

Approved: February 21, 2008

Date

MINUTES OF THE HOUSE INSURANCE AND FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairman Clark Shultz at 3:30 P.M. on February 20, 2008 in Room 527-S of the Capitol.

All members were present except:

Representative Tom Burroughs- excused
Representative Richard Carlson- excused
Representative Nile Dillmore- excused
Representative Mike Kiegerl- excused

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Bruce Kinzie, Revisor of Statutes Office
Ken Wilke, Revisor of Statutes Office
Sue Fowler, Committee Secretary

Conferees appearing before the committee:

Derrick Sontag, National Federation of Independent Business
Larry Magill, Kansas Association of Insurance Agents
Ken Daniel, KsSmallBiz.com
Tim Witsman, Wichita Independent Business Association & Kansas Independent Business
Marlee Carpenter, Kansas Chamber
Richard Cram, Department of Revenue
Rep. Anthony Brown, District #38
Jamie Corkhill, Social Rehabilitation Services
April Holman, Kansas Action for Children
John Ostrowski, Kansas AFL-CIO
Jeff Cooper, Kansas Association for Justice

Others attending:

See attached list.

Representative Landwehr briefed the committee on **HB 2769**.

Hearing on:

HB 2822 **Small employer health insurance; exemption from mandates, section 125 plan; tax credit**

Melissa Calderwood, Legislative Research Department, provided a brief overview on **HB 2822**.

Proponents:

Derrick Sontag, National Federation of Independent Business, (Attachment #1), presented testimony before the committee in support of **HB 2822**.

Larry Magill, Kansas Association of Insurance Agents, (Attachment #2), gave testimony before the committee in support of **HB 2822**.

Ken Daniel, KsSmallBiz.com, (Attachment #3), appeared before the committee in support of **HB 2822**.

Tim Witsman, Wichita Independent Business Association and Kansas Independent Business, (Attachment #4), presented testimony before the committee in support of **HB 2822**.

Marlee Carpenter, Kansas Chamber, (Attachment #5), presented written testimony in support of **HB 2822**.

CONTINUATION SHEET

MINUTES OF THE House Insurance and Financial Institutions Committee at 3:30 P.M. on February 20, 2008 in Room 527-S of the Capitol.

Opponent:

Richard Cram, Department of Revenue, (Attachment #6), appeared before the committee in opposition to **HB 2822**.

Hearing was closed on **HB 2822**.

Hearing on:

HB 2904 **Child support enforcement, insurance payments**

Melissa Calderwood, Legislative Research Department, provided a brief overview on **HB 2904**.

Proponents:

Representative Anthony Brown, District #38, (Attachment #7), presented testimony before the committee in support of **HB 2904**.

Jamie Corkhill, Social Rehabilitation Services, (Attachment #8), gave testimony before the committee in support of **HB 2904**.

April Holman, Kansas Action for Children, (Attachment #9), presented written testimony in support of **HB 2904**.

Opponents:

John Ostrowski, Kansas AFL-CIO, (Attachment #10), appeared before the committee in opposition to **HB 2904**.

Jeff Cooper, Kansas Association for Justice, (Attachment #11), appeared before the committee in opposition to **HB 2904**.

Hearing was closed on **HB 2904**.

Representative Grant moved without objection the committee minutes of February 19, 2008 be accepted.

Next meeting will be Thursday, February 21, 2008, 3:30 PM, in Room 527-S.

Meeting adjourned at 5:15 PM.



The Voice of Small Business®

Legislative Testimony
Derrick Sontag, NFIB State Director
House Bill 2822
February 20, 2008

Mr. Chairman and members of the committee:

Thank you for the opportunity to provide testimony in support of House Bill 2822.

The National Federation of Independent Business/Kansas is proud to join the Kansas Chamber of Commerce, Wichita Independent Business Association (WIBA), and the Topeka Independent Business Association (TIBA) in supporting this bill. NFIB/Kansas joins these groups in offering solutions to the number one issue confronting small businesses today... that being the affordability of health insurance for small business owners and its employees.

House Bill 2822 would assist small business owners and employees with controlling the cost of their health care policies. For many years now, small business owners have identified cost, not coverage as the principal health care issue facing their business today.

In a recent NFIB poll, seventy-four (74) percent of NFIB members identified cost as the single most important problem facing the health system today.

The issue of affordability of health care has had a dramatic impact on the number of small businesses able to offer benefits. The number of small businesses that offer health benefits continues to decrease, especially amongst start-up businesses. Recent polling indicates that forty-seven percent (47) of small businesses offer employee health benefits, of which 36 percent offer insurance to all or most full-time employees. Of these existing businesses, only about 1 - 2 percent drop health insurance on an annual basis. Thus, the reason for the continued decline in the number of small businesses offering employee health insurance plans appears to be that owners of new firms are increasingly reluctant to offer it.

Section 125 Plans

Considering that a decreasing number of small businesses are offering group plans, new measures must be taken in order to directly address the cost of health care for these business owners and their employees. HB 2822 assists these businesses by allowing individuals to purchase health insurance through Section 125 plans with pre-tax dollars. In turn, the employer may set aside a pre-defined contribution amount that would go towards the cost of the individual's health care policy. This allows small businesses to assist with the cost of health care for its employees while realizing stability in health care related budgetary items from year-to-year.

Considering that an increasing number of small businesses are choosing to stay out of the health care business, HB 2822 provides a way to level the competitive playing field by encouraging more individual ownership of policies while taking advantage of pre-tax dollars.

House Insurance
Date: 2-20-08
Attachment # 1

Business Health Care Tax Credit

House Bill 2822 would make enhancements to the current, but underutilized business health care tax credits. Many small businesses are not able to take full advantage of the tax credits due to cash flow concerns that they confront on a regular basis. NFIB polling indicates that one in five small businesses encounter “consistent” cash flow problems, while one in two businesses encounter problems but not frequently enough to be considered consistent.

Businesses that experience cash flow problems often times have difficulties making monthly health care payments. HB 2822 would inject some much needed flexibility for these businesses by allowing them to take the credit against other types of taxes owed to the state. This provision, along with extending the tax credit to four years provides small businesses with an incentive to offer health insurance to its employees.

Health Insurance Mandates

For a number of years now, small business owners have communicated their opposition to added mandates for health insurance policies. **NFIB polling from last fall indicates that eighty-eight (88) percent of members oppose added mandates to health insurance plans.** The common belief amongst members being that additional mandates would do nothing but add to the already excessive cost of health care.

HB 2822 would enact limited mandate plans for small businesses. Similar legislation exists in eighteen states, the purpose of which being to help control the costs of health care coverage. If continued mandates were to be added to policies, then the number of small businesses offering health insurance will surely increase at an even higher rate.

NFIB and its more than 4,500 members in Kansas encourage the committee to support HB 2822. This legislation would help level the playing field by removing the competitive disadvantage small businesses face when dealing with the excessive cost of health care.

Thank you for your time and consideration on this important matter.

Derrick Sontag
State Director
National Federation of Independent Business/Kansas



Testimony on House Bill 2822
Before the House Insurance & Financial Institutions Committee
By Larry Magill
February 20, 2008

Thank you mister Chairman and members of the Committee for the opportunity to appear in support of House Bill 2822 introduced at the request of the Kansas Chamber. My name is Larry Magill and I'm representing the Kansas Association of Insurance Agents. We have approximately 520 member agencies and branches throughout the state and our members employ approximately 2,500 Kansans. Most of our agencies have a staff member who is licensed for life and health insurance and provide the coverage for their clients.

During the interim, we worked closely with a loose coalition of associations on health care insurance reforms that we could support. HB 2822 is an outgrowth of that effort.

Improvements to Small Employer Incentives

We support the improvements to the existing small employer incentives to provide group health insurance, if they have not in the past. The tax incentives in K.S.A. 2007 Supp. 40-2246 have not ever been as successful as hoped. HB 2822 seeks to address that in a number of important ways:

- A reduction in the time an employer has not been providing group health insurance from 2 years to 6 months. This will make many more businesses eligible for the tax and other incentives in this bill including start-ups who have not been in business for 2 years.
- The ability to offer a "mandate lite" health plan that should reduce the cost and definitely gives the employer more control and more choices over what benefits are offered and the ultimate cost to both the employer and employee.
- Increase in the actual tax credit from \$70/month/eligible employee to \$100/month starting out and then scaling down from there each year for four years.
- Allowing the tax credit to be taken against any tax owed by the employer.
- Allowing a tax credit for employer contributions to health savings accounts.

