

MINUTES OF THE HOUSE HEALTH AND HUMAN SERVICES COMMITTEE

The meeting was called to order by Chairperson Brenda Landwehr at 1:30 P.M. on February 21, 2008 in Room 526-S of the Capitol.

All members were present except:

Representative Ward, Excused

Committee staff present:

Norman Furse, Revisor of Statutes Office

Dianne Rosell, Revisor of Statutes Office

Melissa Calderwood, Kansas Legislative Research Department

Cindy Lash, Kansas Legislative Research Department

Chris Haug, Committee Assistant

Conferees appearing before the committee:

Tom Bryon, Kansas Association of Health Underwriters, Legislative Affairs Committee Chairman

Others Attending:

See Attached List.

Tom Bryon, Kansas Association of Health Underwriters (KAHU), Legislative Affairs Committee Chairman gave a presentation on Recommendations for Health Care Reform. (Attachment 1) Mr. Bryon feels that many of the recommendations of the Kansas Health Policy Authority are commendable and KAHU plans on endorsing several of them. However, there is inadequate attention given to the factors increasing the cost of health insurance.

Chairperson Landwehr turned the committee's attention to **HB2721 - Board of cosmetology; licensing requirements**. There was discussion about the balloon amendment changes and although there were not many changes, once you make one change, it affects the other pages. Mary Lou Davis, Executive Director Kansas Board of Cosmetology spoke on the changes. There was more discussion regarding precautions and continuing education.

Representative Storm moved that we accept the balloon, as amended. Representative Tietz seconded the motion. The motion carried. Representative Storm moved that we pass **HB2721** favorably, as amended. Representative Neighbor seconded. The motion carried.

The meeting was adjourned at 2:40 p.m. The next meeting will be February 25, 2008.

HOUSE HEALTH AND HUMAN SERVICES COMMITTEE GUEST LIST

DATE: February 21st, 2008

NAME	REPRESENTING
Mary Lou Davis	Ks. Bd of Cos.
David J. Powell	KAH4
Tom Bryon	KAH4
Isaac Ferguson	Kansas Chamber
Lindsey Douglas	Hein Law Firm
Carolyn Smith	V@HS
John C. Satterberg	CMFHP

Recommendations for Health Care Reform
By Kansas Association of Health Underwriters
Presented by Tom Bryon
KAHU Legislative Affairs Committee Chairman
Presented to House Health and Human Services Committee
Thursday, February 21, 2008

My name is Thomas A. Bryon. I currently live in Leawood but was born and raised in Kansas City Kansas. I'm a graduate of Pittsburgh State University and I've been married to Marsha for 33 year and we have 3 grown children.

I've also been a licensed insurance agent for the past 33 years specializing in the sale and servicing of health insurance products to companies as large as Dillion Foods and as small as the Doctor's office around the corner.

Today all Kansans qualify for some type of health insurance, whether it is provided by the government or private sector. It's our job, all of us in the room, to figure out who fits where and how to pay for it.

Health insurance for all ... That's not complicated, we already have it. How to pay for it, that is complicated.

Health insurance came into being to provide the people of our country a method of paying for the high cost of health care, especially catastrophic health care. The term's health care and health insurance are not synonymous!

The American system of health care provides most Americans with high quality medical care with a wide range of health care choices.

American hospitals, doctors, pharmacists and other care providers are dedicated to comprehensive, thorough and innovative patient care, and the American people have come to expect it.

The primary challenges to our system, and the concerns of most Americans, relate to the high cost of providing services.

Although the vast majority of Americans have access to health care, not all of them have access to private or public health insurance coverage.

Some do not have the security of knowing how their health care expenses will be paid. And those who do have private health insurance coverage are concerned about the continuing increase in the costs of their coverage.

Health & Human Services Committee

Date: 2-21-08

Attachment: |

While many of the recommendations developed by the Kansas Health Policy Authority are commendable, and KAHU plans to endorse several of them, there is inadequate attention given to the factors that are increasing the cost of health insurance over time.

That's not to say "no attention." But too little attention has been given to fundamental changes that impact the cost of health insurance.

