

MINUTES OF THE SENATE HEALTH CARE STRATEGIES COMMITTEE

The meeting was called to order by Chairman Susan Wagle at 1:30 P.M. on March 19, 2007 in Room 231-N of the Capitol.

Committee members absent:

Committee staff present: Ms. Emalene Correll, Kansas Legislative Research Department  
Mrs. Terri Weber, Kansas Legislative Research Department  
Mr. Jim Wilson, Revisor of Statutes Office  
Ms. Nobuko Folmsbee, Revisor of Statutes Office  
Ms. Margaret Cianciarulo, Committee Secretary

Conferees appearing before the committee: Ms. Larrie Ann Lower, Executive Director,  
Kansas Association of Health Plans  
Ms. Cheryl Dillard, Director of Government Relations,  
Coventry Health Care  
Mr. Brad Smoot, Legislative Counsel,  
Blue Cross Blue Shield of Kansas City  
Mr. Chad Austin, Vice President Government Relations,  
Kansas Hospital Association  
Dr. Marcia Nielsen, Executive Director,  
Kansas Health Policy Authority

Others in attendance: Please see attached Guest List

**Continued discussion & final action on SB 309 - an act enacting the KS Health Care Connector Act**

Upon calling the meeting to order, Chairperson Wagle referred the Committee to the proposed Substitute for SB309 placed before them. She then called on Ms. Larrie Ann Lower, Executive Director, Kansas Association of Health Plans (KAHP) who stated:

A.) Their organization's members serve most of all Kansans with private health insurance and Kansans that are enrolled in Healthwave and Medicaid managed care;

B.) Appear in support of the proposed Substitute for SB309 and agree a complete review of the issues involved by the KHPA with continued oversight by the Health Policy Authority Oversight Committee is a positive step;

C.) Commend Senators Barnett and Wagle, and other members of the Committee for their leadership and allowing so many conferees to participate in public discussion on the connector and other proposals to attempt to help the uninsured.

A copy of her testimony is (Attachment 1) attached hereto and incorporated into the Minutes as referenced.

The next conferee to be called on was Ms. Cheryl Dillard, Director of Government Relations, who stated that they are pleased to be one of the health insurance plans offered to Kansas state employees. She also commended Senator Barnett and Wagle for their leadership. A copy of her testimony is (Attachment 2) attached hereto and incorporated into the Minutes as referenced.

Mr. Brad Smoot, Legislative Counsel, Blue Cross Blue Shield of Kansas City (BCBS) was the third conferee, who stated that the substitute language offered in this proposed Substitute for SB309 appears to be calculated to insure that all information and expertise are made available before the legislature undertakes definitive health care financing reform. Mr. Smoot also offered a letter from BCBS of Kansas to the Chair of the Senate Health Care Strategies Committee.

A copy of his testimony and the letter is (Attachment 3) attached hereto and incorporated into the Minutes as referenced.

CONTINUATION SHEET

MINUTES OF THE Senate Health Care Strategies Committee at 1:30 P.M. on March 19 in Room 231-N of the Capitol.

Page 2

The Chair then called on Mr. Chad Austin, vice President Government Relations, Kansas Hospital Association, who stated that the proposed Substitute for **SB309** would require KHPA to develop health care finance reform options, including an analysis of the Kansas health care insurance connector and other initiatives that increase access to affordable health insurance and the bill is consistent with the principles developed by the Health for All Kansans Steering Committee, and they do support the bill. A copy of his testimony is (Attachment 4) attached hereto and incorporated into the Minutes as referenced.

The last to testify was Dr. Nielsen, who was not yet available and so the Chair recognized Mr. Andy Allison, Deputy Director from KHPA who expressed their support for the enabling legislation embodied in the substitute language in the proposed Substitute for **SB309**. He also provided some background on the health reform process unfolding in Kansas this year and how this enabling legislation sets out a road map for health reform over the course of the next year and in the years to come. A copy of Dr. Nielsen's testimony is (Attachment 5) attached hereto and incorporated into the Minutes as referenced.

