

Approved: 2-19-07

Date

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairman Lana Gordon at 3:30 P.M. on February 8, 2007 in Room 519-S of the Capitol.

All members were present except:

Gary Hayzlett- excused

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department

Hank Avila, Kansas Legislative Research Department

Jason Long, Revisor of Statutes

Ann Deitcher, Committee Assistant

Conferees appearing before the committee:

Brad Smoot, Legis Counsel, Blue Cross/Blue Shield of Kansas and Wheatlands Administrative Services

John Campbell, General Counsel, Insurance Dept.

Steve Kelly, Commerce Dept.

Joan Wagnon, Secretary, Dept. Of Revenue

Christy Caldwell, Topeka Chamber of Commerce

Others attending:

See attached list.

HB 2274 - relating to credits against premium taxes for investments in qualified business facilities.

Jason Long addressed the Committee in explanation of **HB 2274**.

Questions and answers followed.

Brad Smoot offered testimony in favor of **HB 2274**. (Attachment 1).

He also explained the history of Blue Cross and Blue Shield of Kansas (BCBSKS) and the creation of Wheatlands Administrative Services as a subsidiary of Blue Cross and Blue Shield of Kansas. (Attachment 2).

Copies of written only testimony in support of **HB 2274** were distributed from Congressional members, Kansas Governor Kathleen Sebelius and various medical association officials. (Attachment 3).

Questions and answers followed.

John Campbell, representing State Insurance Commissioner, Sandy Praeger, appeared to urge the Committee's favorable action on **HB 2274**. (Attachment 4).

Steve Kelly addressed the Committee in support of **HB 2274**. He offered a copy of the Economic Impact of Financial Services Jobs as prepared by Paul F. Byrne, Ph.D., Assistant Professor of Economics at Washburn University School of Business. (Attachment 5).

He also offered a summary of costs and benefits for all taxing units. (Attachment 6).

Secretary Wagnon testified in favor of **HB 2274**. (No written testimony was provided).

Christy Caldwell appeared as a proponent of **HB 2274**. (Attachment 7).

The meeting was adjourned at 4:20 p.m. The next meeting is scheduled for Monday, February 12, 2007.

BRAD SMOOT

ATTORNEY AT LAW

800 SW JACKSON, SUITE 808
TOPEKA, KANSAS 66612
(785) 233-0016
(785) 234-3687 (fax)
bsmoot@nomb.com

10200 STATE LINE ROAD
SUITE 230
LEAWOOD, KANSAS 66206

Statement of Brad Smoot
Legislative Counsel
Wheatlands Administrative Services
House Economic Development and Tourism
Regarding 2007 HB 2274
February 8, 2007

Madame Chair and members of the committee,

Blue Cross and Blue Shield of Kansas is a mutual insurance company based in Topeka providing health insurance benefits to approximately 700,000 Kansans in 103 counties. I also represent Wheatlands Administrative Services, a wholly owned subsidiary. We are pleased to have the opportunity to comment in favor of House Bill 2274.

For forty years, Blue Cross and Blue Shield of Kansas has administered Medicare throughout Kansas under a cost-based, no-bid contract. In addition, for about 15 years, it has administered Medicare Part B (the physician side – Part A is the hospital side) in Nebraska and Northwest Missouri. It takes a staff of about 340 persons to administer this contract, most of whom are located in Topeka but with a satellite facility in Salina.

When Congress passed the Medicare Modernization Act in 2003, it required that these contracts to administer traditional Medicare programs (these are not Medicare managed care or prescription drug program, but the government program as it has existed since 1966) must all be placed on a bid basis. In carrying out this mandate, the Centers for Medicare and Medicaid Services, or CMS, also ended its tradition of placing contracts on a state-by-state basis, establishing 15 multistate jurisdictions across the nation.

Under this approach, Kansas is in a four state jurisdiction that also includes Nebraska, Iowa and Missouri. The contract for this jurisdiction will be awarded July 1, 2007. As a part of this bid process, CMS made it clear that it strongly preferred not to contract directly with an insurer, but instead to contract with a subsidiary, and – largely out of concern about conflicts of interest – insisted on governance of such subsidiaries including board members not affiliated with the insurer.

To address those concerns, Blue Cross and Blue Shield of Kansas formed a wholly-owned subsidiary, Wheatlands, in 2006 for the purpose of bidding on this Medicare business. As of January 1, 2007, all persons directly involved in Medicare administration became employees of Wheatlands, controlled by its own board of directors. Wheatlands submitted a bid on this contract in November 2006. It anticipates that CMS will narrow the number of bidders and negotiate best and final offers sometime in March of 2007.

The impact of this bid on the economy of Topeka and Kansas would be significant, a potential swing of about 600 jobs. If the contract is awarded to Wheatlands. it would add

Economic Development & Tourism
Date: 2-8-07
Attachment # 1-1

about 280 jobs, but if it loses the contract, the current 340 jobs will go away. The volume of work and of health care providers served more than doubles with the new four state region.