For example, one reason health insurance is expensive is because of all of the health insurance coverage mandates required by Kansas law.

While each of these mandates probably seemed reasonable at the time it was passed by the legislature, collectively they increase the cost of health insurance, and thereby reduce the number of people who can afford health insurance.

There are other reasons health insurance is expensive. Research and development of new drugs, treatments and equipment, cost of goods and services, duplication of facilities, and malpractice insurance premiums.

The KHPA proposal to provide Premium Assistance through expanding eligibility of the State's Medicaid and Healthwave programs misses the point.

Putting more Kansans in public sector health insurance programs increases the cost shifting onto private pay insurance programs, making it increasingly difficult for employers and individuals to afford traditional health insurance.

This continual expansion of eligibility for public sector insurance programs will continue to erode the market for private sector insurance.

This practice, where families and individuals who were previously covered by private pay insurance drop their coverage to take advantage of the public sector coverage available at no or low cost, is called "crowd out."

If the long-term goal of Kansas's health care reform is to replace the private sector market with public sector programs, then "crowd out" isn't a problem for policy makers.

But, if your intention is to maintain and promote a healthy private sector health insurance market, then increasing "crowd out" should be avoided.

The KHPA staff and the legislators we have already spoken to all have indicated that they want to keep a viable private insurance system in place.

This policy option brings us to our first KAHU recommendation regarding Premium Assistance.

Premium Assistance - Rather than expand eligibility for the Medicaid and Healthwave programs, KAHU proposes that Kansas consider adopting a Premium Assistance program similar to Florida's new program.

When faced with unpredictable and growing Medicaid expenditures, Florida chose not to expand its expensive Medicaid and SCHIP programs.

Instead, they asked CMS to approve a Section 1115 waiver, allowing Florida to fundamentally change Medicaid. On October 15, 2005 CMS approved this waiver.

This change allowed them to form a pilot program called "Empowered Care," a combination of private sector risk taking and government subsidized premiums.

Florida is attempting to change the state's funding of Medicaid from a defined benefit plan to a defined contribution plan.

Such change will limit the state's risk and is more predictable for budget purposes.

In essence, their pilot program provides a premium subsidy that pays the cost of a variety of private health insurance plans.

The proposed plans will be designed to meet the CMS statutory requirements, so that the matching Federal funds are still available.

This approach has a couple of major advantages for Kansas and the participants.

First, the state's costs can be stabilized and become more predictable.

For example, the State's Healthwave program currently spends about \$150 per month for coverage of a child.

(We arrived at this number by taking the total expenditures for Healthwave and SCHIPs in 2006 / the number of children covered / 12)

However, private insurance coverage for a healthy, insurable child is available for an average cost of \$76 per month.

(\$1000 deductible, \$2500 out of pocket, \$20 office visit and a RX Card with co-payments of 10/30/50)

That's a saving to the state of \$74 per month or \$888 per year.

A private Health Saving Account (HAS) Qualified high deductible plan (\$2500 Deductible 100/80 coinsurance plan that includes preventive care) would be available for an average cost of \$46 per month.

That's a saving of \$104 per month or \$1248 per year.

Both of these plans include all of the current Kansas's health care insurance mandates.

These are examples of switching the state from defined benefit plans to defined contribution plans, much the same as Florida is doing.

Even if Kansas were to fund the deductibles, the maximum cost to the state is a known factor and can be accurately budgeted.

We believe there are insurance companies doing business in Kansas today that would participate in such programs, particularly if they knew the market was getting bigger.

It's worth noting that the Kansas Healthwave program is a defined contribution plan now. The state's risk is limited to what they pay on a capitated basis to Unicare.

In addition, the Private Sector Premium Assistance program benefits Kansans by allowing the person to select the coverage plan and provider network that works best for their family. They aren't limited to the current Medicaid or Healthwave provider network.

Also, the "crowd out" problem is eliminated with this option because it actually expands rather than contracts the market for private sector insurance.

Subsidy for High Risk Pool - Our second Premium Assistance recommendation addresses the problem of those with ongoing health problems who are unable to qualify for health insurance in the private markets but aren't eligible for Medicaid or Healthwave.