The Chair then asked the audience if there was anyone else who wanted to speak to the new substitute bill, seeing none, she asked if there were any questions of the conferees, seeing none, the Chair mentioned that Ms. Emalene Correll, Kansas Legislative Research Department, has had an opportunity to "fly speck" the bill and did have some technical changes. The Chair asked if she would explain these changes.

Ms. Correll stated:

A.) The first change could be found on page 1, line nine, where it begins "the 2008 regular session . . .," change the "the" before Kansas to "a" because "the" seems to imply we already have this connector rather than that is what is supposed to be studied;

B.) On page 2, subsection C:

1.) Beginning on line 6, delete "by serving as a clearinghouse a" and then change "facilitate" and continue to read, "facilitating pooling and purchasing of health insurance," Then, place this statement, which will now become (4), under subsection (b), the goal section, on the first page;

2.) At the end of line 5, place a period after the word "decisions."

3.) On line 6, where it reads "to facilitate access" should be changed and continue to read as "facilitating access to health insurance by small businesses and individuals." Then place this statement, which will now become (5), under subsection (b), the goal section, on the first page;

4.) On line 8 and 9, the remaining text, "as a component of the options proposed under subsection (a)" would be deleted.

D.) (4) and (5) are also included with the goals that you want the Authority to follow and analyze in making their proposals.

The Chair stated that what is still on books is the original **SB309**, therefore a substitute bill would be in order.

Senator Journey made a motion to substitute the proposed amended language offered by Mr. Correll and pass out favorably. It was seconded by Senator Barnett. As there was no discussion, the motion carried.

**Adjournment**

As there was no further business, the Chair adjourned the meeting. The time was 2:30 p.m.

# SENATE PUBLIC HEALTH AND WELFARE COMMITTEE

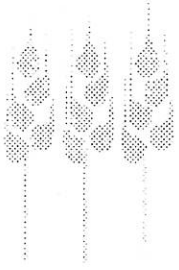
## GUEST LIST

DATE: Monday, March 19, 2007

| NAME               | REPRESENTING                            |
|--------------------|---|
| Cynthia Smith      | SOL Health System                       |
| Chad Austin        | KHFA                                    |
| Chip Wheelen       | Asn of Osteopathic Med.                 |
| Mary Ellen Onlee   | Via Christi Health System               |
| Bob Vanerum        | Greater KC Chamber                      |
| Tom Bruno          | EIDS                                    |
| Kerri Spielman     | KAIA                                    |
| Lisa Benton        | American Cancer Society                 |
| PAT EAKES          | KCDC                                    |
| Mandy Miller       | Sen. Schmidt                            |
| Janet Gibbs        | United Healthcare                       |
| John Meetz         | KID                                     |
| Barrie Ann Lower   | KAHP                                    |
| Cheryl Bellard     | Coventry Health Care                    |
| Brad Smeat         | BESS / I-FHP / Am Fam                   |
| Travis Green       | Children's Mercy Family Health Partners |
| Sarah Tidwell      | KSWA                                    |
| Carolyn Muddending | K <sub>2</sub> St D's Assn              |
| Joe St             | Self                                    |

Dan Murray

Federico Consulting



# Kansas Association of Health Plans

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**Testimony before the  
Senate Health Care Strategies Committee  
Sub for SB 309  
March 19, 2007**

Madam Chair 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 associated with managed care. KAHP members serve most all Kansans with private health insurance. KAHP members also serve the Kansans enrolled in HealthWave and Medicaid managed care.

We appreciate the opportunity to appear in support of the proposed Substitute for SB 309. The KAHP commends Senators Barnett and Wagle and the rest of the Committee for your leadership and for allowing so many of us to participate in the public discussions on the "connector" and other proposals to attempt to help the uninsured. We agree a complete review of the issues involved by the Kansas Health Policy Authority with continued oversight by the Health Policy Authority Oversight Committee is a positive step. The KAHP is also pleased to have several representatives of our member companies serving on one of the advisory committees recently appointed by the KHPA specifically, the Purchaser Advisory Council.

