

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by Vice Chairman David Wysong at 9:30 A.M. on January 13, 2005 in Room 234-N of the Capitol.

Committee members absent: Dennis Wilson- excused
Ruth Teichman- excused

Committee staff present: Melissa Calderwood, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Ken Wilke, Revisor of Statutes
Sandy Yingling, Committee Secretary

Conferees appearing before the committee: Dr. Bob Day, Governor's Office of Health Planning and Finance

Others attending: See attached list.

Vice Chair opened the meeting by introducing Dr. Bob Day.

An overview of the Business Health Partnership and the Governor's Healthy Kansas initiative was presented by Dr. Bob Day. Dr. Day explained the establishment of the Business Health Partnership and its purpose regarding health care cost. The Governor's preliminary initiative includes program costs. Dr. Day discussed the effects obesity, smoking exercise and prescription drugs have on healthcare cost to the state. He discussed waste and efforts to streamline cost. (Attachment 1)

The Vice Chair acknowledged Senator Barnett who questioned Dr. Day concerning the effect declining income from tobacco tax would have on the state.

The Vice Chair acknowledged Senator Barone who inquired how a small business owner could sustain large medical expense writeoffs.

Vice Chair recognized Senator Brownlee who shared comments regarding pharmacy programs.

Vice Chair recognized Senator Schmidt's comments regarding Canada drugs.

Vice Chair recognized Senator Brungardt who discussed looking beyond current year; define suitability and efficiency.

Senator Barnett brought up the issue of Web site prescriptions and the cost of training and staffing to keep up with e-records and e-healthcare. Also, the effects the cost the Health Insurance Portability and Accountability Act (HIPAA) is having.

Senator Brownlee addressed other issues - referrals; making drugs for ADD kids a controlled substance; standardize e-claim.

Senator Wysong asked about BHPC (Business Health Policy Committee).

Senator Barnett asked how a company qualifies for the BHP insurance plan.

Vice Chair Wysong asked if there were any further questions and thanked Dr. Day for his presentation.

The Vice Chair announced Tuesday, January 18th meeting and Commissioner Praeger will attend.

The meeting adjourned at 10:15 a.m.

FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: January 13, 2005

NAME	REPRESENTING
Sarah Novasione	Federico Consulting
James Jones	KID
Bill Sneed	AHIP
John Bottenberg	Delta Dental
Melissa Hungerford	KHA
Josie Torres	SILCK
Kelly Greene	KDOA
Patrick Hurley	KAC
Tanya Dorf	KACIL
Jennifer Schwartz	KACIL
Sheli Sweeney	ACM LICK
Mike Hammond	Acme K
Chad Austin	KHA
Richard Wilkerson	KCA
Richard Wilkerson	Farmers Alliance
Judy Eyerly	KAMU
Rebecca Bailey	KMS
Jenny Slaughter	KMS
Daniel Adair	KHA
Hann Roberts	HS DENTAL ASSN
Steve Montgomery	United Healthcare



KANSAS

GOVERNOR'S OFFICE OF HEALTH PLANNING AND FINANCE

ROBERT M. DAY, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

**Testimony on the Business Health Policy Committee
and HealthyKANSAS
presented to
Senate Financial Institutions and Insurance**

**by Robert M. Day, Ph.D.
Director
Governor's Office of Health Planning and Finance**

**January 13, 2005
9:30AM**

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**Robert M. Day, Ph.D., Director
Governor's Office of Health Planning and Finance**

Senate Financial Institutions and Insurance
January 13, 2005

Business Health Policy Committee and HealthyKANSAS

Madam Chairperson, I am Robert Day the Director of Governor Sebelius' Office of Health Planning and Finance. I appreciate this opportunity to meet with you and discuss our work on the Business Health Policy Committee.