These folks are sometimes referred to as "uninsurable" and Kansas currently tries to provide them a health insurance option through the Kansas Health Insurance Association High Risk Pool.

Under current practice, the High Risk Pool is an option for someone who doesn't qualify for Medicaid or Healthwave and who has been denied private insurance coverage because of their medical conditions by at least three carriers.

The premiums charged for the High Risk Pool are subsidized by a fee that is imposed on the premiums of all private health insurance policies.

The fee is a hidden tax, an assessment on all insurance carriers writing health insurance in Kansas. Of course, the assessment is passed on to those who purchase health insurance.

The problem with the High Risk Pool is that the cost of coverage remains unacceptably high for those with modest financial resources.

KAHU proposes that the affordability of the High Risk Pool be improved by increasing the subsidy for these policies.

But instead of increasing the fees on other private health insurance policies, the cost should be born by the State General Fund or other broad-based source that doesn't directly penalize those who choose to purchase private sector health insurance.

Ideally, all of the cost of subsidies for the High Risk Pool should come from the State General Fund instead of hidden taxes on private insurance.

Clearinghouse - The Health Policy Authority has also proposed creation of a State of Kansas Clearinghouse to provide consumers with a centralized resource for information about eligibility for public programs and private insurance options.

Our Association supports a true Clearinghouse concept. In fact, our national association (NAHU) has already created and maintains exactly this kind of health insurance clearinghouse.

The national system is called "The Matrix" and contains information about all public sector programs and private sector insurance options for all 50 states. It is a web-based system that also works with a 1-800 toll-free telephone access.

Callers to "The Matrix" are asked a standardize series of questions to determine in they are eligible for the public sector programs in their state. If they are, they are provided information to directly enroll in those programs.

If they are not eligible for their state's public sector programs they are referred to an independent NAHU member in their state who can guide them through the process of enrolling in the private health insurance option that best meets their needs and budget.

If Kansas Legislators are convinced that a State managed Clearinghouse is needed, we recommend that it be managed by the Kansas Insurance Department.

The KID already has information about all of the health insurance carriers and agents operating in Kansas, including plan description, rates, complaint history and problem resolution contacts.

No state agency knows more about Kansas health insurance options than the Insurance Department, and it is a natural that the Department could use its existing relationships with the carriers and agents it already regulates to ensure the Clearinghouse works as intended.

COBRA - Changing the state's health insurance continuation law could directly help many, many employees of small businesses (those with fewer than 20 employees).

Under federal COBRA law, which applies to employers with 20 or more employees, if an employee looses his/her group coverage, and meets the qualifications of COBRA, they have the option of continuing their current employer health insurance plan by paying a premium equal to no more than 102% of the regular premium.

They may continue this coverage, for up to 18 months as an individual or 36 months as a dependent.

Kansas continuation law works the same except it only allows continuation of the insurance benefit for only up to six months.

A significant percentage of the uninsured are those who previously had insurance through a small business group plan but are still between jobs after their state continuation benefits have ended.

Simply extending Kansas continuation benefits from six months to 18 or 36 months will provide these individuals with a valuable insurance option.

In addition, the State might want to consider paying all or part of the continuation or COBRA premiums for those individuals who would otherwise become Medicaid recipients.

The state's cost would be fixed or "capitated" vs. the unpredictable risk they would incur with full Medicaid benefits.

This is another benefit of defined contribution plan replacing a defined benefit plan.

Tax Changes and Section 125 Changes - One of the top priorities of the Health Policy Authority and the Legislature is to improve the affordability of health insurance premiums for businesses, and small businesses in particular.

A lot could be accomplished with a few simple changes to Kansas and Federal tax law.

As a basic concept, any expense an employer assumes to help their employees purchase health insurance should be treated as a tax deductible business expense.

For starters, employers should be allowed to contribute to an employee's individually owned health plan on a tax-deductible basis.

Under current law, an employer is able to take a tax deduction for expenses of an employer-provided health insurance plan. But an employer receives no tax deduction for helping an employee pay for his or her own individual or family health insurance plan.