Again, thank you for allowing us to participate in this process and we continue to offer our resources, input and assistance. We look forward to working together in the coming months to accomplish the goal of expanding health insurance coverage to more Kansans. Thank you and I'll be happy to answer any questions you may have.

*Senate Health Care Strategies Committee  
Date: March 19, 2007  
attachment 1*



Kansas Senate Health Care Strategies Committee  
Testimony from Cheryl Dillard, Coventry Health Care of Kansas, Inc.  
Substitute for SB 309  
March 19, 2007

Madame Chair and Committee Members—

I am Cheryl Dillard, Director of Government Relations for Coventry Health Care of KS. Coventry offers a full line of health insurance products throughout Kansas and Western Missouri. We are pleased to be one of the health insurance plans offered to Kansas state employees.

Thank you for the opportunity to provide favorable comments on the Substitute for SB 309. The Substitute directs the Kansas Health Policy Authority to do a full analysis of various health insurance reform proposals. Under Senator Barnett's leadership last year, you wisely created the Authority for just this purpose. We favor this comprehensive approach.

We want to recognize Senators Barnett and Wagle for their leadership on health insurance reform and their willingness to continue to include the health insurance industry in the ongoing discussions.

Thank you for the opportunity to present these comments today.

*Senate Health Care Strategies Committee  
Date: March 19, 2007  
Attachment 2*

# BRAD SMOOT

ATTORNEY AT LAW

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LEAWOOD, KANSAS 66206

March 19, 2007

The Honorable Susan Wagle  
Chair, Senate Health Care Strategies Committee  
Capitol, Room 221-E  
Topeka, KS 66612

Dear Senator Wagle:

On behalf of Blue Cross Blue Shield of Kansas City, I want to extend our support for the substitute language to be offered on SB 309, the "connector" proposal. As you know, BSBSKC serves Johnson and Wyandotte Counties in Kansas and the western third of Missouri. BCBSKC is a non-profit hospital and medical service corporation covering about 200,000 Kansas lives.

As you know, health care is one of the biggest economic and social issues facing Kansas and the nation. Steps taken by the Kansas legislature can improve the affordability and access to thousands of Kansans, but to be successful, the legislation must be thoroughly analyzed and carefully crafted. The last thing any of us desires is unintended and adverse consequences. The substitute language to SB 309 appears to be calculated to insure that all information and expertise is made available before the legislature undertakes definitive health care financing reform. We could ask for nothing more.

BCBCKS offers insurance products to large groups, small groups and the non-group market. We operate in the highly competitive Kansas City provider market and have a great deal of experience regarding the forces that drive costs of care, costs of coverage and drive employers and families to go without coverage. We stand ready to be of any assistance that we can as you look to new solutions to Kansas' health care financing challenges.

We appreciate the openness of the Kansas legislative process and your willingness to consider our views both now and in the coming months. If we may be of assistance, please do not hesitate to contact me at your convenience.

Sincerely,



Brad Smoot  
Legislative Counsel  
Blue Cross Blue Shield of Kansas City

BS:crw

cc: Senator Jim Barnett, MD  
Dr. Marci Nielsen, PhD  
Steven Bledsoe, Blue Cross Blue Shield of Kansas City

*Senate Health Care Strategies Committee  
Note: March 19, 2007  
Attachment 3*

# BRAD SMOOT

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March 14, 2007

The Honorable Susan Wagle  
Chair, Senate Health Care Strategies Committee  
Capitol, Room 221-E  
Topeka, KS 66612

Dear Senator Wagle:

We have had an opportunity to review the draft substitute language for SB 309, distributed to the Senate Health Care Strategies Committee yesterday. We very much appreciate the public debate on health care and the connector issue in particular. Blue Cross Blue Shield of Kansas feels an obligation to our 700,000 customers and the public to offer information to lawmakers on proposed changes in health insurance laws. The legislative arena allows all citizens, including corporate citizens, an opportunity to share their expertise and views on matters of public interest. We are grateful for that opportunity.

