

MINUTES OF THE HOUSE INSURANCE COMMITTEE

The meeting was called to order by Chairman Clark Shultz at 3:30 P.M. on February 22, 2005 in Room 527-S of the Capitol.

All members were present:

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department  
Terri Weber, Kansas Legislative Research Department  
Ken Wilke, Revisor of Statutes Office  
Sue Fowler, Committee Secretary

Conferees appearing before the committee:

Lew Ebert, The Kansas Chamber, Topeka, KS  
Natalie Bright, The Wichita Independent Business Association, Wichita, KS  
Larrie Ann Lower, Kansas Association of Health Plans, Topeka, KS  
Ashley Sherard, Lenexa Chamber of Commerce, Lenexa, KS  
Wes Ashton, Overland Park Chamber of Commerce, Overland Park, KS  
Ira Stamm, Topeka, KS  
Amy Campbell, Kansas Mental Health Coalition, Topeka, KS

Others attending:

See attached list.

Discussion and action on bills previously heard:

**HB 2323: Insurance company structure, statutory changes compatible with corporation code.**

Terri Weber, Kansas Legislative Research Department, gave a brief overview of **HB 2323**.

Representative Cox moved to recommend HB 2323 favorable for passage. Seconded by Representative Dillmore. Motion carried. Representative Phelps will carry the bill.

**HB 2325: Life insurance; regulation of certain types of contracts.**

Terri Weber, Kansas Legislative Research Department, gave a brief overview of **HB 2325**.

Representative Faber moved to adopt the proposed technical amendment as necessary to HB 2325. Seconded by Representative Grant. Motion carried. Representative Schwab moved to recommend HB 2325 favorable for passage as amended. Seconded by Representative B. Sharp. Motion carried. Representative Schwab will carry the bill.

**HB 2326: Kansas Insurance Guaranty Association, handling of claims.**

Melissa Calderwood, Kansas Legislative Research Department, gave a brief overview of **HB 2326**.

Representative Schwab moved to recommend an amendment for a technical correction to HB 2326. Seconded by Representative Carter. Motion carried. After committee discussion and agreement of the committee Representative Schwab withdrew his motion. Representative Schwab moved to adopt the proposed technical amendment and the proposed amendment by Dave Hanson to HB 2326. Seconded by Representative Grant. Motion carried. Representative Grant recommended HB 2326 favorable for passage as amended. Seconded by Representative Cox. Motion carried. Representative McLeland will carry the bill.

**HB 2305: Allowing an uninsured motorist claim to the extent the coverage exceeds the limits of the amount of liability proceeds actually available to an injured insured.**

Terri Weber, Kansas Legislative Research Department, gave a brief overview of **HB 2305**.

CONTINUATION SHEET

MINUTES OF THE House Insurance Committee at 3:30 P.M. on February 22, 2005 in Room 527-S of the Capitol.

Representative Schwab moved to recommend **HB 2305** favorable for passage. Seconded by Representative Carter. Motion failed. Representative Cox moved to report **HB 2305** unfavorable for passage. Seconded by Representative B. Sharp. Motion failed. Representative Schwab again moved to recommend **HB 2305** favorable for passage. Seconded by Representative Carter. Motion carried. A division was requested. Motion carried 7-6. Representative Schwab will carry the bill.

**HB 2241: Adult care homes; risk assessment plans; prohibited use of inspection reports.**

Representative Kirk moved to adopt acceptance of the balloon with technical corrections to **HB 2241**. Seconded by Representative Schwab. Motion carried. Representative Faber moved to report **HB 2241** unfavorable for passage with amendment. Seconded by Representative Dillmore. Representative Schwab made a substitute motion on **HB 2241** favorable for passage as amended. Seconded by Representative Kirk. Motion carried. Representative Kirk will carry the bill.

**HB 2366: Accident and health insurance; removal on limitation on deductibles, coinsurance and similar payments.**

Representative Carter moved to adopt balloon amendment to **HB 2366**. Seconded by Representative Schwab. Motion carried. Representative Carter moved to recommend **HB 2366** favorable for passage as amended. Seconded by Representative McLeland. Motion carried. Representative Carter will carry the bill.

**HB 2357: Establishing a self audit program for insurance.**

Melissa Calderwood, Kansas Legislative Research Department, gave a brief overview of **HB 2357**.

Representative McLeland moved to recommend **HB 2357** favorable for passage. Seconded by Representative Schwab. Representative Dillmore made a substitute motion for a technical correction to **HB 2357**. Seconded by Representative Carter. Motion carried. Representative McLeland renewed his motion to pass the bill out favorable as amended. Seconded by Representative Schwab. Motion carried. Representative Carter will carry the bill.

Hearing on:

**HB 2365: Insurance; moratorium on new health insurance mandates.**

Melissa Calderwood, Kansas Legislative Research Department, gave a brief overview of **HB 2365**.

Proponents:

Low Ebert, The Kansas Chamber, (Attachment #1), appeared before the committee in support of **HB 2365**.

Natalie Bright, The Wichita Independent Business Association, (Attachment #2), appeared before the committee in support of **HB 2365**.

Larrie Ann Lower, Kansas Association of Health Plans, (Attachment #3), appeared before the committee in support of **HB 2365**.

Ashley Sherard, Lenexa Chamber of Commerce, (Attachment #4), presented written testimony in support of **HB 2365**.