It is my understanding that the maximum amount set aside for tax credits under 40-2246 has never been close to being reached. In other words, the existing incentives have not been enough to entice very many small businesses to begin offering group health insurance to their employees. We think the package of improved incentives in HB 2822 will change that.

Mandatory POP

Premium Only Plans (POP's) more than pay for themselves. The employer saves the cost of FICA and Medicaid taxes on amounts run through the Plan as does the employee. Plus, and maybe more important, the employee saves the federal and state income taxes on the amounts. POP's are an immediate way to make health insurance more affordable. We suggest that it be mandatory that any carriers offering group health policies provide a POP, unless the employer already has one in place. We think that competition will quickly drive the cost for the plan and the minimal administration down to the point of being inconsequential or free. Some carriers today are offering POP's free of charge to group health customers.

Strongly Support HSA's

Whether you talk in terms of consumer directed health care (CDHC), Health Savings Accounts (HSA's) or high deductible health plans, we support the concept that the consumer has to be brought back into the equation and given a stake in managing their health care expenses and their own wellness. Today, all the incentives in our employer-based health care system are to spend as much as possible to receive the biggest "benefit" possible. In addition, transparency of costs and informed consumers making wise health care choices would be encouraged under CDHC.

Further, we support a requirement that all small group carriers offer a high deductible plan with a health savings account option at an actuarially justified savings through a Section 125 Premium Only Plan (POP). There are carriers today that are offering high deductible plans but the premium savings are nominal. Since this is primarily aimed at presenting the HSA option to as many employers as possible and building momentum for CDHC, we suggest that a sunset on the mandatory offer be established of two years from the effective date. It could be extended if it was working and still necessary.

Other Ideas Worth Considering:

Here are some additional ideas we think are worth exploring:

- List billing as an option for small employers who have not been offering a group health insurance plan. This would allow employees to buy individual coverage and have it billed, and partially paid for by the employer.
- A single depository for individual medical records from all providers
- Consumer access to their medical records and greater education of consumers to help them make informed medical care decisions with their providers
- Consideration of a market-wide reinsurance mechanism for small group
- Transparency of health care pricing to go with CDHC

We urge the Committee to act favorably on HB 2822. We would be happy to provide additional information or answer questions at the appropriate time.





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TESTIMONY ON HOUSE BILL 2822
HOUSE COMMITTEE ON INSURANCE AND FINANCIAL INSTITUTIONS
By Kenneth Daniel
February 20, 2007

Kenneth L. Daniel is an unpaid volunteer lobbyist who advocates for Kansas small businesses. He is publisher of KsSmallBiz.com, a small business e-newsletter and website. He is C.E.O. of Midway Wholesale, a business he founded in 1970. Midway has eight locations and 115 employees.

Mr. Chairman and Members of the Committee:

I speak in strong support of House Bill 2822 in its entirety.

This bill:

Allows “mandate lite” insurance policies for businesses that have not had an employee health plan for six months or more. Carriers would be able to design policies that eliminate some or many of the 37 insurance policy mandates currently in effect in Kansas.

- Requires all employers providing health insurance coverage to establish a basic Section 125 Cafeteria plan so employees can purchase insurance with pre-tax dollars.
- Allows employers to pay toward the premiums of the individually-owned health insurance policies of employees.
- Establishes an employer tax credit for amounts paid for employee health insurance.
- Updates the Kansas Small Business Health Insurance Tax Credit. Raises it to \$100 from \$70 per month in the first year and adds a fourth year at \$25 per month.

Thank you. I would be happy to answer any questions.

HOUSE BILL No. 2822

By Committee on Insurance and Financial Institutions

2-11

9 AN ACT concerning insurance; relating to health insurance plans for
10 small employers; amending K.S.A. 2007 Supp. 40-2246 and repealing
11 the existing section.

12

13 *Be it enacted by the Legislature of the State of Kansas:*

14 New Section 1. (a) (1) For a period commencing on the effective
15 date of this act and ending on June 30, 2010, any small employer which
16 has not offered any health benefit plan to such employer's employees
17 during the six month period next preceding the date upon which a health
18 benefit plan is offered, may offer a health benefit plan under the provi-
19 sions of this section. The health benefit plan shall be offered only to
20 eligible employees, including dependents thereof, of such employer.

21 (2) Any health benefit plan by a health insurer developed for a small
22 employer under this act in accordance with paragraph (1) of subsection
23 (a) which is delivered, issued for delivery, amended or renewed on or
24 after July 1, 2008, may contract for coverage within the scope of this act
25 notwithstanding any mandated coverages otherwise required by state law.
26 Except for preventative and health screening services, the provisions of
27 K.S.A. 40-2,100 to 40-2,105, inclusive, 40-2114 and subsection (i) of 40-
28 2209 and 40-2229 and 40-2230, and 40-2,163, 40-2,164, 40-2,165 and 40-
29 2,166, and amendments thereto, shall not be mandatory with respect to
30 any health benefit plan developed under this act.

31 (b) No health benefit plan which is delivered, issued for delivery,
32 amended or renewed on or after July 1, 2008, shall be required to provide
33 for or include any additional benefit or coverage in addition to the benefit
34 or coverages required by subsection (a).

35 (c) No provision of subsection (a) shall be construed to prohibit an
36 employer from providing a health benefit plan containing any coverage
37 or benefit in addition to the coverage required by subsection (a).

38 (d) No provision of subsection (a) shall be construed to prohibit any
39 health benefit plan from providing any additional benefit or coverage in
40 addition to the benefits or coverages required by subsection (a).

41 (e) No provision of this section shall be construed to prohibit any
42 small employer from renewing any health benefit authorized by this
43 section.

MANDATE
LITE

1 (f) For the purposes of this act: (1) "Dependent" means the spouse
2 or child of an eligible employee, subject to applicable terms of the health
3 benefits plan covering such eligible employee and the dependent eligi-
4 bility standards established by the board.

5 (2) "Eligible employee" means an employee who works on a full-time
6 basis, with a normal work week of 30 or more hours, and includes a sole
7 proprietor, a partner of a partnership or an independent contractor, pro-
8 vided such sole proprietor, partner or independent contractor is included
9 as an employee under a health benefit plan of a small employer but does
10 not include an employee who works on a part-time, temporary or substi-
11 tute basis.

12 (3) "Small employer" shall have the meaning ascribed to it in K.S.A.
13 40-2209d and amendments thereto.

14 (g) "Health benefit plan" shall have the meaning ascribed to it in
15 K.S.A. 40-4602 and amendments thereto.

16 New Sec. 2. (a) An employer that provides health insurance coverage
17 for which any portion of the premium is payable by the employer shall
18 not provide such coverage unless the employer has established a premium
19 only cafeteria plan as permitted under federal law, 26 U.S.C. Section 125.
20 The provisions of this subsection shall not apply to employers who offer
21 health insurance through any self-insured or self-funded group health
22 benefit plan of any type or description.

MANDATORY
SEC. 125 PLAN

BIG GUTS OUT.

23 (b) Nothing in this section shall prohibit or otherwise restrict an em-
24 ployer's ability to either provide a group health benefit plan or create a
25 premium only cafeteria plan with defined contributions and in which the
26 employee purchases the policy.

ALLOW EMPLOYER
TO PAY TOWARD
INDIV. POLICY

27 Sec. 3. K.S.A. 2007 Supp. 40-2246 is hereby amended to read as
28 follows: 40-2246. (a) (1) A credit against the taxes otherwise due under
29 the Kansas income tax act shall be allowed to an employer for amounts
30 paid during the taxable year for purposes of this act on behalf of an eligible
31 employee as defined in K.S.A. 40-2239 and amendments thereto to pro-
32 vide health insurance or care and amounts contributed to health savings
33 accounts of eligible covered employees.

34 (2) *Beginning July 1, 2008, a credit against any tax owed by the em-
35 ployer to the state of Kansas shall be allowed to an employer for amounts
36 paid during the taxable period for the purposes of this act on behalf of an
37 eligible employee as defined in K.S.A. 40-2239, and amendments thereto,
38 to provide health insurance or care and amounts contributed to health
39 savings accounts of eligible covered employees.*

EMPLOYER
TAX
CREDIT

40 (b) (1) For employers that have established a small employer health
41 benefit plan after December 31, 1999, but prior to January 1, 2005, the
42 amount of the credit allowed by subsection (a) shall be \$35 per month
43 per eligible covered employee or 50% of the total amount paid by the

NEARLY EXPIRED
OR EXPIRED

1 employer during the taxable year, whichever is less, for the first two years
 2 of participation. In the third year, the credit shall be equal to 75% of the
 3 lesser of \$35 per month per employee or 50% of the total amount paid
 4 by the employer during the taxable year. In the fourth year, the credit
 5 shall be equal to 50% of the lesser of \$35 per month per employee or
 6 50% of the total amount paid by the employer during the taxable year.
 7 In the fifth year, the credit shall be equal to 25% of the lesser of \$35 per
 8 month per employee or 50% of the total amount paid by the employer
 9 during the taxable year. For the sixth and subsequent years, no credit
 10 shall be allowed.