As you know, few issues are of greater public interest than health care and health care financing. And, because BCBSKS offers health insurance products in the group, non-group and state employees plan, the groups of Kansans affected by the "connector" model contained in SB 309, BCBSKS is a unique source of information and perspective on that subject. As we have previously noted, BCBSKS is supportive of health care reform efforts, including proposals to broaden coverage, continue coverage and make coverage more affordable. However, as also indicated, the transition from the status quo to some new and very different market format, such as envisioned by SB 309, is not without complications and difficulties.

For these reasons, we are very supportive of the substitute language you have crafted for SB 309. A thoughtful review by the Kansas Health Policy Authority, a report to the Governor and Legislature and continuing oversight by a legislative committee is just what is needed at this time. We are also very pleased to see that the proposed substitute bill specifically calls for a thorough analysis by actuaries and economists, as we recommended in our original comments on SB 309. The substitute language you have offered represents a thoughtful and deliberate approach to restructuring one sixth of the Kansas economy. We applaud this approach.

Thank you for considering our views and please do not hesitate to ask for our assistance or input in the future. BCBSKS employees and customers remain vitally interested in the decisions of state government as those decisions will dramatically affect the future of health care financing for generations to come.

Sincerely,



Brad Smoot  
Legislative Counsel  
Blue Cross Blue Shield of Kansas

BS:crw

cc: Mike Mattox, President, Blue Cross Blue Shield of Kansas  
Senator Jim Barnett, MD  
Dr. Marci Nielsen, Director, Kansas Health Policy Authority





Thomas L. Bell  
President

March 19, 2007

TO: Senate Health Care Strategies Committee

FROM: Chad Austin  
Vice President, Government Relations

SUBJECT: Substitute for Senate Bill 309

The Kansas Hospital Association appreciates the opportunity to provide comments on the substitute for Senate Bill 309. This legislation would require the Kansas Health Policy Authority to develop health care finance reform options, including an analysis of the Kansas health care insurance connector and other initiatives that increase access to affordable health insurance.

SB 309 requires that this analysis be done with the goals of (1) financing health care and health promotion in a manner that is equitable, seamless and sustainable for consumers, providers, purchasers and government, (2) promoting market-based solutions that encourage fiscal and individual responsibility, and (3) protecting the health care safety net in the development of such options. As such, the bill is consistent with the principles developed by the Health for All Kansans Steering Committee, a collaborative group that includes legislators, KHPA Board members and others. These principles include:

- Every Kansan should have access to patient-centered health care and public health services ensuring the right care, at the right place, and the right price;
- Health promotion and disease prevention should be integrated directly into these services;
- The financing of health care and health promotion in Kansas should be equitable, seamless, and sustainable for consumers, providers, purchasers and government;
- Reforms to the health system in Kansas should be fiscally responsible, market based, and promote individual responsibility; and
- Reforms to the health system in Kansas must protect the health care safety net.

Health care reform is perhaps the single biggest challenge facing both federal and state governments today. The issues are incredibly complex and have been many years in the making. Reforming the Kansas health care system is a long term challenge and will

**Kansas Hospital Association**

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*Senate Health Care Strategies Committee  
Date: March 19, 2007  
Attachment 4*

require a willingness to collaborate among payers, providers and consumers. Kansas government alone cannot create a central control system that will work effectively to make decisions that are so complicated -- socially, technologically, and financially -- and that matter so much to patients and communities.

The process that will move the state of Kansas toward health reform has started. Senate Bill 309 is an important part of that process.