Allowing an employer to contribute to an employee's purchase of his or her own individual insurance policy would be an incentive for the individual to purchase insurance and maintain the insurance they have, thus decreasing the number of uninsured. In addition it would improve portability of insurance.

It would also eliminate the objections of employers, particularly small employers that they just don't want to get into the business of evaluating and selecting a health insurance program for their employees.

Taking this concept further, an employer should be allowed to make a tax-deductible contribution to purchase health insurance through the employer of an employee's spouse.

For example, if my employee, Bob, has a wife, Susan, who is employed by a large corporation that offers health insurance, I ought to be allowed to make a contribution to the purchase of the family's health insurance through Susan's employer and receive a tax deduction for my contribution.

Many employers, both large and small, have used Section 125 Premium Only Cafeteria Plans (POPs). They allow a full-time employee to use pre-tax dollars to contribute to the cost of their employer-provided insurance plans, including health insurance, dental, vision, short-term income protection and term life insurance.

These POPs allow the employer to save dollars through lower payroll taxes and employees to save dollars by reducing their taxable income, paying lower income and Social Security taxes and increasing take-home pay.

The cost of POP plans is minimal, an employer can purchase a stand-alone program for as little as \$200, and have it maintained and kept in compliance for a nominal annual fee.

The state should encourage all employers to establish a POP plan and provide the employer with a tax incentive to do so, such as a tax credit equal to the cost of establishing their POP plan.

In addition, the state should change its tax laws to allow for employees to pay their individual health insurance premiums through an employer established POP plan. And then work with the IRS to establish guideline whereby the IRS would recognize this as a legitimate POP expense.

Once again we would be giving individuals the opportunity to purchase health insurance at a reduced cost, thus reducing the number of uninsured in the state.

Missouri enacted legislation last year, HB 818, which does exactly this.

Reinsurance Program - One of the Health Policy Authority recommendations that we'd like to endorse is creation of a Reinsurance Program.

In theory, the state would purchase a "specific reinsurance plan" that would cover all of the insured population of the state of Kansas, whether that is individual or group insurance or government funded program.

Such a policy would reimburse the issuing carrier for any claims that exceeded a pre-determined amount. The premiums for such a program would be born by all insurance companies doing businesses in the state, presumably on a per member, per month basis.

Most companies doing business in the state today already use this method as a way to defray cost on their most expensive claims.

All self-funded plans use this type of policy to limit their risk on the largest of claims.

What's needed is a state-purchased reinsurance plan that kicks in at lower cost levels to reduce the risk exposure of all employers and insurance carriers.

This concept would allow all individuals, including high-risk individuals, to continue insurance under the individual or group plan of their insurance carrier, but remove their claims experience beyond a specified dollar amount from the liability of that carrier and replace it with the premium for the state reinsurance plan.

The effect is to spread the risk of the highest risk individuals to all insured Kansans so that no one group or individual is adversely impacted by the dramatically high costs of a high-risk insured.

The benefits are a moderation of the risk to the insurance carrier and lower premium costs for the employer and employee.

During our conversations this fall with Insurance Commissioner Praeger, she indicated that some states have set a reinsurance threshold as low as \$5,000 per claim.

Kansas would want to conduct an actuarial study to determine the actual reinsurance level that would produce the desired risk protection.

The Reinsurance Program should be designed, contracted and administered by the Kansas Insurance Department.

Transparency - A fundamental shift in the behavior of all Kansans is essential for the State to control the continually escalating costs of health care and health insurance.

We must make better lifestyle choices and we must become better consumers of health care.

Health care is the only commodity that we purchase without knowing the cost or quality before we purchase it!

Key to becoming a better health care consumer is to have access to information about medical procedures and outcomes, and understand the relative costs and effectiveness of health care options.

It has become a trite phrase to say that "consumers need some skin in the game" if we are to eventually control the costs of health care and health insurance.

We think that's a true statement, and consumers will never have skin in the game if they don't understand the costs and quality of the health care services they are choosing.

