescribed in the bylaws, and shall fill any vacancy that may occur. They shall also have power to appoint any agents necessary for transacting the business of the company, pay such salaries and require such bonds as they may deem reasonable; and it shall be their duty to keep full and correct entries of their transactions, which shall at all times be open to the inspection of the stockholders. ~~All contracts made by the company shall be signed by the president or vice-president, and secretary, but such requirement shall not apply to any contract now in existence or hereafter entered into between the company and its agents.~~

History: L. 1927, ch. 231, 40-306; L. 1973, ch. 192, § 1; July 1.

House Insurance
Date: 3/11/04
Attachment # 8