If Blue Cross and Blue Shield of Kansas were bidding this directly, under current law, it would be able to take advantage of the tax credits currently available under state law, and would be able to enhance the competitiveness of its bid in that way. But in forming a subsidiary, only the subsidiary could obtain the tax credits under current law. We anticipate that several other entities will be bidding on this region, none of which are Kansas based. This will be an extremely competitive bidding process, so it is unlikely that Wheatlands would be able to use any available tax credits.

The bill we offer would allow for passing those credits up to a parent, but only if the company earning the credit receives in turn the full value of that credit either in payment or in reduced charges for inter-company services, so that the economic incentive actually flows only to the bidding party to enhance its competitiveness.

We propose an effective date of publication in the Kansas register. This is intended to provide some assurance that any such credits can be used by Wheatlands in negotiating with the federal government in March.

We recognize that the Governor is proposing a revision and consolidation of existing tax laws. The statute we propose is designed to be embedded in the insurance code, not the tax code, and the structure mirrors the structure of current insurance law granting credits for Kansas employees of insurance companies. If the Governor's package passes, we will work with the legislature to make conforming amendments to this law, if it is enacted, as a part of that package.

These contracts must be bid after five years by law. We have included a sunset provision in this bill that is intended to parallel that; because the primary staffing will actually begin in late 2007 or early 2008, we included the flexibility to use earned but unused credits after the sunset.

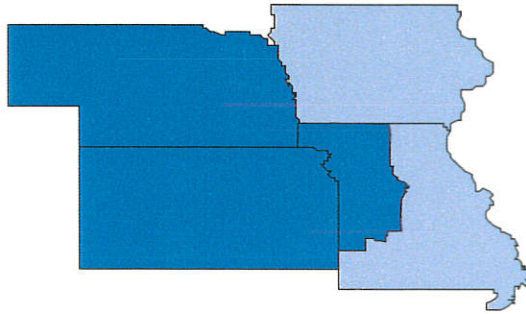
This bill, as all tax credit bills, is intended to enhance the economy of Kansas, in this case by making a Kansas company, Wheatlands, more competitive in competing for a significant government contract. Our effort to win this Medicare contract have received the support of the Kansas Medical Society, the Kansas Hospital Association, the Kansas Medical Group Managers Association, the Metropolitan Medical Society of Kansas City, the Nebraska Medical Society, the Nebraska Hospital Association, the entire Kansas congressional delegation, the Kansas Insurance Commissioner, and the Governor. The Secretary of Revenue has also expressed her support, as has the Topeka Chamber of Commerce. Copies of endorsements provided.



We urge your favorable consideration of HB 2274. Thank you.



Fact Sheet

Fiscal Year 2006



-  Current Service Area
-  Jurisdiction #5

Welcome to Wheatlands!

Wheatlands Administrative Services, Inc., is a wholly-owned subsidiary of Blue Cross and Blue Shield of Kansas cultivating the long-standing tradition of dedicated service to the Medicare program created during a 40-year relationship between its parent organization and the federal government. Wheatlands is solely dedicated to conducting the Medicare operations for which the company is currently under contract and for bidding on future Medicare business.

Mission Statement

We will strive to meet our customer's expectations by working together in a cost effective manner.

CMS is our primary customer. As part of our contractual obligations with CMS, other customers include beneficiaries, providers, internal customers and any other entities serviced.

Our primary customer's expectation is that we are compliant with all performance requirements, policies and procedures.

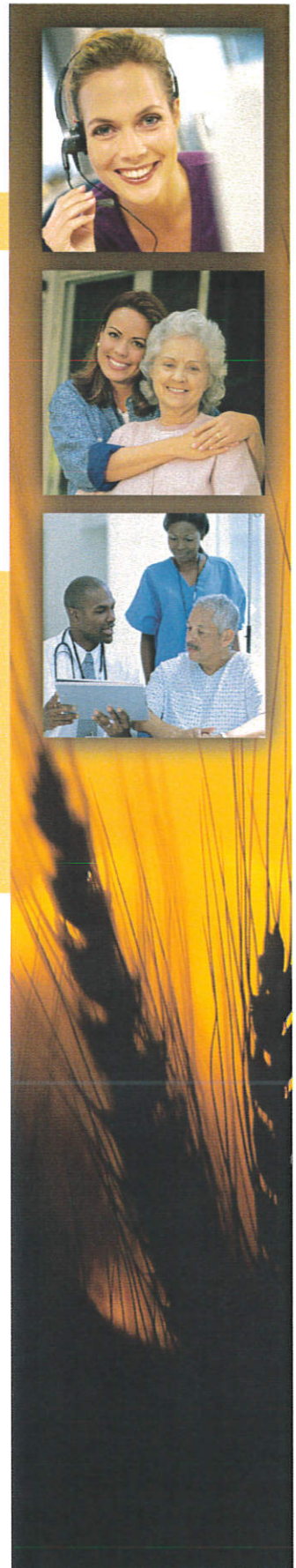
Headquarters

Wheatlands Administrative Services, Inc.
1133 SW Topeka Blvd.
Topeka, KS 66629-0001

Contact

Douglas R. Scott
Chief Operating Officer
Telephone: (785) 291-7371
E-mail: doug.scott@wheatlandsadmin.com

*Wheatlands Administrative Services, Inc. is a Subsidiary of Blue Cross and Blue Shield of Kansas.



