

## MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on January 31, 2006 in Room 234-N of the Capitol.

All members were present.

## Committee staff present:

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

## Conferees appearing before the committee:

Tim Blevins, Chief Information Technology Officer, Kansas Dept. Of Revenue  
Sandy Praeger, Commissioner of Insurance  
John L. Kiefhaber, Executive Director, Kansas Pharmacists Association

## Others attending:

See attached list.

The Chair welcomed everyone to the meeting and introduced Tim Blevins, Chief Information Technology Officer, State Department of Revenue, who presented information to the committee on **(SB 321) - An act relating to the Kansas Department of Revenue, providing for the development and implementation of an electronic motor vehicle financial security verification system.**

Mr. Blevins said the current VIPS system was originally installed in the late 1980's. The system has had continual improvements made since that time with substantial improvements made in the last five years, he said. One of the improvements in 2002 included the ability of KDOR to establish an ongoing communication channel with Kansas Insurance Companies that provide vehicle insurance in order for KDOR to provide on-line vehicle registration renewals through the KDOR vehicles on-line registration system, Mr. Blevins said.

Mr. Blevins added that the process of involving the key stakeholders in the redesign and implementation of the new systems required to manage vehicles and driver licenses in the State of Kansas will significantly add to the benefits realized by the work that is pending to replace current systems in a modern environment. The time frame of one year for the stakeholder groups to form and come to agreement on design as it relates to data interfaces and data exchange related to VIPs will enhance the overall outcome of the work that is already required by the KDOR Motor Vehicles Division and all the customers of KDOR VIPS and KDLIS systems. Any process to move towards a stand-alone solution to stand between or beside KDOR VIPS or KDLIS systems and the numerous stakeholders should be avoided. KDOR and the VIPs and KDLIS stakeholders have already spent years and countless resources establishing current communications channels and systems integration. A stand-alone design will simply take us further away from a tightly designed multi-channel system that is required to be able to implement and manage solutions that meet all VIPS stakeholder needs without requiring considerable additional resources and complexities in the future, Mr. Blevins said.  
(Attachment 1)

Hearing on **(SB 405) - An act concerning certain foreign insurance companies doing business in this state; pertaining to the commissioner's waiver of certain requirements.**

## Overview

Melissa Calderwood gave an overview of the Bill, stating the bill would authorize the Insurance Commissioner, at her discretion, to waive certain requirements with restrictions.

The Chair introduced Sandy Praeger, Commissioner of Insurance.

Commissioner Praeger said **(SB 405)** would amend the foreign company statute to allow for the registration of Prescription Drug Plans. These companies are selling Medicare Part D plans to Kansas seniors. The intent of this legislation is to require any company authorized to do business in Kansas to register with the Insurance

## CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on January 31, 2006 in Room 234-N of the Capitol.

Department so that staff is better able to serve the people of Kansas.

She said without this legislation the Insurance Department would have only the current information available on the Centers for Medicare and Medicaid Services Website, and it would be incumbent upon the Insurance Department to check the CMS website for updates.

The Commissioner further stated that the Insurance Department would better be able to answer questions for consumers.

In addition, the Commissioner said 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 conclusion, she said she stated the legislation is intended to help the consumers of Kansas by offering their office as a place to voice their concerns rather than having to call CMS. The issue is, when they are doing business in Kansas, we want to have contact information so we have an easy way to get in touch with them, she said. (Attachment 2)

The Chair introduced John Kiefhaber, Executive Director, Kansas Pharmacists Association who testified in support of (**SB 405**). Mr. Kiefhaber said the Pharmacists Association had previously reported to the committee 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, known as Medicare Part D.

Mr. Kiefhaber said the Pharmacists Association would like to lend their support to the Insurance Commissioner in her action to make sure that Prescription Drug Plans (PDPs) operating in Kansas are registered or licensed. Mr. Kiefhaber said these national companies are the plan providers serving our most vulnerable Kansas citizens, and Kansas pharmacists think they need to know who they are. In some cases, he said, we have had great difficulty in contacting PDPs for contract details, pricing information, prior authorizations and even for basic drug formulary information. He said patients' health could be at risk in some cases when delays or complete lack of information gets in the way with delivering medicines to Kansas seniors and other beneficiaries. Mr. Kiefhaber said the Pharmacists Association expects that the basic provisions in the bill will afford some information and some security to the state and to health care providers. (Attachment 3)

### **Minutes approved**

The Chair asked for a motion to approve Minutes of January 24, 25 and 26. Senator Schmidt moved to approve. Senator Barnett seconded. Motion passed.

The meeting adjourned at 10:30 a.m. The next meeting of this Committee is scheduled for February 1, 2006.

FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: January 31, 2006

NAME	REPRESENTING
Alex Kotyantz	PIA
John Kitzhaber	Ks Pharmacists Assoc.
Draive Albert	KDOR - Vehicles
Lori Church	KAPCIC
Richard Smarago	Kenya & Assoc
Dan Murray	Federico Consulting



# K A N S A S

JOAN WAGNON, SECRETARY

DEPARTMENT OF REVENUE  
INFORMATION SERVICES

KATHLEEN SEBELIUS, GOVERNOR

January 31<sup>st</sup>, 2006

Thank you for the opportunity to present on issues pertaining to Senate Bill 321 and update you on the projects related to these systems from the Kansas Department of Revenue Strategic Information Management and Budget Plan. My name is Tim Blevins and I am the Chief Information Officer for the Kansas Department of Revenue.