**Kansas Health Policy Authority**  
Coordinating health & health care for a thriving Kansas

MARCIA J. NIELSEN, PhD, MPH  
Executive Director

ANDREW ALLISON, PhD  
Deputy Director

SCOTT BRUNNER  
Chief Financial Officer

**Testimony on:**  
Substitute Language for Senate Bill 309

**presented to:**  
Senate Health Care Strategies Committee

**by:**  
Dr. Marcia Nielsen  
Executive Director  
  
Dr. Andrew Allison  
Deputy Director and  
Acting Medicaid Director

**March 19, 2007**

**For additional information contact:**

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Kansas Health Policy Authority

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*Senate Health Care Strategies Committee  
Note: March 19, 2007  
Attachment 5*

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**State Employee Health  
Benefits and Plan Purchasing:**  
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**State Self Insurance Fund:**  
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**Senate Health Care Strategies Committee**  
**March 19, 2007**

**Substitute Language for Senate Bill 309**

Good afternoon Madame Chair and members of the Committee. My name is Marcia Nielsen, and I am the Executive Director at the Kansas Health Policy Authority. I appreciate having the opportunity to express our support for the enabling legislation embodied in the substitute language for SB 309. I would like to thank Senators Barnett and Wagle for their leadership on this important issue – that is, setting up a process to consider options for reforming our health system in Kansas.

First, I will briefly provide some background on the health reform process unfolding in Kansas this year, and then I will discuss how this enabling legislation sets out a road map for health reform over the course of the next year and in the years to come.

**Background on Health Reform Process**

Currently, nearly 11 percent of Kansans (or approximately 300,000) are uninsured. Although we have made great strides in recent years to help *children* get access to health care through increased enrollment in Medicaid and the State Children's Health Insurance Program, there is more that we can do for families. The Kansas Health Policy Authority Board has embraced making health and health care services affordable and accessible for all Kansans, as well as promoting health and wellness in order to improve health outcomes and manage rising health care spending.

Although Kansas has a relatively low rate of those who are uninsured and a moderately high level of employer-sponsored health insurance, the majority of the uninsured in our state are low-wage full-time workers employed in small businesses. Small employers struggle to find affordable health insurance for their employees and there are very limited options for those in the non-group market.

In response to a request from the Governor and suggestions by legislators, the Kansas Health Policy Authority Board created the Health for All Kansans Steering Committee, comprised of legislators, KHPA Board members, the Governor's staff and other key stakeholders. The Health for All Kansans Steering Committee has been engaged in discussions aimed at developing meaningful, practical, Kansas-based health reform options. The Steering Committee has met four times to discuss literally dozens of reform options, including the kinds of insurance market reforms outlined for study in the substitute language for SB 309.

In each of our meetings, I have been impressed with the great energy put forward by the Committee to accomplish something this Legislative session. We have been building consensus on what we can do in the 2007 legislative session in terms of a short-term legislative package and enabling legislation that sets out a road map for broader health reform in the coming year. The committee's dedication to this endeavor is vital as we move forward in this process.

**Health for All Kansans Steering Committee**

In order to frame health reform in Kansas, the Steering Committee adopted guidelines for consideration in the development of health reform options, as outlined below.

- Every Kansan should have access to patient-centered health care and public health services ensuring the right care, at the right place, and the right price.

5-2

Health promotion, education, and disease prevention should be integrated directly into these services.

- The financing of health care and health promotion in Kansas should be equitable, seamless, and sustainable for consumers, providers, purchasers and government.
- Reforms to the health system in Kansas should be fiscally responsible, market-based, and promote individual responsibility.
- Reforms to the health system in Kansas must protect the health care safety net.