The Health Policy Authority has endorsed transparency and an increasing number of health care providers are willing to participate.

Several innovations need to be implemented to make transparency possible.

For starters, we need to have an agreed upon set of health care standards by which to evaluate health care providers.

Americans love to measure performance; it's fundamental to the way we measure success and make choices. We measure the performance of our kids in school, we grade our universities, track the complaints against insurance agents and securities dealers, and compare and contrast just about anything you can measure.

But we don't know much of anything about the relative performance or costs of our doctors, hospitals or other health care providers.

Health Care Standards must be developed with the cooperation and buy-in of all health care providers.

That is the only way to guarantee a fair and accurate view of the quality of care delivered by providers as well as providing consistent metrics for measurement.

Another innovation needed is implementation of a comprehensive health information system. Statewide conversion to a uniform electronic medical records standard is absolutely necessary.

The ability of an individual to have with them at all times a way access to their individual health information will allow providers to be more prepared to provide the right care at the point of service. Thus reducing duplication of services, and tests, reducing drug interaction and allowing the treating physician the ability to see into the past of a person they have never meet.

As an industry, health care has implemented tremendous improvements in technology directed towards the deliver of care, but has made only the most modest of investments in technology to make the overall system perform more efficiently.

Kansas should adopt incentives to make these investments irresistible.

We don't need to look any further than Kansas City - based Cerner Corporation to see the direct benefits of electronic medial records.

Cerner Corporation has reduced their health care administrative costs an average of 25% in the first nine months of this year, and saved more than \$300,000 in labor costs moving from paper to electronic medical records.

These products and services are available and could be implemented immediately. All it takes is an investment.

Another form of transparency is to inform consumers of the various discounts in provider charges obtained by carriers.

Larger carriers are able to obtain the biggest discounts from providers, because they represent the buying power of so many insured lives.

But these deep discounts only serve to shift costs on to smaller carriers who represent the purchasing power of fewer insureds.

So the big insurers keep getting bigger and the smaller insurers are kept at a competitive disadvantage, and competition is reduced.

We have covered a variety of topics today, all of which are key elements in trying to control the cost of health care and health insurance.

No one group can do it alone, Legislators, providers, insurance companies, agents, individuals, rich or poor, male or female, all of us must accept changes to the way things are done today, so that our children and our children's children can all continue to receive the best care in the world and afford to pay for it!

For additional information please don't hesitate to contact me at:
Tom Bryon - 816-863-3027, or
Ron Gaches - 785-233-4512

Kansas Association of Health Underwriters - Health Care Reform Agenda

KAHU supports the following policy initiatives to address Accessibility, Affordability and Portability of health insurance for all Kansans.

1. Affordability – Low income Kansans who are not eligible for other public health care programs should receive state premium assistance to purchase affordable, private health care insurance.
2. Affordability and Portability – Employers should be allowed to use pretax dollars to assist employees in purchasing their own health insurance policies.
3. Affordability – All Kansans should be encouraged to live healthy lifestyles to extend their productive lives and reduce the demand for expensive health care.
4. Affordability – Kansas should enact a comprehensive Reinsurance Plan to spread the risk for individuals with expensive medical bills.
5. Affordability – Consumers should have available information about health care provider quality of care and the true costs of health care.
6. Accessibility – Kansas should provide financial incentives to support primary care physicians in underserved areas.
7. Affordability – Controlling the total cost of health care requires continued tort reform efforts and elimination of expensive health care mandates.
8. Affordability and Accessibility – Individuals should receive an immediate tax reduction at the time they enrollment in an individual or family insurance policy.
9. Accessibility and Affordability – Insurance companies should be allowed to offer plans without all of the current health care mandates, at least for those unable to afford more comprehensive plans.
10. Accessibility and Affordability – Kansas should expand the small business tax credits for all health insurance plans.
11. Accessibility and Affordability – All Kansas taxpayers should help subsidize the cost of insurance available from the State High Risk Pool.
12. Portability – Kansas should require continuation of coverage for employees of small employers (under 20 employees) for at least 18 months following termination of employment matching the federally required 18 months under COBRA.