Wes Ashton, Overland Park Chamber of Commerce, (Attachment #5), presented written testimony in support of **HB 2365**.

Opponents:

Ira Stamm, (Attachment #6), presented testimony in opposition to **HB 2365**.

CONTINUATION SHEET

MINUTES OF THE House Insurance Committee at 3:30 P.M. on February 22, 2005 in Room 527-S of the Capitol.

Amy Campbell, Kansas Mental Health Coalition, (Attachment #7), presented testimony in opposition to **HB 2365**.

Hearing was closed on **HB 2365**.

Hearing on:

**HB 2367: Insurance; insurance plans for small employers.**

Terri Weber, Kansas Legislative Research Department, gave a brief overview of **HB 2367**.

Proponents:

Lew Ebert, The Kansas Chamber, (Attachment #8), appeared before the committee in support of **HB 2367**.

Natalie Bright, The Wichita Independent Business Association, (Attachment #9), appeared before the committee in support of **HB 2367**.

Ashley Sherard, Lenexa Chamber of Commerce, (Attachment #10), presented written testimony in support of **HB 2367**.

Opponent:

Ira Stamm, Topeka, KS (Attachment 11), gave testimony in opposition to **HB 2367**.

Hearing was closed on **HB 2367**.

Representative Schwab moved to approve the minutes of the January 27, 2005, February 3, 2005, February 8, 2005, February 10, 2005, February 15, 2005 and February 17, 2005 meetings. Seconded by Representative Kelsey. Motion carried.

Next meeting will be March 3, 2005.

Meeting was adjourned at 5:40 P.M.

**House Insurance Committee  
Guest Sign Sheet  
Tuesday, February 22, 2005**

Name	Representing
David Hanson	Ks Insur Assoc / PCI
Bob Tomlinson	Kansas Insurance Dept
Kelly Livi	Kansas Insurance Dept
Alex Kotovantz	P.I.A.
Bill Sheed	State Farm
Brook Swoot	AIA
Larrie Ann Lower	KAIIP
Nancy Pierce	KHCA
Amy Campbell	KS mental Health Coalition
Callie Denton	KTLA
Linda Berndt	KHCA
Barb Coaat	KDOA
Marty Kennedy	KDOA

# Legislative Testimony

HB 2365

February 22, 2005

Testimony before the Kansas House Insurance Committee  
By Lew Ebert, President and CEO



**THE KANSAS  
CHAMBER**

The Force for Business

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Chairman Shultz and members of the Committee;

I am Lew Ebert with the Kansas Chamber of Commerce and we are appearing in support of HB 2365 on behalf of over 10,000 small, medium and large business members that have made it clear to us that health care and health insurance costs are their number one priority.

In December, the Kansas Chamber polled 300 CEO's and business owners. Of those polled, 91% had less than 50 employees—very representative of the state as a whole. Health care costs remain the number one issue to businesses when asked about their profitability. Health care costs continue to be then number one issue to Kansas business for the second year in a row. When asked about health insurance, 49% stated that they did not offer insurance coverage to their employees. Of those companies that did not offer health insurance, 46% cited the high costs of obtaining insurance as the major deterrent. In addition, we asked the preferred approach to managing health care costs. Of those that responded, 82% preferred addressing the underlying costs of health care as opposed to 9% preferring subsidizes. Even those who did not offer insurance to their employees, 83% preferred addressing costs as opposed to 10% preferring subsidizes.

In addition to our polling data, the Kansas Chamber has established a working group to address health care costs in Kansas. The Health Care Task Force members consist of small and large businesses, hospitals and insurance companies. This Health Care Task Force has come to consensus about both issues you are hearing today.

The Kansas Chamber also visited 7 cities this fall during our Health Care Now Tour. We surveyed those in attendance and those in attendance gave us the following feedback about health care costs in Kansas.

- Of those businesses surveyed that do not offer health benefits to their employees, 85.7% state that the costs are too high.
- Of those businesses surveyed, 40.2% state that their health insurance premiums increased 11-20% over the past year.
- Over the last three years, 78.4% of those surveyed have increased deductibles in an effort to control health insurance costs, while 64.9% have increased co-pays for doctors visits and/or prescriptions and 50.0% have raised employee's contribution.

House Insurance  
Date: 2-22-05  
Attachment # 1

Finally, the Kansas Chamber partnered with the KU School of Nursing and the Kansas Department of Insurance to survey businesses about health insurance coverage. This study was done with funding by a 2005 HRSA Grant. This Small Business Health Insurance Study found that in response to the rising cost of health insurance, employers:

- Cut Raises 65.3%
- Cut Other Benefits 36.1%
- Cut Hiring 21.8%
- Layoffs 5.6%

HB 2365 addressed mandates and enacts a 2 year moratorium on any new mandate in the state. There are procedures in place today to limit the ability to enact new mandates, but passage of HB 2365 will send a strong message to Kansans that the legislature is interested in controlling what health care cost that they can. There is conflicting data on the true cost of mandates in Kansas. In reviewing the information from the 1998 and 2003 interim studies on mandates, we believe that mandates add between 10%-15% to the total cost of health insurance in Kansas. We believe that passage of this measure would help control future health insurance costs in the state.

There are three states that have enacted a moratorium on mandates, Louisiana, North Carolina and South Carolina. We urge the legislature to send a strong message and enact HB 2365.