NEARLY
 EXPIRED
 OR
 EXPIRED

11 (2) For employers that have established a small employer health ben-
 12 efit plan or made contributions to a health savings account of an eligible
 13 covered employee after December 31, 2004, the amount of credit allowed
 14 by subsection (a) shall be \$70 per month per eligible covered employee
 15 for the first 12 months of participation, \$50 per month per eligible cov-
 16 ered employee for the next 12 months of participation and \$35 per eligible
 17 covered employee for the next 12 months of participation. After 36
 18 months of participation, no credit shall be allowed.

CURRENT
 SEN. BARNETT
 SB 257-2005 SEN. PAL

19 (3) *For any employer that has established a small employer health*
 20 *benefit plan or made contributions to a health savings account of an eli-*
 21 *gible covered employee after December 31, 2007, the amount of credit*
 22 *allowed by subsection (a) shall be \$100 per month per eligible covered*
 23 *employee for the first 12 months of participation, \$75 per month per*
 24 *eligible covered employee for the next 12 months of participation, \$50 per*
 25 *eligible covered employee for the next 12 months of participation and \$25*
 26 *per eligible employee for the next 12 months. After 48 months of partic-*
 27 *ipation, no credit shall be allowed.*

NEW

28 (c) If the credit allowed by this section is claimed, the amount of any
 29 deduction allowable under the Kansas income tax act for expenses de-
 30 scribed in this section shall be reduced by the dollar amount of the credit.
 31 The election to claim the credit shall be made at the time of filing the
 32 tax return in accordance with law. If the credit allowed by this section
 33 exceeds the taxes imposed under the Kansas income tax act for the taxable
 34 year, that portion of the credit which exceeds those taxes shall be re-
 35 funded to the taxpayer.

36 (d) Any amount of expenses paid by an employer under this act shall
 37 not be included as income to the employee for purposes of the Kansas
 38 income tax act. If such expenses have been included in federal taxable
 39 income of the employee, the amount included shall be subtracted in ar-
 40 riving at state taxable income under the Kansas income tax act.

41 (e) The secretary of revenue shall promulgate rules and regulations
 42 to carry out the provisions of this section.

43 (f) This section shall apply to all taxable years commencing after De-

- 1 cember 31, ~~1999~~ 2007.
- 2 Sec. 4. K.S.A. 2007 Supp. 40-2246 is hereby repealed.
- 3 Sec. 5. This act shall take effect and be in force from and after its
- 4 publication in the statute book.



Wichita Independent Business Association

THE VOICE OF INDEPENDENT BUSINESS

**House Committee on Insurance and Financial Institutional
Testimony in Support of HB 2822**

By:

Tim Witsman, President

**Wichita Independent Business Association and Kansas Independent Business Coalition
February 20, 2008**

Chairman Shultz and Honorable committee members:

Thank you for the opportunity to speak with you regarding the small business health care reform proposals set out in HB 2822. My name is Tim Witsman, and I am the President of the Wichita Independent Business Association (WIBA) and our statewide organization, the Kansas Independent Business Coalition (KIBC). As a representative of organizations charged with the mission to promote a strong business environment in Kansas, I am here as the voice for more than 1,000 business members from across the state of Kansas and pleased to be joined by the Kansas Chamber, National Federation of Independent Business, and the Topeka Independent Business Association in support of HB 2822.

Nearly 90 percent of Kansans have health care coverage, which indicates Kansas does not have a health care access problem; instead, we have a cost problem. A recent survey of WIBA members indicates that 84 percent of our respondents believe quality health care insurance is available to Kansans, but it is the cost of health insurance that keeps them from obtaining it. Furthermore, our members indicate their top business concern is the rising cost of health care. By a margin of 3 to 1, health care costs trump their concern of rising taxes. For those of you who are familiar with concerns of the WIBA membership, you know this is a significant policy change for our business members.

While our members come from a variety business sectors, their desire to retain – or obtain – the ability to provide affordable health insurance to their employees is a uniting factor. Currently, approximately 53 percent of WIBA members provide their employees health care insurance. Of these members, 68 percent indicate the cost of that benefit is their biggest concern when it comes to running their business.

Although WIBA has maintained one of the most viable insurance programs for Kansas small businesses for over twenty years, we too, are struggling to find affordable plans for our members in recent years. We have also seen a significant decrease in member participation in our plans. During the past year, we made changes to the health insurance products we offer as well as expanded our products to include both limited-benefit plans and a Health Savings Account program offered to our

members by a third party. Our limited benefit program allows us to offer an insurance product for those small businesses who cannot afford our traditional health insurance products, but who want to provide their employees with some level of coverage. In addition, this limited products allows individuals access to a physician and begins to establish a medical home for individuals who otherwise may never develop such a relationship. The HSA product we are able to recommend offers employers an insurance alternative that gives employees both portability as well as more ownership in their health insurance. Even with these changes, we continue to see substantial increases to the cost of our insurance products, which continue to make it tough for small business owners to provide insurance for their employees.

HB 2822 is a collaborative effort from several Kansas business groups who represent small employers and individuals through out the state. Collectively, we worked to prioritize the legislative changes believed to be the most beneficial to our memberships. Following are the key points of our reform effort:

- Increase the current tax credit available to small employers who are currently not providing insurance to their employees and extend the life of the tax credit from three to four years. In addition, tax incentives for purchasing health care must be available in “real-time” so that when the business owner actually procures the insurance there is an available cash flow to maintain the coverage. Currently, the credit is only allowed to be taken on a business owner’s income tax. This proposal makes credits available against any tax liability owed to the state.
- Allow small employers to purchase mandate-lite health insurance plans. Limited mandate plans are less expensive and make health insurance more appealing to businesses. While these plans do not provide the “Cadillac” coverage most would strive to provide, these plans will, at the very least, allow small employers to enter the market and offer their employees some level of coverage.
- Enact a portion of the Missouri health care initiative, which affords individuals the opportunity to purchase health insurance though Section 125 Plans (pre-tax). This creates an avenue for individuals who do not work for an employer who offer health insurance to purchase health insurance with the same tax advantages afforded to employees who do receive Section 125’s as an employment benefit. In addition, these provisions allow an employer to contribute to a Section 125 Plan for the purpose of helping employees purchase health insurance if an employer-sponsored plan is not feasible. A defined contribution actually puts more control in the hands of individual who can then seek coverage that meets his individual needs and financial ability.

The 2008 Legislature has a tremendous opportunity to identify and explore these and other market-driven solutions that will help keep health care costs down – and coverage rates up. WIBA is committed to working with Kansas Legislators to find market driven solutions that assist employers with providing health care to their employees. Over the next few weeks, we believe there are great opportunities to make health care coverage in our state even better, and the items outlined in HB 2822 are surely viable mechanism that will help small employers provide coverage for their employees. We look forward to working with lawmakers in developing the best possible options and outcomes for all Kansans. Thank you for the opportunity to share our position on this vital issue. I will stand for questions.

Legislative Testimony

HB 2822

February 20, 2008

**Testimony before the Kansas House Insurance and Financial Institutions Committee
By Marlee Carpenter, Vice President of Government Affairs**

achieve
more

Chairman Shultz and members of the Committee:

HB 2822 is a proposal that is supported by the Kansas Chamber, NFIB-Kansas, the Wichita Independent Business Association (WIBA) and the Topeka Independent Business Association (TIBA). All four business organizations support HB 2822 which will provide additional health insurance options for employers in Kansas. Kansas businesses want to offer health insurance to their employees but believe that the costs are too high. HB 2822 helps provide both short-term and long-term solutions for the rising costs of health insurance.

The Kansas Chamber, NFIB, WIBA and TIBA want to offer pro-active solutions to legislators that will make a real difference to help ensure more Kansans. Since the majority of working adults that do not have health insurance work for small businesses our organizations focused on small business solutions.

Businesses want to provide health insurance for their employees; however, the cost of health insurance is too high. The Kansas Chamber's 2007 Health Care Poll found that 88% of those surveyed agreed that "health insurance is available but high cost do not make it accessible." In addition, our 2007 Business Owners and CEO Poll revealed that managing health care costs was second only to lowering taxes on business when it came to concerns of business profitability. This survey polled 300 Kansas business owners and CEOs and of that 77% were small business owners with ten or less employees.

