

Approved: March 7, 2006

Date

MINUTES OF THE HOUSE INSURANCE COMMITTEE

The meeting was called to order by Chairman Clark Shultz at 3:30 P.M. on March 2, 2006 in Room 527-S of the Capitol.

All members were present except:

Representative Ray Cox- excused  
Representative Mitch Holmes- excused  
Representative Scott Schwab- excused

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:

Jarrod Forbes, Kansas Department of Insurance, Topeka, KS  
John Kiefhaber, Kansas Pharmacists Association, Topeka, KS

Others attending:

See attached list.

Hearing on:

**SB 405:**        **Insurance Commissioner; discretion to waive certain requirements for foreign insurance companies to operate in Kansas**

Melissa Calderwood, Legislative Research Department, gave a brief overview of **SB 405**.

Proponents:

Jarrod Forbes, Kansas Department of Insurance, (Attachment #1), gave testimony in support of **SB 405**.  
John Kiefhaber, Kansas Pharmacists Association, (Attachment #2), appeared before the committee in support of **SB 405**.

Hearing closed on **SB 405**.

Representative Grant recommended without objection the committee members approve the committee minutes of February 21, 2006.

Meeting adjourned at 3:45 P.M.

Next meeting will be Tuesday, March 7, 2006, at 3:30 P.M., in Room 527-S.





# K a n s a s I n s u r a n c e D e p a r t m e n t

**Sandy Praeger** COMMISSIONER OF INSURANCE

COMMENTS ON  
SB 405 CONCERNING FOREIGN INSURANCE COMPANIES  
HOUSE INSURANCE COMMITTEE  
March 2, 2006

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to speak with you on behalf of the Kansas Insurance Department. Senate Bill 405 would amend our foreign company statute to allow for the registration of Prescription Drug Plans.

As you know, these companies are selling Medicare Part D plans to our Kansas seniors. The intent of this legislation is to require any plan authorized to do business in Kansas to register with our Department so that our staff is better able to serve your constituents.

Without this legislation our department would have only the current information available on the Centers for Medicare and Medicaid Services (CMS) website, and it would be incumbent upon us to check the CMS website for updates.

With this legislation Mr. Chairman, we will be able to answer questions for our Kansas consumers. Given the testimony you heard last week from the pharmacists, we want the opportunity to assist and not force consumers to call a 1-800 number at CMS. I don't think we want to put our Kansas seniors in that situation.

As you will notice the bill allows for the Commissioner to accept different solvency standards than the requirements set forth in Kansas statutes, so long as those standards are in accordance with federal law. This is because the solvency standards adopted by Congress are not the same as the solvency standards we have in Kansas. Therefore, we must allow the Prescription Drug Plans to operate in Kansas by a different set of standards.

In general, our net worth requirement (capital plus surplus) is \$1.5 million or less, which is consistent with the CMS requirements. However, the problem is that we also have certain rules under statutory accounting and NAIC requirements that dictate what is

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considered an admitted asset or appropriate investments and what is not, but under the federal guidelines we would not be able to impose those same requirements on the PDPs. Federal guidelines also say that the PDPs may use either GAAP or statutory accounting which is inconsistent with our requirements.

In addition, our statute requires foreign companies to be in business for three years and be the subject of a financial exam that has been finalized and reported. Federal guidelines allow companies that have been in business even less than a year to qualify as PDPs under certain circumstances.

In summary, the PDPs are required to have \$1.5 million of net worth but what is included in that \$1.5 may or may not qualify under the requirements we place on regular insurance companies.

This legislation is intended to help the consumers of Kansas by offering our office as a place to voice their concerns rather than having to call CMS. I do have legal counsel with me today should you have any questions. With that Mr. Chairman, I would be happy to stand for any questions that you may have.



Jarrod Forbes  
Government Affairs Officer



**TESTIMONY**

**Before the HOUSE COMMITTEE ON INSURANCE**

**Concerning Senate Bill 405**

**By John L. Kiefhaber, Executive Director**

**March 2, 2006**

**Chairperson Shultz and members of the Committee:**

The 1,300 members of the Kansas Pharmacists Association (KPhA) would like to thank you for the opportunity to support Senate Bill 405, "**AN ACT concerning certain foreign insurance companies doing business in this state ...**" We have previously reported to legislative committees on the work that professional pharmacists have done and the problems they have encountered in the implementation of the federal government's new Medicare Prescription Drug Program, commonly known as Medicare Part D.

We would like to lend our support to the Insurance Commissioner in her action to make sure that the Prescription Drug Plans (PDPs) operating in Kansas are registered or licensed. These national companies are the plan providers serving our most vulnerable Kansas citizens, and Kansas pharmacists think that we need to know who they are. In some cases we have had great difficulty in contacting PDPs for contract details, pricing information, prior authorizations and even for basic drug formulary information. We can be risking our patients' health in some cases when delays or complete lack of information gets in the way with delivering medicines to Kansas seniors and other beneficiaries.

Until the Insurance Commissioner and her staff work out details of the regulatory plan that would be applied for Medicare PDPs or other entities targeted in the bill, we stand by in support of the basic provisions in the bill and believe it will afford some information and some security to the state and to our health care providers.

Thank you again for the opportunity to speak on this bill.