Thank you for your time and I will be happy to answer any questions.

*The Kansas Chamber, with headquarters in Topeka, is the statewide business advocacy group moving Kansas towards becoming the best state in America to do business. The Kansas Chamber and its affiliate organization, The Kansas Chamber Federation, have more than 10,000 member businesses, including local and regional chambers of commerce and trade organizations. The Chamber represents small, medium and large employers all across Kansas.*

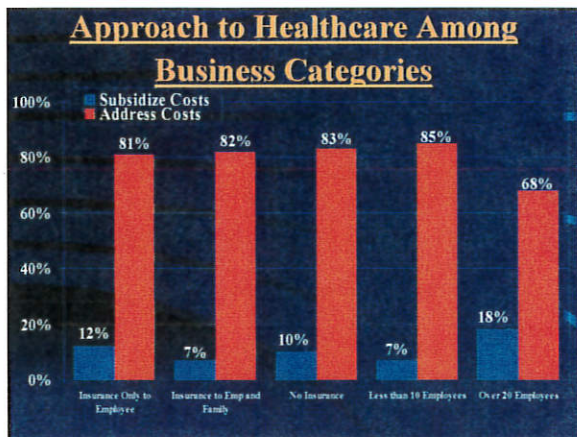
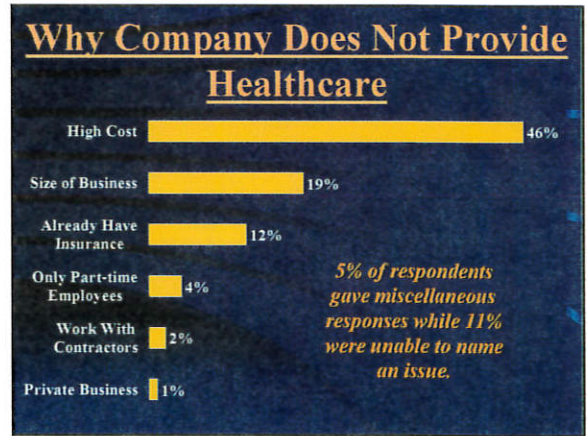
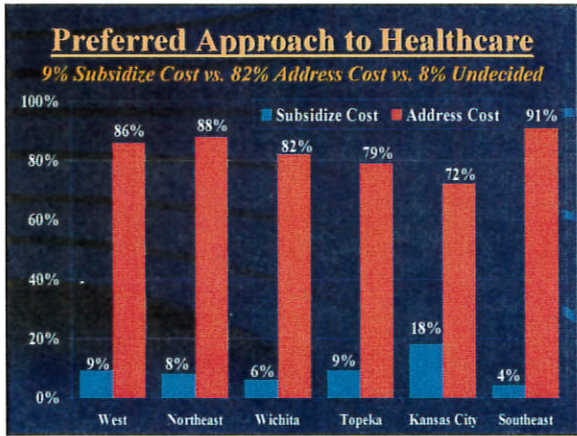
## A Survey of 300 Business Owners / Operators in Kansas

Interviewing conducted  
November 29 - December 2, 2004  
margin of error: +/-5.6%

by  
*Cole Hargrave Snodgrass & Associates*

### Most Important for Profitability of Your Business? (Two Responses Accepted)

	Today	Feb.
Managing health care costs	42%	61%
Lower taxes on business	38%	40%
Stop frivolous lawsuits/Tort reform	21%	20%
Economic incentives for business	15%	10%
Decrease regulation/mandates	13%	19%
Workers' Compensation	11%	21%
Funding education	11%	NA
Limit growth of state government	8%	6%
Unemployment Compensation	5%	7%





**Wichita Independent Business Association**

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*THE VOICE OF INDEPENDENT BUSINESS*

Testimony by Cliff Sones  
House Bills 2365 and 2367  
House Committee on Insurance  
February 22, 2005

Chairman Shultz and Honorable Committee Members,

The issue of affordable, competitive and quality health care coverage has remained a central concern of the Wichita Independent Business Association (WIBA) since the mid 1990's when insurance premiums began to spiral.

Cost of health insurance has truly become a hindrance to the growth of small firms, diverting precious resources away from job creation and investment. Quite simply, small businesses are in a vise -- a health insurance cost squeeze, if you will. Unfortunately, higher costs have translated into a lower percentage of small businesses offering health benefits.

For many businesses, large increases in the cost of health insurance coverage force a reduction or elimination of coverage for their employees. Such cost increases particularly place small businesses at a severe disadvantage in terms of both attracting good employees and competing against rivals in the marketplace.

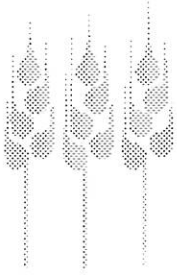
From our perspective it makes sense the state focus on health care reforms that target small business. House Bill 2365 and 2367 both will relax legislative control that will better enable the small business community in their quest to provide health insurance to their employees and hold the cost escalation down to some extent.

The members of WIBA strongly encourage you to support HB 2365 and HB 2367.