In addition, the Kansas Chamber talked to hundreds of small businesses from across the state during our 2007 Health Care Circuit this summer and fall. Small businesses from every corner of the state are looking for solutions and real-time help so that they can offer health insurance to their employees.

The first part of the bill provides real-time solutions for small businesses. Businesses need cash flow to make health insurance payments on a monthly basis. The bill amends the current health care tax credit so that employers can take the credit against any tax owed to the state. This will make the tax credit more of an incentive for companies as they begin offering health insurance to their employees. The bill also expands the current tax credit program—making it a four-year tax credit so that businesses have more of an incentive to offer health insurance.



The second part of the bill deals with health insurance mandates. We believe that limited mandate plan would be less expensive and make health insurance appealing for more businesses. There is conflicting data on the true cost of mandates in Kansas; however, when reviewing the information from the 1998 and 2003 interim studies on mandates, we believe that mandates add between 10%-15% to the total cost of health insurance in Kansas. Whatever the true number, mandates do add to the cost of health insurance.

Eighteen states have enacted similar legislation to allow for limited mandate plans or "mandate-lite" plans for small businesses. These "mandate-lite" or "no frills" products were never intended to be the solution to the uninsured problem. Rather, state officials viewed them as a positive step toward making coverage more affordable for small groups and/or individuals. I have attached a list of what other states are doing.

The third part of the bill enacts a portion of the Missouri health care initiative that allows individuals to purchase health insurance through Section 125 Plans (pre-tax). This would allow for individuals who work for companies that are not currently offering health insurance, a way to purchase health insurance with the same tax advantages afforded the employer. These provisions will also allow an employer to contribute to a Section 125 Plan for the purpose of helping employees purchase health insurance. This defined contribution will help employees purchase health insurance even if the employer does not purchase it for them.

Again, the Kansas Chamber, NFIB, WIBA and TIBA are supportive of HB 2822 and solutions that will help small businesses offer health insurance to their employees. We believe that these measures will help with health insurance expenses and strengthen the current employer based health care system.

Thank you for your time and I will be happy to answer any questions.

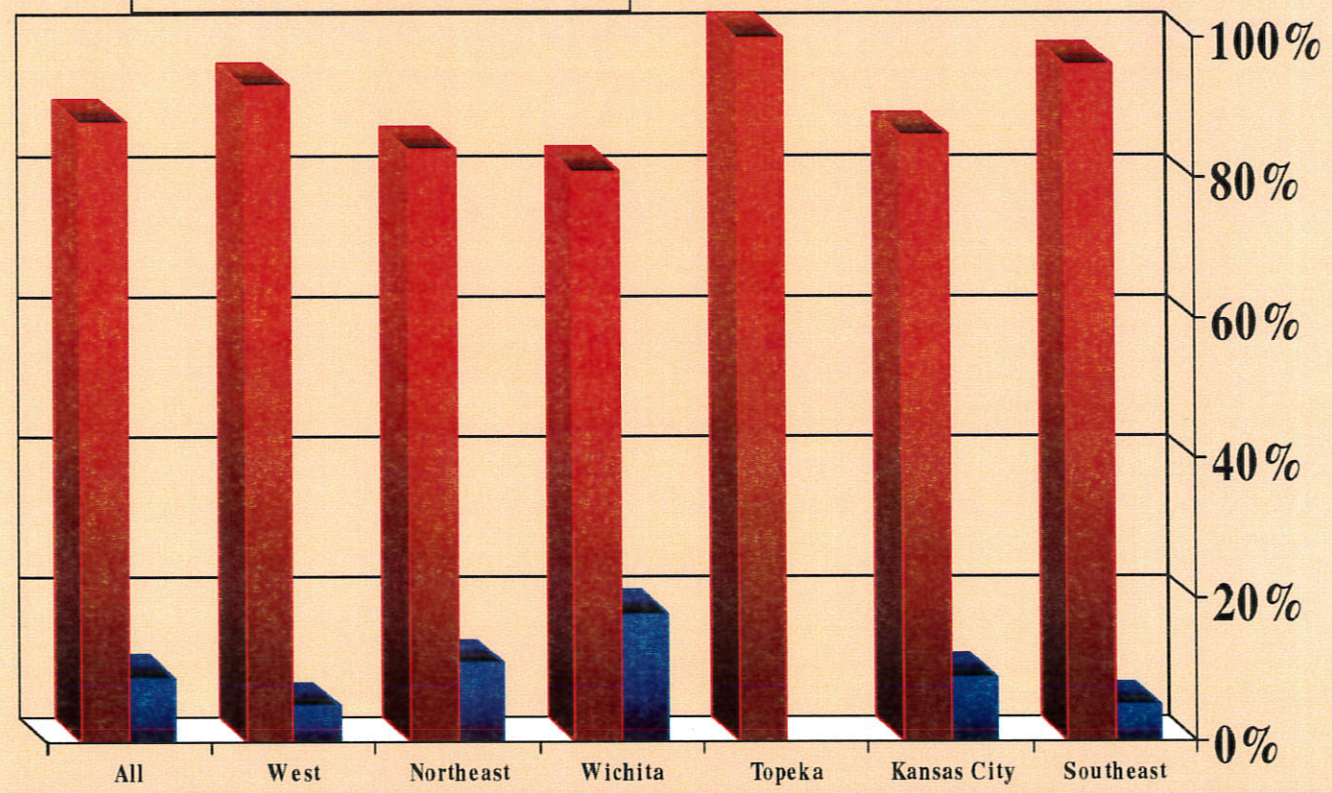
Kansas Chamber, with headquarters in Topeka, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to live and work. The Chamber represents small, medium and large employers all across Kansas.

THE KANSAS CHAMBER

Agree: Quality Health Insurance Available but Cost is Preventative

88% Agree vs. 9% Disagree

■ Agree ■ Disagree



Ranking of Most Important Issues

MENTIONED:	Nov. 07	Nov.06	Nov.05	Nov. 04
Lower taxes on business	46%	46%	39%	38%
Managing health care costs	41%	47%	46%	42%
Economic incentives	21%	20%	20%	15%
Stop friv. lawsuits/Tort reform	18%	22%	21%	21%
Decrease regulation/mandates	18%	18%	14%	13%
Workers' Compensation	14%	13%	14%	11%
Limit growth of state gov.	12%	7%	10%	8%
Unemployment Compensation	4%	4%	9%	5%

Arkansas – HB 1632, 2001 Laws

“Every group accident and health insurer, hospital and medical service corporation, or HMO transacting health or accident and health insurance in this state may offer as an option, a group health benefits plan which, either in whole or in part, does not provide state mandated health benefits on group health benefits plans under state law.” (Note: same language is included for individual products.)

Colorado – HB 1164, 2003 Laws

This law requires health plans to offer a new “mandate-lite” basic benefit plan that excludes coverage for the following mandated benefits: non-biologically-based mental illnesses, alcoholism treatment, mammography and prostate cancer screening, hospice care, and anesthesia for dental procedures for children with certain medical conditions.

Florida – HB 1629, 2004 Laws

Expands the existing Health Flex demonstration program statewide so that more uninsured, low-income residents can purchase “mandate-lite” products. This program is run by the DOI and the Agency for Health Care Administration and allows health plans to offer a product that: (1) limits or exclude benefits otherwise required by state law; (2) caps the total amount of claims paid per year per enrollee; and/or (3) limits the number of enrollees.

Georgia – Sec. 33-51-3, 1991 Laws

“The Commissioner shall develop a model basic health insurance plan which shall include, but not be limited to, the following features: ...(3) Coverage for primary health care services designed to prevent the need for more expensive health care services;...”

Illinois – Sec. 5/351B-2 to B-5, 1990 Laws

“It is the purpose and intent of this amendatory Act of 1990 to authorize a program whereby small employers may obtain affordable group health insurance that will increase access to health care, assist in the reduction of the amount of uncompensated care, and reduce the number of uninsured people in this state.

...(excludes requirements to cover alcoholism treatment, cervical, prostate and colorectal cancer screening, clinical trials, diabetic supplies, IVF, mental health, off-label use of drugs, TMJ, chiropractors, optometrists, podiatrists).”

Louisiana – HB 448, 2004 Laws

Allows health plans to offer “mandate-free” or “mandate-lite” products in the small group and individual markets. When offering such a policy, an insurer must also offer, as an alternative, a product that includes all state mandated coverage’s. Insurers must also provide a notice that the flexible benefits policy does not include all state mandated benefits.