Service Area

Fiscal Intermediary for Medicare Part A in Kansas
 Carrier for Medicare Part B in Kansas, Nebraska and Northwest Missouri*

Mailing Address

Kansas
 Wheatlands Administrative
 Services
 P.O. Box 3543
 Topeka, KS 66601-3543

Nebraska
 Wheatlands Administrative
 Services
 P.O. Box 3541
 Topeka, KS 66601-3541

Northwest Missouri
 Wheatlands Administrative
 Services
 P.O. Box 3537
 Topeka, KS 66601-3537

Beneficiary Toll Free Number

1-800-MEDICARE

Provider Toll Free Numbers

Kansas (Part B)..... 877-567-7270
 Kansas (Part A)..... 866-839-2443
 Nebraska (Part B)..... 866-839-2438
 Northwest Missouri (Part B) 866-839-2442
 TDD 888-234-7904

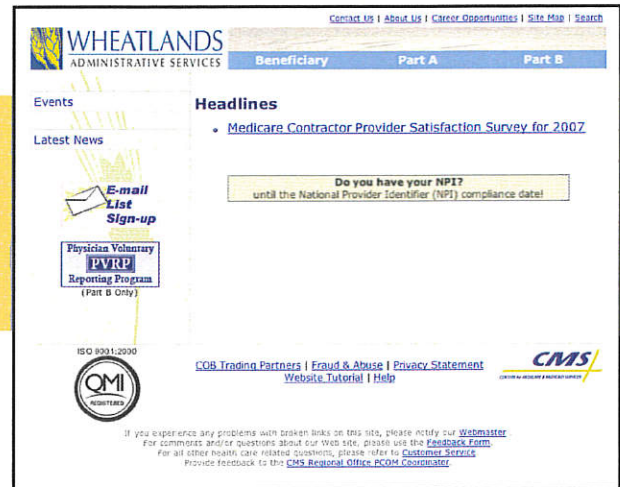
Web site

www.wheatlandsadmin.com

Employees

Topeka	315
Salina	11
Nebraska	1
Total	327

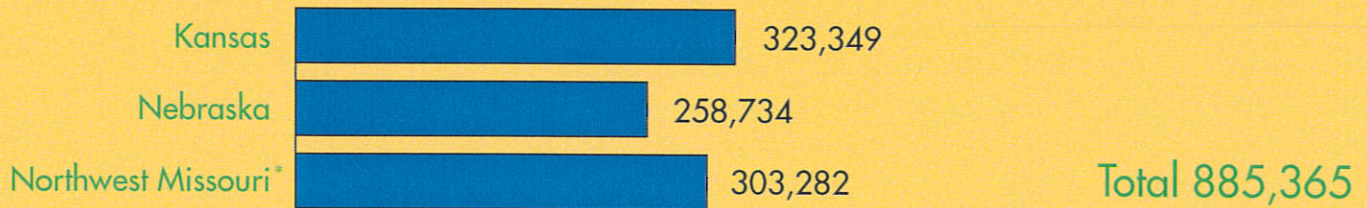
Average length of employment for Medicare employees — 12 years
 2006 turnover was 7.9 percent



* Northwest Missouri includes Johnson and Wyandotte counties, plus 30 counties in Missouri.

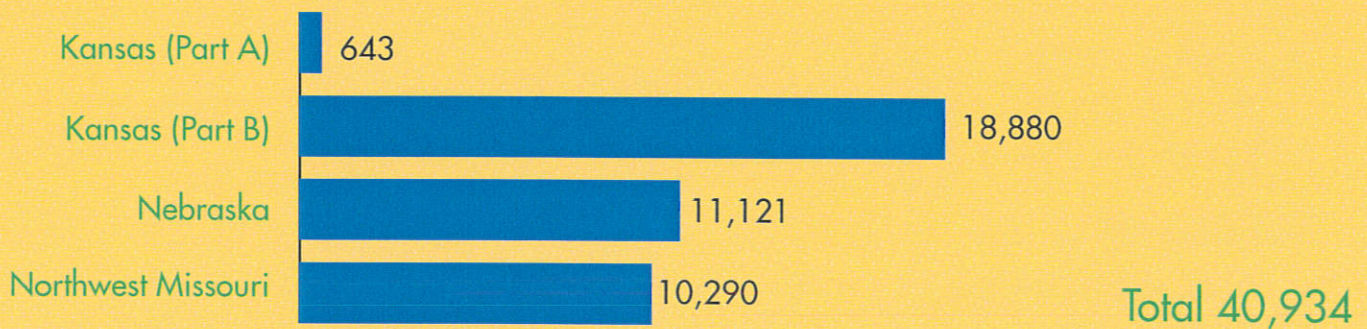
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Beneficiaries Served