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House Insurance  
Date: 2-22-05  
Attachment # 2





# Kansas Association of Health Plans

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kahp@kansasstatehouse.com

**Testimony before the  
House Insurance Committee  
HB 2365  
February 22, 2005**

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

The KAHP is a nonprofit association dedicated to providing the public information on managed care health plans. Members of the KAHP are Kansas licensed health maintenance organizations, preferred provider organizations and other entities that are connected to managed care. KAHP members serve most all of the Kansans enrolled in a Kansas licensed HMO. KAHP members also serve the Kansans enrolled in HealthWave and medicaid managed care and also many of the Kansans enrolled in PPO's and self insured plans. We appreciate the opportunity to provide comment on HB 2365.

The KAHP appears today in support of HB 2365. In the past we have supported legislation requiring a cost impact report be performed prior to the legislature considering a mandate bill (KSA 40-2248) and other legislation requiring the testing of any new mandate first on the state employees health plan in order to help determine its cost impact commonly called the "test track" legislation (KSA 40-2249a). A few mandates have passed in recent years, however, together these two pieces of legislation have enabled the legislature to critically evaluate various mandate proposals.

We have testified on everything from clinical trials mandates; durable medical equipment mandates; to a wig mandate. Each mandate is difficult to oppose and all have excellent arguments for passage. One particular mandate may not have significant cost increases associated with it for one reason or another, however taken together mandates add to the cost of health insurance premiums. HB 2365 will add another safety valve to help ensure that policyholders will not be faced with additional state mandated cost drivers on their health insurance premiums through legislative mandated benefits.

We encourage the committee to favorably consider this legislation. Thank you and I'll be happy to answer any questions you may have.



*The Historic Lackman-Thompson Estate*

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TO: Representative Clark Shultz, Chairman  
Members, House Insurance Committee

FROM: Ashley Sherard, Vice-President  
Lenexa Chamber of Commerce

DATE: February 22, 2005

RE: **HB 2365—Moratorium on Health Care Mandates**  
**HB 2367—Health Insurance for Small Employers**

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The Lenexa Chamber of Commerce would like to express its support for the concepts embodied in both HB 2365, which would place a two-year moratorium on new mandated health care benefits or coverage, and HB 2367, which would facilitate and encourage health insurance plans among small employers who have not previously offered coverage to their employees.

Most health care coverage in the U.S. is provided through an employer. Unfortunately, employers have absorbed several years of double-digit cost increases for employee health benefits. Higher costs mean fewer employers can afford to provide quality health care coverage for their employees, particularly among small businesses. In some cases benefits may be eliminated altogether. Of those employers that continue to provide coverage, substantial cost increases are often managed by reducing benefits or by requiring employees to contribute more toward their plans.

This prevention or loss of health care coverage endangers employees and their families, promotes costly emergency health care, and makes it more difficult for businesses to attract and retain quality employees.

We believe both HB 2365 and HB 2367 are key steps in the right direction. Preventing new coverage mandates and allowing insurers additional flexibility in the design of insurance plans for small employers would help control costs and ensure that businesses and employees have a range of affordable coverage options from which to choose.

For these reasons, the Lenexa Chamber of Commerce strongly urges the committee to consider the concepts embodied in both HB 2365 and HB 2367 favorably. Thank you for your time and consideration of this critically important issue.

House Insurance  
Date: 2-22-05  
Attachment # 4



**Legislative Testimony**

Date: Tuesday, February 22, 2005

To: Kansas House Insurance Committee

From: Wes Ashton, Director of Government Relations

Re: Testimony in Support of HB 2365

Chairman Shultz and members of the Committee:

The Overland Park Chamber appreciates the opportunity to offer testimony in support of HB 2365 on behalf of our approximately 1000 member businesses. Healthcare reform is one of the Chamber's top priorities for the 2005 Legislative session. The Chamber supports this bill as a cost-effective way to assist businesses and assist with their economic recovery.

Our 2005 Legislative position states:

Healthcare costs account for one of the largest cost increases to businesses, and the business climate in Kansas will inevitably be affected. To minimize increases in healthcare insurance and healthcare costs, the Chamber opposes any expansion of health benefit mandates, which would raise insurance premiums. The Chamber also opposes plans or programs that would increase the cost of doing business by mandatory compliance. The Chamber would also encourage business-oriented solutions that manage costs, such as small group reform, promotion of health savings accounts and legal liability reform.

HB 2365 would give the business climate in Kansas a needed boost. The Overland Park business community will have a stronger competitive advantage to neighboring states if a moratorium were placed on mandated benefits. This would allow businesses that are in a stage of economic recovery to surge forward, and competitive businesses would still have the option of expanding benefits.

Establishing a two-year time frame should be adequate time for a significant shift in the business climate. HB 2365 would add a significant piece to healthcare reform and our business community encourages this committee to strongly consider this bill.

Thank you for your time and I will be happy to answer any questions.



TESTIMONY TO THE KANSAS HOUSE COMMITTEE ON INSURANCE/ HB 2365

February 22, 2005

Dear Representatives of the Kansas House Committee on Insurance:

My name is Dr. Ira Stamm. I am a psychologist in independent practice in Topeka and Kansas City. Before entering private practice, I treated patients at the Menninger Clinic in Topeka, Kansas from 1972-1995. Before that I treated children, adolescents, and their families at the Boston University Medical Center in Boston, Massachusetts.

I am opposed to House Bill No. 2365 for reasons that I will make clear:

I am a survivor of prostate cancer. On October 29, 2002 I was diagnosed with early stage prostate cancer. A steadily rising PSA from 1.5 to 6.5 over several years suggested the need for a prostate biopsy. I had two earlier biopsies which revealed no cancer. A third biopsy done six months later revealed prostate cancer.