Mississippi – Sec. 83-63-1, 1992 Laws

“Contracts of insurance coverage offered by approved carriers that are approved by the Commissioner of Insurance shall be exempt from all state mandated benefits and from the premium tax required by state law.”

Missouri - Sec. 376.995, 1990 Laws

“Limited mandate health insurance policies and contracts shall mean those policies and contracts which cover individuals and their families and groups sponsored by an employer who employs 50 or fewer persons.”

“No law requiring the coverage of a particular health care service or benefit, or requiring the reimbursement, utilization or inclusion of a specific category of licensed health care practitioner, shall apply to limited mandate health insurance policies and contracts, except the following provisions: (**excludes** requirements to cover alcoholism treatment, ambulatory surgery, bone density screening, cervical, colorectal and prostate cancer screening, contraceptives, mental health care, chiropractors, optometrists, podiatrists).”

Montana – HB 384, 2003 Laws

This law allows health plans to offer a “no frills” basic benefit plan without certain state mandates (e.g., mental health treatments, emergency services and coverage for newborns). State regulators will approve such products for a 12-month demonstration period, with renewals possible for a total of five years.

Health plans who want to offer these products must meet the following criteria:

(1) offer a benefit package that includes significant outpatient services; and (2) limit eligibility to residents who have been uninsured for 90 days or longer.

Nebraska – Sec. 44-4227/4228, 1991 Laws

“Every uninsured access coverage policy or contract shall include: (a) in-hospital benefits for not less than 30 continuous days nor more than 90 continuous days for each spell of illness; and (b) surgical benefits for both inpatient and outpatient surgery.” Notwithstanding any other provision of law, every uninsured access coverage policy or contract shall be exempt from any and all mandated benefits which require coverage of any type of services or conditions.”

New Mexico – Sec. 59A-23B-1, 1991 Laws

“For purposes of the Minimum Healthcare Protection Act, “policy or plan” means a healthcare benefit policy or plan that the insurer, fraternal benefit society, HMO or nonprofit healthcare plan chooses to offer to individuals, families or groups of fewer than 20 members formed for purposes other than obtaining insurance coverage.”

“Subject to a maximum limit on the cost of healthcare services covered in any calendar year of not less than \$50,000, the policy or plan provides the following minimum healthcare services to covered individuals: inpatient hospitalization or home care not to exceed 25 days; prenatal care; obstetrical care; well-child care; mammograms; cervical cancer screening; a basic level of primary and preventive care (including no less than 7 physician, nurse practitioner midwife or PA office visits per calendar year, including any related ancillary diagnostic or lab tests;)”

North Dakota – HB 1226, 2001 Laws

“An insurance company, a nonprofit health service corporation, or an HMO may deliver, issue, execute, and renew a basic health insurance policy, health service contract, or evidence of coverage on an individual basis or an employer group, blanket, franchise, or association basis for employers with fewer than 50 employees.”

“The basic health insurance coverage policy, contract or evidence of coverage under this section is not subject to sections: (**excludes** requirements to cover off-label use of drugs, substance abuse,

mammograms, TMJ, prostate cancer screening, formula for metabolic disease, dental anesthesia, pre-hospital emergency medical services, optometric services). However, the insurance company, nonprofit health service corporation or HMO shall make the coverage required under these sections available at the option of the individual or employer and may charge an additional premium for each coverage provided."

Oklahoma – HB 2350, 2002 Laws

"Each Health Insurance Purchasing Group, in conjunction with a HIPG health carrier, shall make available a health benefits plan in the manner described in this section to all eligible employers and eligible employees at rates, including employers' and employees' shares, on a policy- or product-specific basis which may vary only as permitted under law."

"The HIPG may also offer a health benefits plan not subject to state-mandated health benefits which does not contain standard provisions or rights required to be present in a health benefits plan pursuant to law or regulations unrelated to a specific illness, injury or condition of the insured, for the provisions as may be determined by rules and regulations of the Commissioner."

Tennessee – SB 3187, 2004 Laws

This law urges health insurers to develop and market a product that provides only major medical coverage for catastrophic illnesses requiring in-hospital treatment. Such a product would not be subject to state mandated coverage requirements. Any new product must be approved by the DOI.

Texas - SB 541, 2003 Laws

This law allows health plans to offer a "mandate-lite" product without the following treatment mandates: substance abuse, reconstructive surgery, emergency care, immunizations and mammograms.

Utah - HB 122, 2002 Laws

"The Act permits a carrier to offer less or different coverage than the basic benefit package, the minimum standards required by the Commissioner of Insurance, or any other health insurance mandate required by state law when the Department of Health offers similar coverage as a part of a Medicaid waiver."

Virginia – HB 2234, 2003 Laws

This law allows health plans to offer a variety of new products in the small group market. For example, health plans can choose to offer state-regulated "essential" and "standard" health products that do not contain all of the state mandated benefits.

Washington – HB 2460, 2004 Laws

"A health care services contractor offering any health benefit plan to a small employer, either directly or through an association or member-governed group, may offer and actively market to the small employer a health benefit plan featuring a limited schedule of covered health services."

"A health benefit plan offered under this subsection shall provide coverage for hospital expenses and services rendered by a licensed physician."

Testimony to the House Committee on Insurance and Financial Institutions

Richard Cram

February 20, 2008

Department Concerns with House Bill 2822

Representative Clark Shultz, Chair, and Members of the Committee:

Subsection 3(a)(2) of House Bill 2822, as introduced, would appear provide a credit against any tax owed by the employer to the State of Kansas for amounts paid on behalf of eligible employees to provide health insurance or care and amounts contributed to health savings accounts of eligible covered employees.

This would have a negative fiscal impact that we are unable to estimate. The provision is problematic for several reasons, and it raises many questions. The legislature each year enacts new income tax credits of various types. Some of these also apply to bank privilege tax and insurance premiums tax. However, this would be the first legislation to create a tax credit that would apply to any tax owed to the state. This apparently includes sales tax? Motor fuel tax? Liquor taxes? Tobacco taxes? Severance tax? Corporate franchise tax? Other taxes?

Income tax receipts go into the State General Fund, and income tax refunds (which often include income tax credits) can be paid out of the income tax refund fund. Many of these other taxes are earmarked. For example, motor fuel tax receipts are dedicated to the State Highway Fund. A portion of sales tax receipts also go to the State Highway Fund. Liquor drink tax receipts are shared with local governments. Part of the severance tax receipts go to certain counties.

Modification of the Department's systems for all of the tax types to be able to process tax credits of this type would be an enormous and very expensive task. The Department strongly recommends that lines 34 through 39 of page 2 of House Bill 2822 be stricken.

The fiscal impact for expanding the small employer insurance income tax credit as provided at Subsection (b)(3) of House Bill 2822 would be as follows:

FY 09 \$100,000
FY 10 \$100,000
FY 11 \$100,000
FY 12 \$200,000

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TOPEKA
HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
VICE CHAIR: FINANCIAL INSTITUTIONS
MEMBER: FEDERAL AND STATE AFFAIRS
TAXATION

HB 2904

Introduction

- Brief history of the process
- Started last session
- Changed course from Life Ins to current status
- Industry very helpful in finding ways to collect

Bill

- Instructs SRS to share Delinquent Child Support with CSLN
- Only those obligors with balances in excess of \$1000

Pie Chart

- Stats taken from NCSL as of 2006
- Kansas leaves 46% uncollected
- Causes burden on families and the state

Cost Benefit Analysis

- Estimated Collections from Settlements just over \$1 Million
- Federal Reimbursement around \$116,000
- State Reimbursement around \$75,000
- Leaving around \$700,000 in new collections going directly to families
- State only pays when there is a match which is around \$50

Power Point

- Slides just briefly overview what CSLN does and who they are
- Slides provided by George French and his contact information is included