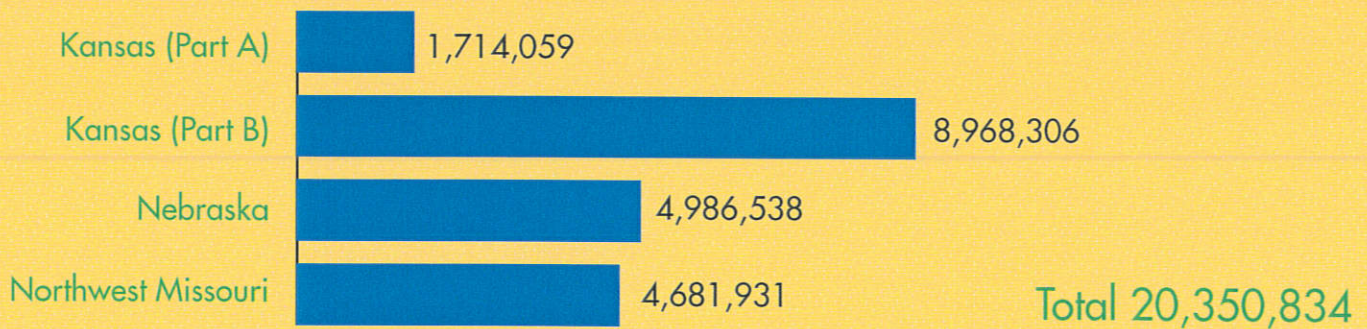


* Northwest Missouri includes Johnson and Wyandotte counties, plus 30 counties in Missouri

Providers Served



Claims Processed



Claims Paid



† Part A in Kansas

‡ Part B in Kansas, Nebraska, and Northwest Missouri

Total \$2,675,940,876

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History

July 1, 1966

Blue Cross and Blue Shield of Kansas (BCBSKS) begins administering Medicare Part A and Medicare Part B for 103 counties in Kansas.

December 1, 1988

BCBSKS begins administering Medicare Part B for the State of Nebraska.

October 1, 1991

BCBSKS begins administering Medicare Part B for Northwest Missouri plus Johnson and Wyandotte counties in Kansas.

October 1, 1992

BCBSKS begins administering Medicare Part A for Johnson and Wyandotte counties, increasing its Medicare Part A claims volume by one-third.

January 2006

The Topeka-based facilities for Medicare operations earn the ISO 9001:2000 certification from Quality Management Institute (QMI). The certification is in force until January 2009 upon successful completion of annual surveillance audits.

October 1, 2006

Wheatlands Administrative Services, Inc., is created as a wholly-owned subsidiary of BCBSKS to administer all current and future Medicare business.



ISO 9001:2000



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Congress of the United States

House of Representatives

Washington, DC 20515

October 26, 2006

Douglas R. Scott
Chief Operating Officer
Wheatlands Administrative Services, Inc.
P.O. Box 3543
1133 SW Topeka Blvd.
Topeka, Kansas 66601-3543

Dear Doug:

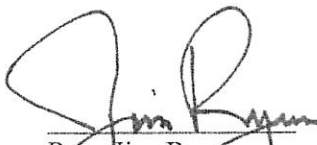
Thank you for taking the opportunity with Fred Palenske to share with us your update on the Medicare Contractor Reform initiatives and your progress toward developing a bid for Jurisdiction 5. Blue Cross and Blue Shield of Kansas' forty-year heritage as a Medicare contractor has been invaluable to the seniors and providers of Kansas.

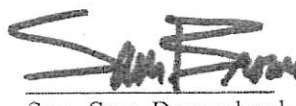
Your reputation for superb operational performance and responsiveness as a contractor is held in high regard not only by our offices, but also by the many Kansan providers and beneficiaries who utilize your services. Your experienced staff has fostered a working relationship with other health care stakeholders that can only be described as outstanding.


The Medicare Modernization Act has brought forward new opportunities for Medicare administrative contractors. Your business model that has been created for Wheatlands Administrative Services, Inc. aligns with this new vision, and we are pleased to know you will be submitting a bid for the jurisdiction that will include the state of Kansas.

The economic impact of your current operation and your plans for growth through the awards for A/B MAC contracting is a true asset for Kansas. We look forward to continuing to work with you in providing quality health care in an efficient way to Kansans, and we are proud to support your bidding efforts for the procurement of Jurisdiction 5.

Sincerely,


Rep. Jim Ryan
Member of Congress


Sen. Sam Brownback
Member of Congress


Sen. Pat Roberts
Member of Congress

Dennis Moore
Rep. Dennis Moore
Member of Congress

Jerry Moran
Rep. Jerry Moran
Member of Congress

Todd Tiahrt
Rep. Todd Tiahrt
Member of Congress

KANSAS

OFFICE OF THE GOVERNOR

KATHLEEN SEBELIUS, GOVERNOR

September 29, 2006

William Pitsenberger, President
Wheatlands Administrative Services, Inc.
1133 Topeka Boulevard
Topeka, KS 66601

RE: A/B Medicare Administrative Contract

Dear Mr. Pitsenberger:

Bill,

I was happy to visit with Mike Mattox, Doug Scott and you about your plans for bidding on the A/B Medicare Administrative Contract for Jurisdiction 5, including Kansas, Nebraska, Iowa and Missouri, through Wheatlands Administrative Services, Inc., a subsidiary of Blue Cross and Blue Shield of Kansas, Inc., formed recently for the purpose of bidding on that business.