I elected to undergo radioactive seed implants to kill the cancer. As a result of the early detection of my cancer, I have an 87% chance of being cancer free in ten years. I feel quite fortunate.

In preparing my testimony for today, I learned that some years ago the Kansas legislature passed a mandate that requires insurance companies to offer prostate cancer screening. It is quite possible that without that mandate I would not have had the earlier PSA tests which led ultimately to the early detection of my prostate cancer. I stand before you today as living proof that health care mandates save lives. I want to thank each and every legislator who had the wisdom, courage, and compassion to make this mandate possible.

There are several other reasons that House Bill 2365 should be rejected:

- Mandates are not the main drivers of health care costs. The main driver of health care costs, today, is prescription drugs. Rather than passing HB 2365, Kansans would be better served by the Kansas legislature passing a bill that provides relief to all Kansans with their drug costs.

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- Scientific breakthroughs in medicine are happening at an increasing rate. Suppose, for instance, there is a dramatic medical breakthrough that could save the life of a spouse, child, or even your own life. Suppose, too, this is an expensive procedure which the insurance industry chooses not to pay for or an employer chooses not to include as a benefit. House Bill 2365 places handcuffs on the legislature, the insurance industry, the employer and the consumer from benefiting from a mandate that would save lives. *Remember, the unknown mandate you vote against could be the one mandate that could save your life or the life of someone you love..*

Recently, I saw a client who weighed more than three hundred pounds. She had tried every way to lose weight. She was a suitable candidate and was interested in gastric by-pass surgery. Her insurance company would not pay for this procedure since they considered the procedure to be experimental. Without this procedure this woman is at risk for numerous medical illnesses such as diabetes, coronary disease, bone and joint failure, etc.

- I am new to the legislative process and this is my first time testifying before a committee. As I have attended hearings and meetings over the past several weeks, I have heard several legislators refer to the Kansas legislature as “the citizens’ legislature.” The “citizens’ legislature” in its wisdom created mandates to protect those who are most vulnerable, whether it is a mother who just gave birth to a child, a women who needs reconstructive surgery following a mastectomy, or a young man who suffers with a schizophrenic or bipolar illness. Without the mandates you have created these individuals would have received sub-standard care or no care at all.

I urge you not to give away your responsibility and your ability to continue to do what is right and best for Kansans – I urge you to reject House Bill 2365.

Thank you.

*Ira Stamm, Ph.D., ABPP*

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Topeka, KS 66610

913 706-8831

istamm@aol.com

# KANSAS MENTAL HEALTH COALITION

.....*Speaking with one voice to meet the critical needs of people with mental illness*

## House Insurance Committee

by Amy A. Campbell, Lobbyist

February 22, 2005

Thank you for the opportunity to address your committee today on behalf of the Kansas Mental Health Coalition and Dr. Roy Menninger, Chair. Unfortunately, Dr. Menninger is unable to be with us today.

The Kansas Mental Health Coalition is an Organization Dedicated to Improving the Lives of Kansans with Mental Illnesses and Severe Emotional Disorders. KMHC is a coalition of consumer and family advocacy groups, provider associations, direct services providers, pharmaceutical companies and others, all of whom share this common mission. Within the format of monthly roundtable meetings, participants forge a consensus agenda which provides the basis for legislative advocacy efforts each year. This design enables many groups otherwise unable to participate in the policy making process to have a voice in public policy matters that directly affect the lives of their constituencies. The result of this consensus building is greater success for our common goals. Our current membership includes nearly 30 organizations which get together once a month to discuss issues of common concern and develop consensus.

The Kansas Mental Health Coalition respectfully opposes HB 2365 and HB 2367.

### What is "any additional mandated benefit or coverage"?

The Kansas Mental Health Coalition was part of a broad based grassroots effort to eliminate discrimination within health insurance policies regarding coverage for the diagnosis and treatment of mental illnesses. The legislation asked for coverage "no less extensive than coverage for any other type of health care." K.S.A. 40-2,105(a)(b) passed in 2001.

Equal coverages for mental illnesses specified in the act are subject to the usual health insurance deductibles, co-pay, and equal lifetime maximum limits. The legislation removed the arbitrary \$1640 annual limitation on expenditures for those serious mental illnesses defined in the bill. Providing coverage for physical illnesses of the mind prevents very expensive emergency room visits and public funded stays in our State hospitals. The legislation was a very small step towards bringing Kansas statutes in line with nationally recognized standards of care.

Discrimination still exists in our statutes. Would the elimination of discrimination be a "new mandate" defined by HB 2365? KMHC did not consider the 2001 legislation to be a mandate, rather a revision of the law taking into account many factors - including the principle of discrimination, standard of care, and cost to the private and public sectors.

The Kansas Business Health Partnership has the authority under K.S.A. 40-4704 to develop and offer plans which may or may not include the coverages required by statute as presented in HB 2367.

KMHC believes very strongly that it is unwise to tie the hands of this legislative committee and the Kansas Legislature when it comes to reviewing and amending Kansas law regarding health insurance coverage for the citizens of this state.