The Kansas Department of Revenue currently maintains the VIPS (Vehicle Information Processing System) which is used across Kansas Counties, within the KDOR, and provides information associated from this system that is made available to Kansas Law Enforcement's systems through the Criminal Justice Information System. The VIPS application itself is the number one priority for KDOR in regards to disaster recovery due to the critical nature of providing real time vehicle related data to Kansas law enforcement. The current VIPS system was originally installed in the late 1980's. The KDOR VIPS system has had continual improvements made since that time with substantial improvements made in the last five years. One of the new improvements made in 2002 included the ability of KDOR to establish an ongoing communication channel with Kansas Insurance Companies that provide vehicle insurance in order for KDOR to provide Online Vehicle Registration Renewals through the KDOR Vehicles on-line Registration System.

Over the last five years KDOR completed the implementation of the new State of Kansas Tax system under Project 2000. The KDOR has also been working on the replacement of the CAMA (Computer Aided Mass Appraisal System) and is now implementing that system in the first ten targeted counties. The CAMA system rollout to the other ninety-five counties will take place over the next several years. Now that the initial design and implementation work for the CAMA system is nearing completion the Motor Vehicle VIPS system becomes the next large system that is scheduled to begin the process for replacement. The initial work to start the replacement of the VIPS system will take place in Fiscal Year 2008 unless outside funding can be found to accelerate the timeline. The VIPS Replacement Project will start with a feasibility study and then be followed up with a systems design for the new Kansas Vehicle Information Processing System.

The replacement of the current VIPS system will affect many stakeholders including KDOR Motor Vehicle staff, Kansas Law Enforcement Agencies, and Kansas Insurance Companies that provide insurance on vehicles and drivers, and others. An associated system that will also need re-designed and implemented as an integrated part of the new VIPS system is the Kansas Drivers License System. The new functionality established within VIPS over the last few years becomes base line functionality that will be reviewed for inclusion in the new VIPS system design. New products associated with VIPS such as on-line Renewals on Motor Vehicle Registrations that interface with Kansas Insurance Companies will be enhanced to support other needed Insurance Company notifications such as the need for KDOR to be notified with Insurance Cancellations on vehicle insurance as articulated in SB 321a. The work to design and add the new requirements in SB 321a could be handled simultaneously but additional funding will be needed. The requirements documents as they relate to the requirements of SB 321a and as agreed to and developed by the stakeholder committees could then simply be inserted as base line functionality

needed in the replacement of the Kansas VIPS and KDLIS applications. If it is determined after the design meetings and agreements are made that the new VIP's implementation dates are beyond when the start up of these processes are necessary, KDOR can design the new feeds for Insurance Cancellations from the Kansas Insurance Companies to KDOR. KDOR can do this in such a way that when the new VIPS systems is in place and implemented it will simply receive the data feeds as set up in the current environment previous to the implementation of the new VIPS system.

The process of involving the key stakeholders in the redesign and implementation of the new systems required to manage Vehicles and Driver Licenses in the State of Kansas will significantly add to the benefits realized by the work that is pending to replace these systems in a modern environment. The timeframe of one year for the stakeholder groups to form and come to agreement on design as it relates to data interfaces and data exchange related to VIPS will enhance the overall outcome of the work that is already required by the KDOR Motor Vehicles Division and all the customers of the KDOR VIPS and KDLIS systems. Any process to move towards a third party stand-alone solution to stand between or beside KDOR VIPS or KDLIS systems and the numerous stakeholders should be avoided. KDOR and the VIPS and KDLIS stakeholders have already spent years and countless resources establishing current communications channels and systems integration. A stand alone design will simply take us further away from a tightly designed multi-channel system that is required to be able to implement and manage solutions that meet all VIPS stakeholder needs without requiring considerable additional resources and complexities in the future.

Thank you again for the opportunity to present. May I answer any questions?



# Kansas Insurance Department

**Sandy Praeger** COMMISSIONER OF INSURANCE

## COMMENTS ON SB 405

### SENATE FINANCIAL INSTITUTIONS AND INSURANCE January 31, 2006

Madam Chair 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 Madam Chair, 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 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.

*Senate FI & I Com  
Attachment 2  
January 31, 2006*

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 Madam Chair, I would be happy to stand for any questions that you may have.



**Kansas Pharmacists Association**  
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Kansas New Practitioners Network  
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## TESTIMONY

Before the SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND  
INSURANCE

Concerning Senate Bill 405  
By John L. Kiefhaber, Executive Director  
January 31, 2006

**Chairperson Teichman 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 you 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.

We have not had an opportunity to confer with the Insurance Commissioner and her staff on details of the regulatory plan that would be applied for Medicare PDPs or other entities targeted in the bill, however we expect that the basic provisions in the bill 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.

*Senate FI & I Com.  
Attachment 3  
January 31, 2006*