I have been privileged to be in a unique position to observe intimately the operations of Blue Cross and Blue Shield of Kansas during eight years as Commissioner of Insurance and the past four years as Governor. As Insurance Commissioner, I had regulatory responsibility for the company, and as Governor I have a role as a customer, overseeing the purchase of health insurance for more than 50,000 Kansas employees and their families.

I felt strongly enough that Kansans needed to continue to enjoy these qualities that I insisted this company, its staff and its operations, remain a key Kansas asset. The responsiveness, quality of service, and integrity of operations to which BCBSKS employees are committed have brought exceptional value to customers, including not just the state employee program but the hundreds of thousands of Kansans who rely on them, while providing regulatory agencies, including the Kansas Insurance Department, with a strong level of confidence in the ethics, stability, and openness of the company. In my experiences with BCBSKS, it has enjoyed the highest levels of provider and consumer satisfaction, satisfaction that arises out of the highest levels of provider and customer service.

Sincerely,



Kathleen Sebelius
Governor of the State of Kansas

Capitol, 300 SW 10th Ave., Ste. 2125, Topeka, KS 66612-1590

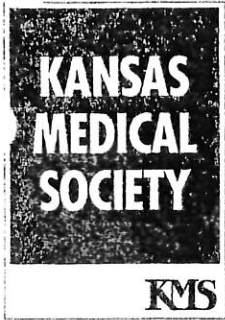
Voice 785-296-3232

Fax 785-296-7973

www.ksgovernor.org

governor@state.ks.us

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623 SW 10th Avenue
Topeka, KS 66612-1627
785.235.2383
800.332.0156
fax 785.235.5114

www.KMSonline.org

September 1, 2006

Doug Scott
Chief Operating Officer - Medicare
Blue Cross Blue Shield of Kansas
P.O. Box 3543
Topeka, Kansas 66601-3543

Dear Mr. Scott:

The Kansas Medical Society is pleased to endorse and support Blue Cross Blue Shield of Kansas in the upcoming bid for jurisdiction five of the CMS Medicare Administrative Contractors (MAC). Blue Cross Blue Shield of Kansas has served as the Medicare contractor for our area since the program's inception in 1966, and it has been a reliable resource for physicians and their practices throughout that time.

We have particularly appreciated the fact that Blue Cross has made open and regular communication with the physician community a high priority. Your staff is responsive, knowledgeable, and experienced. Their availability and willingness to work with us to address issues of concern about the program is especially helpful to us as we provide information about the program to our physician members.

We look forward to working with you in the future, and please let us know if we can assist you in any way in this process.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Jerry Slaughter", is written over a large, light-colored oval shape that serves as a background for the signature.

Jerry Slaughter
Executive Director



Thomas L. Bell
President

TO: Centers for Medicare and Medicaid Services

FROM: Thomas L. Bell, President *Tom Bell*

DATE: July 7, 2006

RE: **BLUE CROSS AND BLUE SHIELD OF KANSAS**

The Kansas Hospital Association maintains an excellent working relationship with the Medicare Fiscal Intermediary division of Blue Cross and Blue Shield of Kansas (BCBSKS) and would endorse their expansion into other regions without reservation.

BCBSKS excels in a number of areas as fiscal intermediary for the Part A program. First, we commend their personable and professional provider relations and training staff. Their willingness to go beyond the required level in assisting hospitals with the implementation and understanding of new rules and regulations is noteworthy. My colleagues in other regions of the country have often remarked on how fortunate we are to have such a competent and cooperative fiscal intermediary. Their audit staff is very thorough and always administers the myriad of rules, regulations and program memorandums hospitals must follow fairly. Lastly, their oral, electronic and written communication skills are exemplary.

Relationships between FIs and hospitals are not without periodic conflicts as should be expected. However, BCBSKS' professional, yet personal approach to conflict resolution is to be much-admired.

Again, it is without reservation that I endorse the fiscal intermediary of Blue Cross and Blue Shield of Kansas.

06191377

Kansas Hospital Association

215 SE 8th Ave. • P.O. Box 2308 • Topeka, KS • 66601 • 785/233-7436 • Fax: 785/233-6955 • www.kha-net.org

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KANSAS MEDICAL GROUP MANAGEMENT ASSOCIATION



February 15, 2006

Doug Scott, COO
Medicare of Kansas
P O Box 3543
Topeka, KS 66601-3543

Dear Doug:

As President of Kansas Medical Group Manager's Association, I am writing on behalf of our organization in support of Blue Cross and Blue Shield as our Medicare Carrier. As you know, our KMGMA membership consists of medical practice managers from small to large group practices of all medical specialties across the state. Because Kansas has a significant population of Medicare beneficiaries; the majority of Kansas physicians and managers deal with our carrier frequently, if not daily. We have always enjoyed a positive working relationship with representatives from our carrier and are very satisfied with claims processing and payment processes. In addition, we are provided with ongoing education related to directives from CMS and how these directives will impact our claims filing and reimbursement issues.

Our members are aware that the bidding process for our state carrier is underway and we want to insure that CMS is informed of our desire to continue having Blue Cross and Blue Shield of Kansas as our CMS contracted Carrier.