### For More Information, Contact:

Roy W. Menninger, MD, Chair  
85 SW Pepper Tree Lane, Topeka, KS 66611-2072  
785-266-6100, fx: 785-266-9004, roymenn@cjnetworks.com

## Kansas Mental Health Coalition

c/o Amy A. Campbell, Lobbyist  
P.O. Box 4103, Topeka, KS 66604  
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House Insurance  
Date: 2-22-05  
Attachment # 7

# Legislative Testimony

HB 2367

February 22, 2005

Testimony before the Kansas House Insurance Committee  
By Lew Ebert, President and CEO

Chairman Shultz and members of the Committee;

I am Lew Ebert with the Kansas Chamber of Commerce and we are appearing in support of HB 2367 on behalf of over 10,000 small, medium and large business members that have made it clear to us that health care and health insurance costs are their number one priority.

HB 2367 would provide more choices to small business so that they can offer health insurance to their employees. As I stated in my earlier testimony, there is conflicting data on the true cost of mandates in Kansas. In reviewing the information from the 1998 and 2003 interim studies on mandates, we believe that mandates add between 10%-15% to the total cost of health insurance in Kansas.

The Kansas Business Health Partnership, which was enacted in 2000, allows for health insurance plans that are termed "mandate-lite" plans—where certain mandates are not included so that health insurance costs are reduced. This group has opted not to offer a "mandate-lite" plan to date.

Eighteen states have enacted similar legislation to allow for limited mandate plans or "mandate-lite" plans for small businesses. These "mandate-lite" or "no frills" products were never intended to be the solution to the uninsured problem. Rather, state officials viewed them as a positive step toward making coverage more affordable for small groups and/or individuals. I have attached a list of what other states are doing.

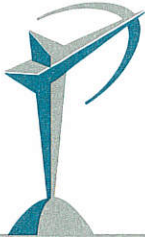
The Kansas Chamber believes that options and choice should be allowed, so that more Kansas business can offer affordable health insurance to their employees and more Kansans are covered. We encourage the legislature to enact HB 2367 and help reduce the cost of health insurance for Kansas business.

Thank you for your time and I will be happy to answer any questions.

## Arkansas – HB 1632, 2001 Laws

"Every group accident and health insurer, hospital and medical service corporation, or HMO transacting health or accident and health insurance in this state may offer as an option, a group health benefits plan which, either in whole or in part, does not provide state mandated health benefits on group health benefits plans under state law." (Note: same language is included for individual products.)

House Insurance  
Date: 2-22-05  
Attachment # 8



**THE KANSAS  
CHAMBER**

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### Colorado – HB 1164, 2003 Laws

This law requires health plans to offer a new “mandate-lite” basic benefit plan that excludes coverage for the following mandated benefits: non-biologically-based mental illnesses, alcoholism treatment, mammography and prostate cancer screening, hospice care, and anesthesia for dental procedures for children with certain medical conditions.

### Florida – HB 1629, 2004 Laws

Expands the existing Health Flex demonstration program statewide so that more uninsured, low-income residents can purchase “mandate-lite” products. This program is run by the DOI and the Agency for Health Care Administration and allows health plans to offer a product that: (1) limits or exclude benefits otherwise required by state law; (2) caps the total amount of claims paid per year per enrollee; and/or (3) limits the number of enrollees.

### Georgia – Sec. 33-51-3, 1991 Laws

“The Commissioner shall develop a model basic health insurance plan which shall include, but not be limited to, the following features: ... (3) Coverage for primary health care services designed to prevent the need for more expensive health care services;...”

### Illinois – Sec. 5/351B-2 to B-5, 1990 Laws

“It is the purpose and intent of this amendatory Act of 1990 to authorize a program whereby small employers may obtain affordable group health insurance that will increase access to health care, assist in the reduction of the amount of uncompensated care, and reduce the number of uninsured people in this state.

...(excludes requirements to cover alcoholism treatment, cervical, prostate and colorectal cancer screening, clinical trials, diabetic supplies, IVF, mental health, off-label use of drugs, TMJ, chiropractors, optometrists, podiatrists).”

### Louisiana – HB 448, 2004 Laws

Allows health plans to offer “mandate-free” or “mandate-lite” products in the small group and individual markets. When offering such a policy, an insurer must also offer, as an alternative, a product that includes all state mandated coverages. Insurers must also provide a notice that the flexible benefits policy does not include all state mandated benefits.

### Mississippi – Sec. 83-63-1, 1992 Laws

“Contracts of insurance coverage offered by approved carriers that are approved by the Commissioner of Insurance shall be exempt from all state mandated benefits and from the premium tax required by state law.”

### Missouri - Sec. 376.995, 1990 Laws

“Limited mandate health insurance policies and contracts shall mean those policies and contracts which cover individuals and their families and groups sponsored by an employer who employs 50 or fewer persons.”

“No law requiring the coverage of a particular health care service or benefit, or requiring the reimbursement, utilization or inclusion of a specific category of licensed health care practitioner,



shall apply to limited mandate health insurance policies and contracts, except the following provisions: (**excludes** requirements to cover alcoholism treatment, ambulatory surgery, bone density screening, cervical, colorectal and prostate cancer screening, contraceptives, mental health care, chiropractors, optometrists, podiatrists).”

### **Montana – HB 384, 2003 Laws**

This law allows health plans to offer a “no frills” basic benefit plan without certain state mandates (e.g., mental health treatments, emergency services and coverage for newborns). State regulators will approve such products for a 12-month demonstration period, with renewals possible for a total of five years.