In addition, the Steering Committee has adopted the following timeframe for developing health reform options:

- April 1 through November, 2007: The KHPA will develop health reform options as outlined in the enabling legislation, in collaboration with the Advisory Councils. Analysis for these reform options will be provided by national experts with experience in state health reform. KHPA will update the Board, Governor, and legislative leadership on progress.
- By November 1, 2007: The KHPA staff will deliver the health reform options to the KHPA Board, Governor, legislative leadership (including the Oversight Committee) for their consideration. This package will include: two or three options; a feasible timeline; a cost analysis; an estimate on administrative costs (contract and staff expenses); and an economic analysis on the impact of these proposals to populations served.
- 2008 Legislative Session: The Governor and Legislature will consider health reform options for adoption by 2008 legislature.
- 2009 and 2010: KHPA to implement health reforms and continue to collaborate and refine policies with the Advisory Councils and Steering Committee.

### Substitute Language for SB 309

The enabling legislation offered in the substitute language for SB 309 outlines the process for the development of health reform options for consideration in the 2008 legislative session. The proposed legislation lays out a time frame for reform, priorities for the reform process, and the different concepts for study.

Pursuant to the substitute language, KHPA would report on or before November 1, 2007 to the Governor, Joint Committee on Health Policy Oversight (JCHPO), and legislative leadership with options for health care finance reform options for enactment during the 2008 legislative session. The report is slated to include analysis of the Kansas Health Insurance Connector, a model for a voluntary health insurance connector, and the draft legislation for the proposed health care finance reform options.

KHPA will work with the JCHPO in an ongoing basis to develop and analyze other possible options for policies designed to increase access to affordable health insurance and to promote health. Other priorities for developing these reforms will be financing health care and health promotion in a manner that is equitable, seamless, and sustainable for all parties involved, promoting market-based solutions that encourage fiscal and individual responsibility, protecting the health care safety net, and increasing portability and ownership of individual health care policies.

The substitute language for 309 charges KHPA with providing a function similar to a clearinghouse to identify and analyze policies. Through this function KHPA would facilitate pooling and purchasing of health insurance, thereby, increasing access for small businesses and individuals. An increase from KHPA's current resources would be necessary to perform this function. The focus on the individual will also aim to allow the utilization of pretax

### **Substitute Language for Senate Bill 309**

Kansas Health Policy Authority ♦ Presented on: 3/19/07

dollars for the purchase of health insurance and expand consumer responsibility for making health care decisions.

KHPA is authorized by the language to obtain economic and actuarial analysis from outside entities with experience in the field of health care finance reform. The analysis will provide information on the economic impact of the reforms to be proposed for all parties involved and the number of uninsured Kansans that have the potential to gain coverage through the reforms.

To expand the availability of health services to low-income Kansans, KHPA shall collaborate with the United States Department of Health and Human Services to investigate the development and availability of federal affordable choices initiatives funding, waivers and funding opportunities created by the Federal Deficit Reduction Act of 2005 and waivers under the federal health insurance flexibility and accountability demonstration initiative. These federal programs shall be taken into account when providing the November report.

KHPA shall also work in collaboration with the Kansas Commissioner of Insurance to analyze the potential for reinsurance and state subsidies for reinsurance to reduce premium volatility in the small group market, increase predictability in premium trends, lower costs, and increase health insurance coverage in Kansas.

### **Involving Stakeholders**

We recognize that transformative health reform in Kansas must be thoughtfully and carefully crafted, and include the perspective of many different stakeholders throughout the state. The KHPA Board last fall announced the creation of Advisory Councils to help develop health reform in Kansas, and we were elated to receive over 140 nominations. We announced on Feb. 20<sup>th</sup> the membership in three Advisory Councils—Purchaser, Provider, and Consumer Councils—that will provide feedback to the Steering Committee and the KHPA Board. We also created an At Large Health Reform Council in order to include the perspective of all those committed to the health reform efforts in Kansas. These councils will begin meeting at the end of March and the beginning of April. I am confident that they will serve as a quality venue to consider the impact of reform options on consumers, providers, purchasers and other stakeholders from around the state.

We are looking forward with these Advisory Councils, the Health for All Kansans Steering Committee, the Legislature, the Governor, and certainly, this committee to develop practical options for health reform that improves the health of Kansans. Thank you for the opportunity to present these comments. I would be happy to answer any questions the Committee may have.