Sincerely,

A handwritten signature in cursive script that reads "Terry Freeman". The signature is written in black ink and is positioned above the printed name.

Terry Freeman, President
Kansas Medical Group Manager's Association

0051377

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**Kansas
Insurance
Department**

Sandy Praeger
Commissioner
of Insurance

August 23, 2005

Michael M. Mattox
President
BlueCross BlueShield of Kansas
1133 S. W. Topeka Blvd.
Topeka, Kansas 66629-0001

Re: Medicare Administration Contract

Dear Mr. Mattox:

Recently I was informed that BlueCross BlueShield of Kansas (BCBSKS) would be bidding on the new contract to administer Medicare not only in Kansas, but in a four state administrative area. I was delighted to here that news.

I know that BCBSKS is a quality organization which has done an excellent job in administering Medicare in Kansas. By continuing to administer Medicare for citizens of Kansas and in expanding our administration to the four-state region the citizens of all the states effected would be very well served.

Please let me know if I can be of assistance. I wish BCBSKS the best in the bidding process.

420 SW 9th Street
Topeka, Kansas
66612-1678

Ph 785.296.3071
Fax 785.296.7805

Consumer Hotline
1.800.432.2484

www.ksinsurance.org

Sincerely,

A handwritten signature in cursive script that reads "Sandy Praeger".

Sandy Praeger
Commissioner of Insurance



METROPOLITAN
MEDICAL SOCIETY
of GREATER KANSAS CITY

October 26, 2006

By fax to 785-291-7193
Doug Scott
Chief Operating Officer, Medicare
Wheatlands Administrative Services, Inc.
Blue Cross and Blue Shield of Kansas
1133 SW Topeka Blvd.
Topeka, KS 66629-0001

Dear Mr. Scott:

The Metropolitan Medical Society of Greater Kansas City comprises nearly 900 physicians practicing throughout the five county Kansas City metropolitan area in Kansas and Missouri. We are dedicated to ensuring that physicians maintain high ethical conduct and quality of care for their patients. The Metropolitan Medical Society of Greater Kansas City takes a leadership role in the delivery of health care services and the development of public policy.

I want to thank you for supporting our leadership role with the communication and coordination of information from the knowledgeable, experienced and dedicated staff of Wheatlands Administrative Services' Medicare operations. The service your staff has provided for years to our physician members and their administrative staff as Blue Cross and Blue Shield of Kansas has been excellent. Wheatlands' staff is prompt with new information, claims processing and payment, and service to our inquiries.

Our ability to meet the needs of the physicians and their patients regarding Medicare program requirements and information is in part a result of proactive and responsive communication by Wheatlands Administrative Services' role as a Medicare contractor. We understand that Medicare contractor reform will require regions throughout the country to competitively bid for the A/B/ Medicare Administrative Contractor (MAC) work. We strongly support Wheatlands Administrative Services' bid for Jurisdiction 5 and would appreciate the Centers for Medicare and Medicaid Services' consideration in its award decision.

Sincerely,

A handwritten signature in cursive script that reads "Jill S. Watson".

Jill S. Watson
Interim Executive Director

315 Nichols Road, Suite 250
Kansas City, Missouri 64112
www.metromedkc.org

Phone 816-531-8132
Fax 816-531-8438

3-8



Kansas Health Policy Authority

MARCIA J. NIELSEN, PhD, MPH
Executive Director

ANDREW ALLISON, PhD
Deputy Director

October 23, 2006

Douglas R. Scott
Chief Operating Officer, Medicare
Blue Cross Blue Shield of Kansas
P.O. Box 3543
Topeka, KS 66601-3543

Dear Mr. Scott:

It has recently come to our attention that BlueCross BlueShield of Kansas (BCBSKS) will be bidding for jurisdiction five of the CMS Medicare Administrative Contractors (MAC).


BCBSKS served as the Medicaid Fiscal Agent for the State of Kansas for 6 years, from 1995 to 2001. At that time the Medicaid agency was located in the Department of Social and Rehabilitation Services. Recently the Medicaid agency was joined with the State Employees Health Benefits team under the Kansas Health Policy Authority.

As the fiscal agent, BCBSKS provided quality services to over 200,000 beneficiaries and 19,000 providers. They were a major contributor to the successful administration of the Medicaid program during that time period. We were especially pleased with their emphasis on provider relations and customers' satisfaction.

Through the years, BCBSKS was able to successfully address challenges to maintain a quality product. They demonstrated that they could quickly and effectively respond to challenges. They were also especially helpful and very professional when it came time to transition to an alternate Medicaid Fiscal Agent.

Based on our experience with BCBSKS, we have no reservation in endorsing them as the Medicare Administrative Contractor for Jurisdiction 5.