Health plans who want to offer these products must meet the following criteria:

(1) offer a benefit package that includes significant outpatient services; and (2) limit eligibility to residents who have been uninsured for 90 days or longer.

### **Nebraska – Sec. 44-4227/4228, 1991 Laws**

“Every uninsured access coverage policy or contract shall include: (a) in-hospital benefits for not less than 30 continuous days nor more than 90 continuous days for each spell of illness; and (b) surgical benefits for both inpatient and outpatient surgery.” Notwithstanding any other provision of law, every uninsured access coverage policy or contract shall be exempt from any and all mandated benefits which require coverage of any type of services or conditions.”

### **New Mexico – Sec. 59A-23B-1, 1991 Laws**

“For purposes of the Minimum Healthcare Protection Act, “policy or plan” means a healthcare benefit policy or plan that the insurer, fraternal benefit society, HMO or nonprofit healthcare plan chooses to offer to individuals, families or groups of fewer than 20 members formed for purposes other than obtaining insurance coverage.”

“Subject to a maximum limit on the cost of healthcare services covered in any calendar year of not less than \$50,000, the policy or plan provides the following minimum healthcare services to covered individuals: inpatient hospitalization or home care not to exceed 25 days; prenatal care; obstetrical care; well-child care; mammograms; cervical cancer screening; a basic level of primary and preventive care (including no less than 7 physician, nurse practitioner midwife or PA office visits per calendar year, including any related ancillary diagnostic or lab tests;)”

### **North Dakota – HB 1226, 2001 Laws**

“An insurance company, a nonprofit health service corporation, or an HMO may deliver, issue, execute, and renew a basic health insurance policy, health service contract, or evidence of coverage on an individual basis or an employer group, blanket, franchise, or association basis for employers with fewer than 50 employees.”

“The basic health insurance coverage policy, contract or evidence of coverage under this section is not subject to sections: (**excludes** requirements to cover off-label use of drugs, substance abuse, mammograms, TMJ, prostate cancer screening, formula for metabolic disease, dental anesthesia, pre-hospital emergency medical services, optometric services). However, the insurance company, nonprofit health service corporation or HMO shall make the coverage required under these sections available at the option of the individual or employer and may charge an additional premium for each coverage provided.”

### **Oklahoma – HB 2350, 2002 Laws**

“Each Health Insurance Purchasing Group, in conjunction with a HIPG health carrier, shall make available a health benefits plan in the manner described in this section to all eligible employers and eligible employees at rates, including employers’ and employees’ shares, on a policy- or product-specific basis which may vary only as permitted under law.”

“The HIPG may also offer a health benefits plan not subject to state-mandated health benefits which does not contain standard provisions or rights required to be present in a health benefits plan pursuant to law or regulations unrelated to a specific illness, injury or condition of the insured, for the provisions as may be determined by rules and regulations of the Commissioner.”

### **Tennessee – SB 3187, 2004 Laws**

This law urges health insurers to develop and market a product that provides only major medical coverage for catastrophic illnesses requiring in-hospital treatment. Such a product would not be subject to state mandated coverage requirements. Any new product must be approved by the DOI.

### **Texas - SB 541, 2003 Laws**

This law allows health plans to offer a “mandate-lite” product without the following treatment mandates: substance abuse, reconstructive surgery, emergency care, immunizations and mammograms.

### **Utah - HB 122, 2002 Laws**

“The Act permits a carrier to offer less or different coverage than the basic benefit package, the minimum standards required by the Commissioner of Insurance, or any other health insurance mandate required by state law when the Department of Health offers similar coverage as a part of a Medicaid waiver.”

### **Virginia – HB 2234, 2003 Laws**

This law allows health plans to offer a variety of new products in the small group market. For example, health plans can choose to offer state-regulated “essential” and “standard” health products that do not contain all of the state mandated benefits.

### **Washington – HB 2460, 2004 Laws**

“A health care services contractor offering any health benefit plan to a small employer, either directly or through an association or member-governed group, may offer and actively market to the small employer a health benefit plan featuring a limited schedule of covered health services.”

“A health benefit plan offered under this subsection shall provide coverage for hospital expenses and services rendered by a licensed physician.”

*The Kansas Chamber, with headquarters in Topeka, is the statewide business advocacy group moving Kansas towards becoming the best state in America to do business. The Kansas Chamber and its affiliate organization, The Kansas Chamber Federation, have more than 10,000 member businesses, including local and regional chambers of commerce and trade organizations. The Chamber represents small, medium and large employers all across Kansas.*



**Wichita Independent Business Association**

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*THE VOICE OF INDEPENDENT BUSINESS*

Testimony by Cliff Sones  
House Bills 2365 and 2367  
House Committee on Insurance  
February 22, 2005

Chairman Shultz and Honorable Committee Members,

The issue of affordable, competitive and quality health care coverage has remained a central concern of the Wichita Independent Business Association (WIBA) since the mid 1990's when insurance premiums began to spiral.

Cost of health insurance has truly become a hindrance to the growth of small firms, diverting precious resources away from job creation and investment. Quite simply, small businesses are in a vise -- a health insurance cost squeeze, if you will. Unfortunately, higher costs have translated into a lower percentage of small businesses offering health benefits.

For many businesses, large increases in the cost of health insurance coverage force a reduction or elimination of coverage for their employees. Such cost increases particularly place small businesses at a severe disadvantage in terms of both attracting good employees and competing against rivals in the marketplace.