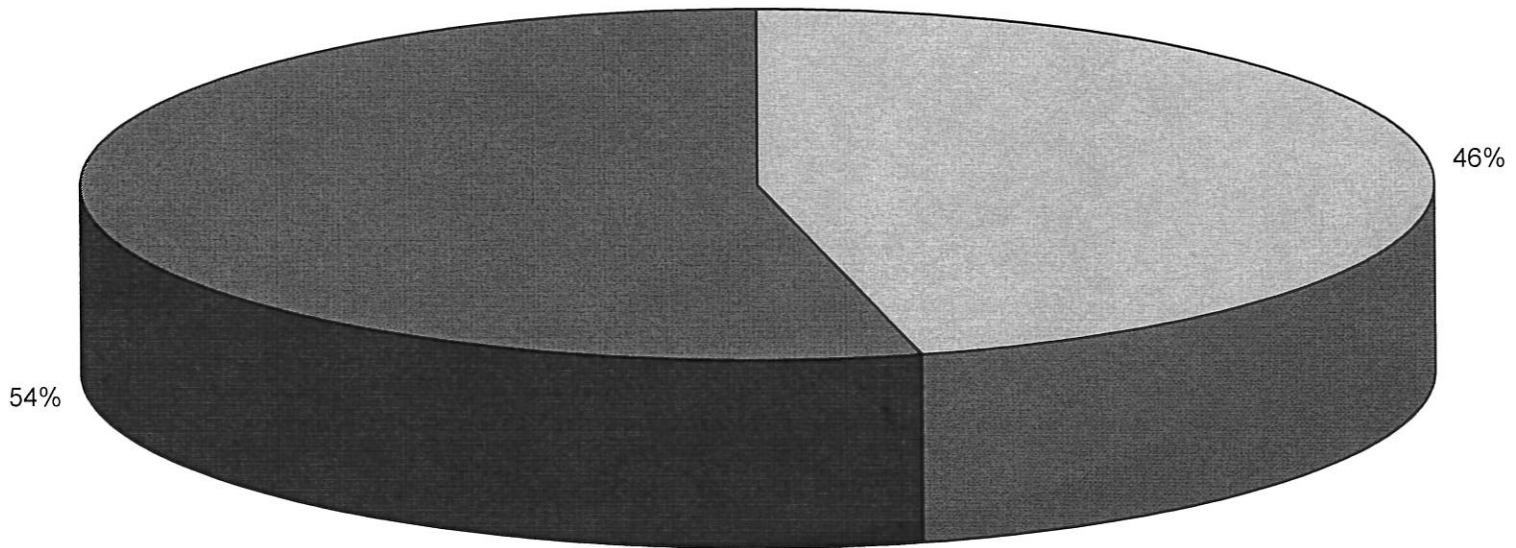
What is ISO

- Central reporting organization
- CSLN would interface with ISO

Questions regarding ISO

- Answered by John Giknis

Kansas Child Support



■ Uncollected ■ Collected

**Cost Benefit Analysis
Child Support Lien Network (CSLN)**

Estimated Insurance Intercept Collections via Child Support Lien Network Participation				
Kansas	TOTAL	CURRENT ASSISTANCE	FORMER ASSISTANCE	NEVER ASSISTANCE
OCSE: Box Scores, FFY 2003	134,321	25,572	64,626	44,123
% of Cases	100%	19.0%	48.1%	32.8%
Table 13: Cases with Arrears Due, FY2003	92,038			
Estimated Cases Posted (50%)	46,019	8,762	22,141	15,116
Figures Below Based on Estimated Cases With Arrears				
Estimated Match Release Rate(Year 1)	1.50%	1.50%	1.50%	1.50%
Cases Matched to Claims in Year 1	690	131	332	227
Est. Matched Claims Settled in Year 1	70%	70%	70%	70%
Matches with Settlements Year 1	483	91	233	159
Average Collection Per Match	\$2,100	\$2,100	\$2,100	\$2,100
Estimated Collections from settlements	\$1,014,300	\$191,100	\$489,300	\$333,900
FMAP Rate (federal share) (FFY 2005)		61.01%		
Federal Share of Collections		\$116,590		
State Share of Collections		\$74,510		
Cost Per Match (CSLN Fee)				\$48.50
Total Match Fee Charges (Year 1)				\$33,465
			<i>Annual Cost</i>	\$33,465
Cost Benefit Ratio (Total Collections/Costs)				30:1
Federal Share of Costs (66%)	66%			\$22,087
State Share of Collections		\$74,510		\$11,378
State Costs (34%)		\$ 11,378		
State Cost Effectiveness Ratio		6.55		
CSLN Pricing Structure				
Cases Posted to CSLN			Cost Per Claim Match	
> 100,000			\$48.50	
100,001 - 200,000			\$41.00	
> 200,000			\$33.50	
For more information, contact:				
George French, CSLN Manager	or	Sharon Santilli, IV-D Director		
Phone: 888-240-7488		State of Rhode Island		
Email: g french@childsupportliens.com		Phone: 401-458-4404		
		Email: ssantilli@cse.state.ri.us		

* Based on CSLN States experience.



CHILD SUPPORT LIEN NETWORK

Child Support Lien Network (CSLN)



Information & Stats
February 15, 2008



CHILD SUPPORT LIEN NETWORK

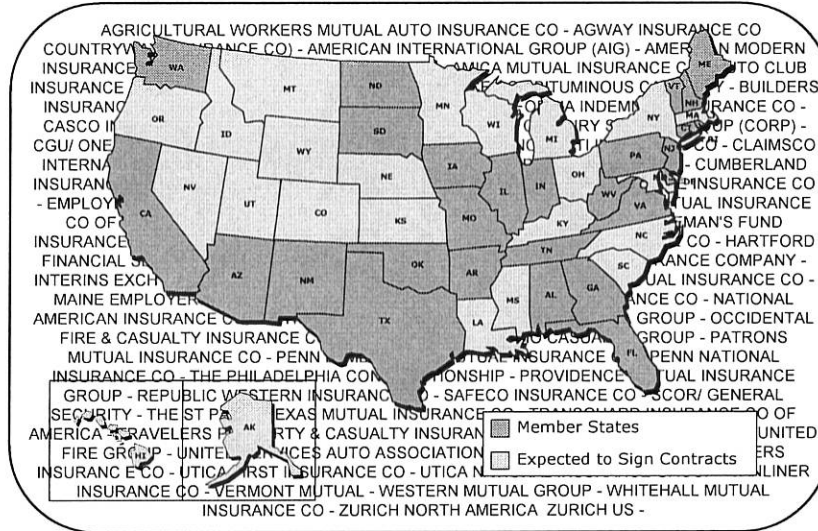
CSLN Information

- Twenty-Seven (27) Participating States
 - Four (4) Mandatory Insurance Intercept States – RI, NJ, PA and OK
- CSLN Database almost 3.2 million Non-Custodial Parents
- Over \$61 Billion in past-due child support
- Estimated \$75 - \$100 million collected by the program annually
- Average match rate 1.60% - 3.50%
- Average Offset Collection \$2,100



CHILD SUPPORT LIEN NETWORK

Child Support Lien Network



CHILD SUPPORT LIEN NETWORK

27 States Now CSLN Members

- | | | |
|--------------|---------------|---------------|
| Alabama | Arkansas | Arizona |
| California | Connecticut | Delaware |
| Florida | Georgia | Illinois |
| Indiana | Iowa | Maine |
| Missouri | New Hampshire | New Jersey |
| New Mexico | North Dakota | Oklahoma |
| Pennsylvania | Rhode Island | South Dakota |
| Tennessee | Texas | Vermont |
| Virginia | Washington | West Virginia |



CHILD SUPPORT LIEN NETWORK

Questions

George French
CSLN Project Director
888-240-7488
gfrench@childsupportliens.com

About CSLN

The Child Support Lien Network (CSLN) was initially conceived and hosted by the State of Rhode Island, first as a solution for their state's specific insurance claim intercept law, and subsequently expanded to encompass other states and their administrative powers. We ask insurance companies to join forces with the Child Support Lien Network as we attempt to collect past due child support from delinquent obligor parents without the need for any further cumbersome laws or mandates.

CSLN has expanded from a small group of New England states to a nationwide network. Currently the network has 14 states as members: Rhode Island, Connecticut, Maine, Vermont, Arkansas, New Jersey, Florida, Texas, Tennessee, Nevada, California, Illinois, Virginia and Iowa. Several additional states are poised to become members in the upcoming year.

Here is how the CSLN system works. States pool their delinquent child support obligor information in the CSLN network, which is electronically matched daily with the claims, filed with insurance companies across the country. Upon a claim matching to a delinquent obligor, the insurer passes on to CSLN the claim information and company contacts. CSLN alerts the member state with this information and the state follows up immediately with the insurance company to file the appropriate administrative notice of lien or income withholding order against the future settlement.

The CSLN process of using a single database of millions of delinquent child support obligors to interface daily with the insurance industry files has been shown to work so much more effectively than individual states making individual requests for this information from an insurance company's various offices. The electronic interface is successful for both states and insurers primarily because it is automatic and so much less intrusive upon staff and operations. The CSLN system works because it was designed, developed and implemented by claims examiners and adjusters from major insurers and by representatives from the insurance trade associations working in partnership with state officials.