Background

The Business Health Policy Committee (BHPC) was established by the 2000 Legislature (K.S.A. 40-4702) to create a mechanism for small businesses (2-50 employees) to pool health insurance purchases and provide affordable coverage to their employees. The legislation also anticipated the use of public dollars for a subsidy program to help pay premiums for low or modest- wage workers (up to 200% FPL).

The Committee is chaired by Insurance Commissioner Praeger and membership includes the legislative and executive branches as well as the private sector. The Committee is charged with creating a private-public business health partnership to interact with small businesses and provide the vehicle for pooled purchasing. Additionally, the legislation designates oversight responsibilities for the BHPC should subsidy money become available.

Pursuant to the 2000 legislation, the Kansas Health Partners Benefit Association (KHPBA), a nonprofit company, was selected by the BHPC as the Kansas Business Health Partnership in March 2002. As required in the legislation, the Association was charged with operating a purchasing pool that would provide a choice of two or more health plans to small businesses with 50 or less employees. The goal was to combine several sources of payment, including state and federal tax credits, direct public subsidies and traditional employer and employee contributions to provide affordable for health insurance for low and modest wage employees and their families. However, subsidy monies were never made available for the program. In September 2002, KHPBA began marketing a minimal benefits package, Horizons Cost Saver by Allied National, a Kansas City, Missouri insurer, and has sold the package with limited success. As of February 2004, 34 businesses (averaging 6 covered employees) had purchased the plan

Current Status

The Governor and Insurance Commissioner Praeger's HealthyKansas initiative is a comprehensive plan designed to address the need for affordable of health insurance. One element of this initiative includes a plan for reducing the number of uninsured through the provision of public subsidy dollars for low-wage employees of small businesses to purchase affordable and adequate health coverage. The plan calls for the Business Health Partnership to offer a commercial product for qualifying businesses. In order for this to occur, the Business Health Policy Committee must develop a viable model that provides an adequate

benefit package and a cost-effective subsidy to encourage sufficient, sustained participation of small businesses and their employees.

It is important that targeted policies be developed that will prevent the erosion of employer-sponsored health insurance as well as create incentives to expand access to health insurance. Data recently collected by the Kansas Insurance Department (KID) through a small employer survey funded by a Health Resources and Services Administration (HRSA) grant reveal that the majority of Kansas' small businesses want to provide health insurance for their employees, but it is cost prohibitive. They are interested in pooling mechanisms similar to those available in the large group health market, and we will be examining reinsurance options to reduce high risk population costs.

The BHP health package will be a voluntary offering to small businesses. While there will be premium costs to the employer, it is not yet known what those costs will be. Furthermore, it is not clear that this program will increase their total costs of doing business, because there is evidence that employers benefit from a healthy, productive workforce.

To assist with developing the health plan and subsidy, the University of Kansas in conjunction with our office has received a grant from the Commonwealth Fund for technical assistance in modeling the interaction between the levels of an employee subsidy and the take-up rate by individuals who could be covered through the BHP. Prior to determining subsidy levels, the Business Health Policy Committee will determine the desired benefit package.

Technical assistance by Mercer, a health consulting firm, and John Gruber, an economist from MIT, will provide a benefit package and levels of premium subsidy estimated to provide the highest participation rate by small businesses and their low-wage employees. These data elements will be used to formulate budget projections that can be used by the legislature and the Governor's Office to determine appropriate legislation for the 2005 legislative session.

The Insurance Department has also received an additional HRSA grant to analyze different methods of stratifying risk by pooling high risk individuals in order to reduce the cost for a business of the overall plan and to reduce price volatility. Survey data indicates that small businesses don't offer insurance for three reasons: 1) it costs too much, 2) it costs too much for their employees, or 3) they might purchase coverage but are worried about the volatility of offering a benefit with the potential for unaffordable cost increases in the future.

With the data and technical assistance provided through grant support, KID, and The Governor's Office of Health Planning and Finance, the BHPC is in the process of developing the benefits package and subsidy model. The plan is to have a product available for small businesses by January 2006.