From our perspective it makes sense the state focus on health care reforms that target small business. House Bill 2365 and 2367 both will relax legislative control that will better enable the small business community in their quest to provide health insurance to their employees and hold the cost escalation down to some extent.

The members of WIBA strongly encourage you to support HB 2365 and HB 2367.

**415 S. Main Street / Wichita, KS 67202-3719**  
316-267-8987 / 1-800-279-9422 / FAX 316-267-8964 / E-mail: [info@wiba.org](mailto:info@wiba.org) / Web Site:  
[www.wiba.org](http://www.wiba.org)

House Insurance  
Date: 2-2-05  
Attachment # 9



*The Historic Lackman-Thompson Estate*

11180 Lackman Road  
Lenexa, KS 66219-1236  
913.888.1414  
Fax 913.888.3770

TO: Representative Clark Shultz, Chairman  
Members, House Insurance Committee

FROM: Ashley Sherard, Vice-President  
Lenexa Chamber of Commerce

DATE: February 22, 2005

RE: **HB 2365—Moratorium on Health Care Mandates**  
**HB 2367—Health Insurance for Small Employers**

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The Lenexa Chamber of Commerce would like to express its support for the concepts embodied in both HB 2365, which would place a two-year moratorium on new mandated health care benefits or coverage, and HB 2367, which would facilitate and encourage health insurance plans among small employers who have not previously offered coverage to their employees.

Most health care coverage in the U.S. is provided through an employer. Unfortunately, employers have absorbed several years of double-digit cost increases for employee health benefits. Higher costs mean fewer employers can afford to provide quality health care coverage for their employees, particularly among small businesses. In some cases benefits may be eliminated altogether. Of those employers that continue to provide coverage, substantial cost increases are often managed by reducing benefits or by requiring employees to contribute more toward their plans.

This prevention or loss of health care coverage endangers employees and their families, promotes costly emergency health care, and makes it more difficult for businesses to attract and retain quality employees.

We believe both HB 2365 and HB 2367 are key steps in the right direction. Preventing new coverage mandates and allowing insurers additional flexibility in the design of insurance plans for small employers would help control costs and ensure that businesses and employees have a range of affordable coverage options from which to choose.

For these reasons, the Lenexa Chamber of Commerce strongly urges the committee to consider the concepts embodied in both HB 2365 and HB 2367 favorably. Thank you for your time and consideration of this critically important issue.

House Insurance  
Date: 2-22-05  
Attachment # 10

TESTIMONY TO THE KANSAS HOUSE COMMITTEE ON INSURANCE/ HB 2367

February 22, 2005

Dear Representatives of the Kansas House Committee on Insurance:

Hello again. I am Dr. Ira Stamm, a psychologist in practice in Topeka and Kansas City. One of the last tasks I had when I worked at the Menninger Clinic in Topeka, Kansas was to travel coast to coast to visit insurance and managed care companies on behalf of Menninger. From 1991-1995 I visited 80-100 such companies. I obtained a bird's eye view of the transformation that was taking place in healthcare at that time.

It is clear to me that we face the coming Tsunami in health care. An aging population, a longer life-span, costly medicines and surgical techniques, and the growing divide between the haves and the have nots in America – portend a difficult future for all of us. However, House Bill No. 2367 offers no viable solutions for what ails the healthcare system in Kansas.

House Bill No. 2367 is the camel's nose under the tent in what is likely to be the first in a series of misguided efforts to do away with healthcare mandates in Kansas. Imagine an employer offering health insurance without coverage for newborns and their mothers, without treatment for diabetes, without treatment for mental health, and without treatment performed by dentists, optometrists, social workers, and psychologists. It is possible to remove so much of the important coverage of a health care plan that the plan begins to be of little value to the consumer. This would be the legacy of House Bill No. 2367.

House Bill No. 2367 eliminates the mental health mandate for small businesses. To do so is a costly error for those businesses. There is a growing body of "cost-offset" data that show that for every dollar a company spends for mental health services it recoups several times that dollar in less absenteeism and in reduced spending on medical and surgical care.

Let me share a common example. A middle age man goes to his primary care physician with complaints of lower back pain. The physician finds no organic basis for the pain but to be on the safe side refers the man to an orthopedic surgeon. As part of his work-up the surgeon orders x-rays, a CAT scan, or MRI. Already the medical tab is climbing.

House Insurance  
Date: 2-22-05  
Attachment # 11

The finding is one of no finding. Fortunately, one of the doctors or nurses asks the man about his mood. The doctor may even take the man through the checklist for symptoms of depression – only to learn that the man suffers from a major depression – and that the back pain is one symptom of that depression. Had the family physician been a little more aware that depression in middle aged men often manifests itself in back pain of unknown origin, he might have screened the man for depression or suggested that the man talk with a social worker in his office or with a psychotherapist down the hall.

*Estimates of potential cost savings to the healthcare system of better use of mental health services vary – some think that we can lower medical-surgical costs by as much as 20%.*

In closing, I am not without empathy for the plight of the small businessman in purchasing healthcare insurance. I am a small businessman myself. However, House Bill No. 2367 will only make the problem worse, not better. Under House Bill No. 2367 we are likely to see more and more families deciding to insure their children through public sector programs, further straining those programs.

Thank you.

Ira Stamm, Ph.D., ABPP  
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