When CSLN asked the insurance industry for help in designing the Child Support Lien Network the industry responded very favorably. Getting access specifically to insurance company's claimant information is now needed for us to improve our collections for deserving children. Our estimates reflect that more than \$2 Billion in claim settlement payments made each year for personal injury and workers' compensation claims could be deferred to the claimant's children who are owed past due child support. Assistance from the insurance industry is necessary to make this a reality for many of our nation's 20 million children who are not receiving all of their ordered child support payments.

In the past decade, the US Congress provided state child support officials with a battery of legal and administrative tools that allow us to take extraordinary measures to collect a burgeoning past due child support debt for America's children. Several of the measures enacted gave child support agencies the powers to:

- Obtain information through administrative subpoena
- To suspend professional, occupational and drivers licenses
- To suspend hunting and fishing licenses
- To suspend motor vehicle registrations
- To intercept bank accounts and stock funds with administrative liens and levies
- To intercept both federal and state tax refunds, as well as lottery prizes
- To implement immediate income withholding orders for support payments from wages paid by employers.
- To require all employers to report every employee hired to a state directory of new hires.

But even with all these legal and administrative tools, there is still in excess of \$90 Billion in past due support owed to 20 million of our nation's kids. The situation is so serious that it now has become necessary to attach insurance proceeds to collect support that is past due to our country's children.

In October 2002, a multi- state conference was held to discuss child support issues. One feature of the Office of Child Support Enforcement, OCSE, Commissioner Sherri Z. Heller's presentation at The Western Interstate Child Support Enforcement Council (WICSEC) conference was a discussion of what she referred to as "going the extra mile" and "reaching out to partners that help collect and distribute more child support." and "actually get more resources to do our job." The CSLN program is clearly addressing these issues.

So far, several states, such as Rhode Island, Massachusetts and New Jersey, have passed specific legislation requiring insurance companies to search state records to determine if claimants are also delinquent child support obligors, and then make offsets from the settlements towards those debts. These individual state laws and procedures have proved to be intrusive on insurance company operations. Rhode Island, New Jersey and many other states have implemented a new electronic insurance claim intercept process in a way that is much more friendly to insurance company operations, and without the need for additional state or federal mandates – the CSLN Electronic Interface way!

At the end of August 2003, the Child Support Lien Network contained 1,893,283 delinquent obligor cases that owe \$38 Billion in past due support. Over the next two years, the CSLN network is projected to incorporate all of the nation's 10 million delinquent obligor cases owing a staggering \$90 Billion in child support arrears. Although these figures appear daunting each insurance company has the power to make a significant difference in lives of millions of our nation's children with very little effort.

Child Support will become a small but very important part of an insurance company's customer service and good will efforts- to do a good job for the sake of our children! The CSLN is the method that can help us all avoid bothersome laws, intrusive processes and nuisance subpoenas. We want insurance companies to provide access to their claim data to CSLN now and do it voluntarily.

Experience with the electronic interface over the past year has shown that while approximately 4% of delinquent obligors in this country match to an insurance claim each year, the impact on individual insurance companies is minimal. Because there are so many companies involved, CSLN cases only matched to an average 0.5% of a company's total claims this past year. Another great aspect about the CSLN process is that insurance companies are protected from liability for their cooperation in providing this data for child support purposes by federal and state laws.

In the past, it was a relatively rare occurrence that Child Support agencies would receive a payment from an insurance settlement. Child support officials collected monies from insurance claims only after the happenstance of coming upon the knowledge of such claim settlement information provided by the custodial parents or third parties. Often, opportunities to collect from the claim settlement were missed because the information about the asset became known too late. The new CSLN daily interface with insurance databases provides Child Support agencies and insurance companies with sufficient time to send and receive legal notices and liens for future collection.

Can you imagine just how big an impact an insurance offset could make in children's lives? In December 2002, the State of Texas received an insurance settlement payment for \$38,186.00 that was redirected to the claimant's children in three separate child support cases. In the first two cases, the arrears owed were reduced to zero and in the third case to a mere \$280.00. The claimant agreed to write a check for the remainder, thereby eliminating his arrears with all three families! With his slate wiped clean from owing past due child support, the claimant is more able to manage payment of his ongoing monthly child support obligation and now feels more comfortable in making contact with his children.

\$2 Billion in potential collections each and every year from the insurance industry would make such collections the greatest and most significant single source of funds ever collected by the child support enforcement program – even greater than federal offsets of income tax refunds that now account for \$1.8 Billion in annual arrearage collections. The insurance industry could be the Number One resource for child support collections! And could there be any greater good will to be had?

Now you can surely see why, we are so excited about the potential collections from insurance claims. We need every insurance company to participate immediately.

Although some of the states we have in CSLN may not be those in which a particular company writes a lot of insurance business, we can assure you that it is very important for those states to be able to match their children's arrears records against all insurer's claim records. Why? Because approximately 30% of delinquent obligors in the country do not live in the same state as their children and there is a very good chance that the claimants children reside in states where the company is not that active. These claims can be attached through CSLN for these families. And this will only occur when insurance companies open their entire claim file to our CSLN process.

As we can gain national insurance participation in the CSLN interface process we will be able to show the whole country just how really wonderfully the insurance industry has responded to this public-private endeavor without the need for further mandates. Thank you in advance for being a champion for these deserving kids.

October 10, 2007

TO: Participants in ISO ClaimSearch® Casualty Segment — Insurers and Self Insureds

SUBJECT: Oklahoma's new requirements — ISO ClaimSearch Compliance Support

On May 31, 2007, Oklahoma Governor Brad Henry signed Oklahoma Statute Title 56 Section 237B (see enclosed). The law, which concerns the insurance industry, has a fast-approaching deadline of November 1, 2007. The statute provides for the collection of overdue child support before insurers can pay personal injury, wrongful death or workers compensation claims of \$500 or more to delinquent child support obligors.

The law applies to insurers licensed or authorized to transact business in Oklahoma pursuant to Title 36 of the Oklahoma Statutes.

Because Oklahoma does not want to delay your company's adjustment of claims, the state provides several methods to comply with this new statute. The Oklahoma Department of Human Services (OKDHS) asks insurers to either provide information about the claimant to its Child Support Enforcement Division (CSED) or match information it provides.

An insurer that elects to provide information to the Department about the claimant shall provide to CSED not less than ten (10) business days before making payment to such claimant:

- claimant's name,
- address
- date of birth
- social security number as appearing in the insurer's files
- such other information appearing in the insurer's files as the OKDHS may require by rule

OKDHS has approved the use of the ISO ClaimSearch® Child Support Enforcement Agency (CSEA) Reporting Service. Insurers and self insureds may use the ISO ClaimSearch CSEA Program through the Child Support Lien Network (CSLN) to comply with the requirements of the new statute.

The CSEA Service automatically identifies delinquent obligors whose claims may be subject to a child support lien. This service ensures that this newly mandated process does not delay settlements of your company's claims.

When claims are submitted to ISO ClaimSearch, the CSEA Service automatically checks applicable claim reports against the database of delinquent child support obligors maintained by CSLN. Besides Oklahoma, 23 state child enforcement agencies participate in the CSLN database.

Companies have the option of participating in the ISO CSEA Service on a state-by-state basis or in all states served by CSLN. There is no cost to insurers or self insureds to participate in the ISO CSEA Service.

If your company is already participating in the ISO CSEA program for Oklahoma, no new action is needed to comply with this new law, which goes into effect November 1, 2007.

To sign up or to add Oklahoma to your current participation in the CSEA program, please complete and return the enclosed ISO ClaimSearch Data Reporting Authorization Form. This authorizes ISO to search against the CSLN database on personal injury, wrongful death or workers compensation claims you submit for the states. If you are a new CSEA customer, please also fill out and return the enclosed Product Supplement.

If you have questions about the ISO CSEA Service, please contact John Giknis, assistant vice president – ISO ClaimSearch Operations at (201) 469 3103 or send an e-mail to jgiknis@iso.com. If you have questions about the new Oklahoma law, please contact Ronald Smith at (405) 522-2576 or send an e-mail to Ronald.Smith@okdhs.org.

We look forward to working with you.

Sincerely,



Vincent Cialdella
Vice President - ISO ClaimSearch

Enclosures:

1. Oklahoma Statute Title 56 Section 237B
2. CSEA Authorization Form
3. CSEA Product Supplement

Representative Brown --

I received the following information today from John Giknis with ISO. I have added information where necessary to assist with the acronyms and laws cited. Please let me know if I may be of further assistance to you on this matter.

1. If enacted in Kansas, what would be the interface between insurers and the network (database)?

If the legislation includes ClaimSearch as a central reporting organization, the companies would report to ISO ClaimSearch in their standard reporting format; system to system, or manual reporting via the secured Internet. If Kansas participates in the Child Support Lien Network (CSLN), ISO ClaimSearch would interface with CSLN, who in turn would interface with Kansas CSE (Child Support Enforcement).