Healthy KANSAS

1. Contain costs by streamlining the health care system

Approximately 30 percent of the \$12 billion that Kansans spend on health care every year goes to pay for administrative overhead, such as paperwork, claims processing, and provider credentialing. To address the problem, a Health Care Cost Containment Commission will be established to work with doctors, hospitals, and health plans to streamline the health care system. In addition, virtually all of the state's health care purchasing will be combined in a new business division – the Kansas Health Care Authority – to allow the state to use its \$1.6 billion in purchasing power to push for real cost-saving reforms.

Cost: None

2. Give small businesses an affordable health insurance option

Two-thirds of working Kansans who cannot afford health insurance are employed by small businesses. Though surveys indicate that many business owners would like to offer health coverage to their employees, most cannot afford it. Through the Business Health Policy Committee, which was created by the Legislature, small businesses that until now have not been able to offer coverage will be given an affordable new private insurance choice that will allow them to pool their resources.

Cost: \$12 million

3. Provide coverage and preventative care to Kansas children

Kansans support the goal of providing health care coverage to all Kansas children. As a first step toward that goal, the HealthyKansas initiative will launch an aggressive campaign to enroll the more than 40,000 Kansas children who are eligible for Health-Wave coverage but not receiving services. Through a process known as presumptive eligibility, a majority of these children will finally be enrolled. Providing coverage to these eligible children is not only the right thing to do, it will help lower health care costs. Often, children without coverage do not receive preventative care, which forces parents to seek expensive emergency room care when their children become ill.

Cost: \$9.5 million



4. Establish pilot project for children of low-income state employees

The 2001 Kansas Legislature authorized, but never funded, a pilot project to provide health coverage to children of state employees with household incomes that qualified them for HealthWave but who federal rules prohibited from receiving the benefit. The HealthyKansas initiative will assist those state employees in obtaining coverage for their children.

Cost: \$2.5 million

5. Provide coverage to low-wage, working parents

There are thousands of Kansas parents who work hard and play by the rules but who cannot afford health coverage. Currently, parents who make less than 37 percent of the federal poverty level (FPL) – approximately \$7,000 annually for a family of four – are eligible for HealthWave coverage. The HealthyKansas initiative would set that eligibility limit at 100 percent FPL, which for a family of four is \$18,850. Providing coverage to more than 30,000 low-wage working parents will significantly reduce the amount of uncompensated care that doctors and hospitals are forced to provide to uninsured Kansans, which in turn will lower everyone's health care costs.

Cost: \$25 million



6. Provide access to lower-cost prescription drugs

To help Kansans save money on life-saving prescription drugs, the state will collaborate with Kansas pharmacies to provide low-cost, generic drugs to low-wage working Kansans. The state has also established a Web-based prescription drug resource center to assist Kansas seniors and the uninsured in accessing free and reduced price medications, including access to the I-Save Rx Program to purchase lower cost medication through Europe and Canada.

Cost: \$500,000



7. Help Kansans get and stay healthy

No health care reform effort can be successful in containing costs if it does not address the growing epidemic of childhood and adult obesity and the documented health consequences of tobacco use. The Kansas Department of Health and Environment will work with business, education, and community leaders to implement an effective state-wide program to help Kansans assume greater personal responsibility for their health and wellness. The program will provide Kansans with incentives to increase their physical activity, avoid tobacco use, follow healthy diets, and seek preventive care.

Cost: None



8. Dedicated health care assessment on tobacco products

A 50 cent per pack health care assessment on cigarettes and a 5 percent health care assessment on other tobacco products, from the current 10 to 15 percent, will be dedicated to funding the HealthyKansas initiative. In Kansas, health care costs related to smoking total more than \$724 million annually. A health care assessment on tobacco products will not only raise the needed revenue for HealthyKansas, but is also proven to be the best method of reducing smoking among both youth and adults. Studies show that every 10 percent increase in the price of cigarettes reduces youth smoking by 7 percent and overall cigarette consumption by 3 to 5 percent.