Sincerely,


Christiane Swartz

Administrator, Purchasing
And Contract Management

Agency Website: www.khpa.ks.gov

Address: Rm. 900-N, Landon Building, 900 SW Jackson Street, Topeka, KS 66612-1220

Medicaid and HealthWave:

Phone: 785-296-3981

Fax: 785-296-4813

State Employee Health

Benefits and Plan Purchasing:

Phone: 785-296-6280

Fax: 785-368-7180

State Self Insurance Fund:

Phone: 785-296-2364

Fax: 785-296-6995

3.9



Kansas Insurance Department

Sandy Praeger COMMISSIONER OF INSURANCE

House Committee on Economic Development & Tourism

Testimony in Support of House Bill 2274

February 8, 2007

Madam Chairperson, members of the Committee, my name is John Campbell, I am the General Counsel for the Kansas Insurance Department. I am here today representing Insurance Commissioner Sandy Praeger in support of House Bill 2274.

In Kansas, whenever insureds pay premiums, 2 cents of every dollar paid in premiums is sent by the insurance companies to the state as a tax. Over \$112 million dollars in premium taxes were collected by the Insurance Department last year, these premium tax dollars are deposited in the State General Fund. The current premium tax credits are designed to promote the growth of insurance industry jobs in Kansas.

The Insurance Department supports HB 2274 because it means jobs. Passage of House Bill 2274 will help a Blue Cross and Blue Shield of Kansas' subsidiary, Wheatlands, secure a new federal contract for administration of Medicare in a four-state region. The competition for this contract involves other states and is very intense. Currently over 300 Kansans are employed by Wheatlands in the administration of Medicare in Kansas. The new regional contract will replace the old state based system. If Wheatlands lands the new contract, hundreds of current jobs will be saved and hundreds of new jobs created in Kansas. If Wheatlands does not secure the new contract, all of those jobs will be lost to another state.

Insurance is the third largest industry in Kansas. The industry is clean and non-polluting. It provides good paying jobs. We are convinced that the positive economic impact of HB 2274 will outweigh any loss in premium tax revenue. We urge the Committee to act favorably on the bill.

Economic Impact of Financial Services Jobs

Prepared by Paul F. Byrne, Ph.D.
Assistant Professor of Economics
Washburn University School of Business
for Greater Topeka Chamber of Commerce
April 2006

Economic Impact of Financial Services Jobs on Shawnee County

- What is the economic impact of three hundred financial services jobs on the Shawnee County economy?
- Jobs result in three types of economic impact
 - Direct Impact- Economic activity from the business itself
 - Indirect Impact- Economic activity from the business' suppliers
 - Induced Impact- Economic activity from increased household spending

Measuring Economic Impact

- Assumptions

- Jobs are lost to the local economy
 - Loss of three hundred jobs results in the economic activity supported by the jobs occurring outside Shawnee County
- Average yearly salary of jobs is \$30,000 resulting in a total payroll of \$9,000,000 per year
- 80% of employees live within Topeka's city limits
 - Remaining 20% of employees live outside Topeka's city limits but within Shawnee County

Measuring Economic Impact

- Regional Project Assessment System (RPAS)
 - RPAS is used to measure the economic impact of financial services jobs on the Shawnee County economy
 - Takes into account that suppliers and consumers will make some purchases from businesses outside of Shawnee County
 - Uses data specific to the area to estimate the amount of economic activity that leaks out of Shawnee County

Economic Impact on Local Economy

Economic Impact	Increase in Economic Activity
Direct Impact	\$33.4 Million
Indirect Impact	\$14.2 Million
Induced Impact	\$8.1 Million
Total Economic Impact	\$55.7 Million

Household Income

- Topeka households benefit from increased economic activity
- In addition to the \$9 million of income from the three hundred jobs being considered, households also earn income as a result of the indirect and induced economic impacts

Increase in Household Income as a Result of Increase Economic Activity

<u>Economic Impact</u>	<u>Increase in Household Income</u>
Direct Impact	\$9.0 Million
Indirect Impact	\$4.4 Million
Induced Impact	\$2.8 Million
<hr/>	
Total Economic Impact	\$16.1 Million

Where is Additional Income Spent?

Household Spending	Amount
Housing	\$3,039,829
Food (at home)	\$1,512,421
Vehicle Purchases	\$1,434,702
Utilities and Public Services	\$1,280,246
Health Insurance, Medical Services & Supplies	\$1,213,378
Food (away from home)	\$826,054

Where is Additional Income Spent?

Household Spending	Amount
Apparel	\$624,411
Gasoline & Motor Oil	\$578,441
Household Furnishings & Major Appliances	\$520,125
Household Operations & Supplies	\$450,059
Televisions & Electronics	\$308,019
All Other Categories	\$4,030,320

Tax Revenue Generated by Indirect and Induced Economic Impact

Local Tax	Estimated Impact on Local Tax Revenue
County Property Tax	\$300,658
County Sales Tax	\$50,104
City Property Tax	\$182,163
City Sales Tax	\$43,569
School District Property Tax	\$413,575
Total	\$990,069

Summary of Impact on Local Economy

- \$55.7 million in increased economic activity
 - \$33.4 million from direct impact
 - \$22.3 million from indirect and induced impacts
- \$16.1 million in increased household income
 - \$9.0 million from direct impact on household income
 - \$7.1 million of increase goes to households not employed by financial services firm being considered
- \$990,069 increase in local tax revenues from indirect and induced impact

Summary of Costs and Benefits for all Taxing Units

Benefits:

	Sales Taxes	Property Taxes	Utilities and Utility Franchise Fees	Corporate and Personal Income Taxes	Additional School Funding	Other Revenues (Including PILOT)	Total Benefits
City: Topeka	\$535,487	\$376,348	\$143,737			\$3,059,392	\$4,114,963
County: Shawnee	\$484,544	\$540,943				\$577,412	\$1,602,898
USD #501 Topeka		\$553,961			\$2,776,717		\$3,330,679
Topeka & SN Co. Public Library		\$52,790				\$28,044	\$80,834
State of Kansas	\$2,852,952	\$19,921		\$4,366,584		\$4,269,533	\$11,508,990

Costs, Incentives and Taxes Abated:

	Costs of Services for the Firm and New Residents	Costs of Educating New Students	Taxes Abated	Incentives	Total Taxes Abated & Incentives	Total Costs
City: Topeka	\$767,730		\$0	\$0	\$0	\$767,730
County: Shawnee	\$374,861		\$0	\$850,000	\$850,000	\$1,224,861
USD #501 Topeka		\$66,773	\$0		\$0	\$66,773
Topeka & SN Co. Public Library	\$48,314		\$0		\$0	\$48,314
State of Kansas	\$1,830,092	\$964,213	\$0	\$4,073,798	\$4,073,798	\$6,868,103

Net Benefits:

	Total Benefits	Present Value of Total Benefits	Total Costs (Includes Taxes Abated and Incentives)	Present Value of Total Costs	Benefit to Cost Ratio (Over 10 Years)
City: Topeka	\$4,114,963	\$3,055,288	\$767,730	\$571,197	5.35 : 1
County: Shawnee	\$1,602,898	\$1,184,319	\$1,224,861	\$1,044,775	1.13 : 1
USD #501 Topeka	\$3,330,679	\$2,468,186	\$66,773	\$49,680	49.68 : 1
Topeka & SN Co. Public Library	\$80,834	\$59,860	\$48,314	\$35,946	1.67 : 1
State of Kansas	\$11,508,990	\$8,500,114	\$6,868,103	\$6,100,914	1.39 : 1

Other

	Net Benefits	Present Value of Net Benefits	Taxes Abated & Incentives	Present Value of Taxes Abated and Incentives	Payback Period for Taxes Abated and Incentives and Taxes Abated	Compound Rate of Return (Over 10 Yrs)
City: Topeka	\$3,347,233	\$2,498,882	\$0	\$0	1 Year	N/A
County: Shawnee	\$378,037	\$139,544	\$850,000	\$604,738	6 Years	N/A
USD #501 Topeka	\$3,263,905	\$2,418,507	\$0	\$0	1 Year	N/A
Topeka & SN Co. Public Library	\$32,520	\$23,914	\$0	\$0	N/A	N/A
State of Kansas	\$4,640,887	\$2,575,634	\$4,073,798	\$569,464	7 Years	N/A

House Committee on Economic Development and Tourism
House Bill 2274
February 8, 2007
By: Christy Caldwell, Vice President Government Relations
Greater Topeka Chamber of Commerce
ccaldwell@topekachamber.org

Chairwoman Gordon and members of the committee:

I am here today to speak in support of the passage of HB 2274.

The purpose of HB 2274 is to assure that Wheatlands Administrative Services, Inc. – the Blue Cross and Blue Shield of Kansas subsidiary that is bidding on the administration of Medicare in a four-state region – is able to take full advantage of all economic incentives that exist today so that Wheatlands' bid is as competitive as possible and that this important business in our city remains vibrant.

Blue Cross and Blue Shield (BCBS) has administered Medicare in Kansas for forty years and components of it in Nebraska and NW Missouri for about 15 years. The rules have changed; they are now being required to bid on keeping this existing business and acquiring new business in a larger consolidated region, this will be done through a subsidiary of BCBS - Wheatlands.

Today, there are approximately 340 Wheatlands employees directly associated with the administration of Medicare. As I understand it, if they were to win this contract, it would add about 260 more employees. If they fail to win the contract, it will mean a loss of their existing jobs. The loss of these 340 jobs would have a major adverse impact on the on the service and retail industries, the housing market, and other businesses in our community as well as the devastating loss to our community when our neighbors and friends will no longer have jobs. Conversely, gaining the additional 260 jobs will significantly strengthen both our local and state economy.

We are not asking that Wheatlands be given a special tax break, but rather simply to maximize the full benefit of tax breaks that would otherwise be available to it.

The Topeka Chamber of Commerce fully supports assuring these jobs are secure for the future and we want the work force to continue to grow. Our economic development division – GO Topeka and the Topeka and Shawnee County Joint Economic Development Organization (the joint governing bodies of the city and county) unanimously voted in 2006 to provide financial support in order that Wheatlands gain this five-year contract. GO Topeka and JEDO have committed \$1 million over a five year period, in local funds, as an incentive to retain and grow the company. We believe the value of these jobs is significant to our state and our community and that it is imperative that additional support be gained through passage of HB 2274.

We urge your positive action on this bill

Economic Development & Tourism

Date: 2-8-07

Attachment # 7