2. If enacted, what would be the interface between the Department of Social and Rehabilitation Services/CSE employees and the network?

If the Child Support Lien Network, is retained to work with Kansas CSE, the interface would be from ISO to CSLN (after a search of the database of delinquent obligors maintained by CSLN), who would interface with the Kansas CSE. If the CSLN program is not retained, a direct, secure electronic interface could be established between ISO ClaimSearch and CSE. Record layouts and communication methods would be developed as needed.

3. Are there any costs associated with implementation or maintenance of the database for either the state agency or insurer?

If the state participates in the CSLN program, CSLN would address costs for the state participation. If the state prefers not to participate in the CSLN program, but direct with the ISO ClaimSearch database program, there would be associated costs to program the interface between Kansas and ISO. We do not currently charge the insurers for participation in the ISO/CSLN program.

4. Who owns the data and are appropriate protections in place for privacy rights? Who has access to the data (would other states be able to access Kansas data)? Who has the responsibility of matching the data/reducing error rates/mismatches?

The data is owned by the participating ISO ClaimSearch participants. ISO is a membership database, offered only to insurers, self insurers and those entities that adjust insurance claims, for the adjustment of claims only. ISO maintains a full privacy and security policy, and audit process, in addition to contractual requirements, for protection of the information. ISO ClaimSearch conducts the matching of company data against the CSLN database of delinquent obligors. CSLN performs additional quality activities subsequent to an identified match. ISO ClaimSearch maintains an edit/rejection

process prior to the search against the CSLN database to assist in the accuracy of the information. Kansas data would be maintained by CSLN (if the state participates in CSLN), and would not be accessible to other states, unless there is an obligor with multiple state obligations.

5. Do participating states have to have mandatory participation by insurers? Does your organization have a recommendation as to which insurance payments/benefits should be reported by insurers?

States can participate voluntarily in the CSLN program, allowed through PRWORA (Personal Responsibility and Work Opportunity Act -- PL 104-193), which also allows insurers to participate voluntarily in those states where there is no legislation. There are currently four states that have legislation in place. There are 23 states that participate without specific legislation. The reporting of settlement information by insurers to the ISO ClaimSearch database is an optional field. The search against the database of delinquent obligors is conducted as soon as the participating companies send their reports to ClaimSearch. The reports received are generally submitted when the claim is submitted, not settled. Settlement information, as well as other information developed during the adjustment of the claim, is sent as supplemental information for the database.

6. Are states adopting a model bill to participate in the network? Is there specific legal language necessary to be adopted into Kansas law?
We are unaware of any model state legislation.

Kansas Department of
Social and Rehabilitation Services
Don Jordan, Secretary



House Insurance & Financial Institutions
February 20, 2008

H.B. 2904 – Insurance Match for Child Support

Integrated Service Division
Jamie Corkhill, CSE Policy Counsel

For Additional Information Contact:
Dustin Hardison, Director of Public Policy
Docking State Office Building, 6th Floor North
(785) 296-3271

House Insurance
Date: 2-20-08
Attachment # 8

H.B. 2904 – Insurance Match for Child Support

House Insurance & Financial Institutions February 20, 2008

Mr. Chairman and members of the committee, I am Jamie Corkhill, Policy Counsel for the Child Support Enforcement Program (CSE) at SRS. Thank you for the opportunity to testify today in support of H.B. 2904, which establishes a method for identifying assets that may be used to pay child support in appropriate cases. Unpaid child support is a chronic challenge that many families in our State deal with daily, and this measure is a good step toward improving the financial well-being of those children.


In theory, the insurance settlements affected by this bill are available to families who are owed support because they can be attached by garnishment and other legal remedies. The unfortunate reality is that information about an insurance settlement is often learned long after the money has been spent, leaving these dependent children without a meaningful remedy. By identifying insurance claimants who are support debtors very early in the process, H.B. 2904 provides a needed protection for the family's support claim.

We recognize that any matching process poses difficulties for the business involved. An important advantage of this proposal is that it makes use of processes that the insurance industry is already using to detect and prevent claimant fraud. The match process is intended to be transparent for the insurer when there is no matching support debt or when enforcement action is unnecessary or inappropriate for the case. Insurers are not required to hold funds or delay any payout unless and until they are properly served with legal process. Even then, early identification of claims involving a support debt will often result in less disruption or wasted effort—particularly with respect to weekly workers' compensation payments—than legal process received at the 11th hour or after the settlement has been paid out.

We anticipate that this measure will produce over \$1,000,000 per year in support collections, with the lion's share flowing directly to families. An initial infusion of funding is needed to prepare the CSE automated system for the match process, but once matching begins we anticipate a net gain in State revenues of about \$90,000 per year, in addition to the more than \$750,000 per year that will be produced for families.

Kansas has a long history of enacting progressive laws to protect and provide for our children. This measure builds on that history, and we ask you to report it favorably for passage. Thank you.

FISCAL FOCUS

Budget and Tax Policy in  Perspective

April Holman
Legislative Testimony
House Bill 2904
House Insurance and Financial Institutions
February 20, 2008

Good afternoon Chairman Shultz and members of the Committee. On behalf of Kansas Action for Children (KAC), I would like to thank you for this opportunity to testify in favor of House Bill 2904.

KAC is a not-for-profit child advocacy organization that has been in existence since 1979. We shape health, education and economic policy that improves the lives of Kansas children and their families.

We support House Bill 2904, which would provide for insurance and workers compensation liens on proceeds to parents who are not in compliance with child support payments.

The Importance of Child Support

Child support is a critical source of support for many Kansas children growing up in single-parent households. As we look at ways to assist vulnerable Kansans with limited state and federal dollars, it is clear that child support is an effective and efficient support.

At the child development level, children whose noncustodial parents pay child support have more contact with them, potentially providing the children with emotional as well as financial support. Research indicates that children with parental contact have better grades, better test scores, and fewer behavior problems. They also remain in school longer.

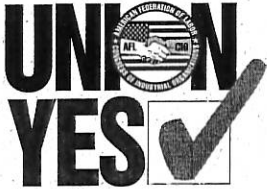
Reason for Child Support Arrearages

Although there are numerous reasons for inconsistent or no child support payments, common themes emerge. There are certain child support debtors who are very difficult for the state to communicate with and even locate. These debtors included parents with a sporadic work history, who are self-employed, or receive their wages in cash.

Other states have successfully found these debtors and helped families collect child support payments using insurance and workers compensation liens. Nebraska, Missouri, and Iowa are neighboring states that all currently have a similar insurance matching process.

HB 2904 Match and Liens on Insurance Proceeds

This mechanism would allow certain insurance payments to be matched against a list of child supports debtors. When the settlement is actually paid, the insurance company pays the child support debt before sending the rest of the insurance settlement to the debtor. Experience in other states makes it clear that Kansas can do a better job helping families to receive child support. HB 2904 will give Kansas an effective and efficient tool that can decrease families' dependence on public assistance. Therefore we respectfully request your support of HB 2904.



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TESTIMONY IN OPPOSITION TO HB 2904
PRESENTED BY
KANSAS AFL-CIO

COMMITTEE ON INSURANCE & FINANCIAL INSTITUTIONS

WIL LEIKER
JOHN M. OSTROWSKI
FEBRUARY 20, 2008

Chairman Shultz and Members of the Committee:

Thank you for this opportunity to present testimony relative to HB 2904. My name is John M. Ostrowski, and I am appearing on behalf of the Kansas AFL-CIO.

While it is universally agreed that enforcement of child support orders is important, and worthwhile state policy, the Kansas AFL-CIO must oppose HB 2904 in its present form as it relates to workers compensation. It is our position that there are two major problems with the bill in its current form.

Before discussing those issues, we would point out that when dealing with workers compensation payments, we are essentially dealing with temporary total disability payments. These are payments made when a worker is injured on the job and completely unable to be engaged in any form of substantial and gainful employment. The money paid is only a portion of the worker's regular wage (66 2/3% up to a state maximum), and may be further reduced by attorney's fees. Therefore, we are not speaking to substantial sums of money being lost to SRS in the event a worker momentarily falls "between the cracks." There is generally substantial delay between an injured worker being injured and receiving any type of settlement relative to a workers compensation claim. Therefore, large payments are easy to bring into the system.

In addition, it is important to understand that there is already an enforcement procedure in place for the collection of child support within the Workers Compensation Act. We have attached K.S.A. 44-514 for your review. As noted, it allows for 25% of any weekly amounts and 40% of any lump sum settlement. The issuance of an involuntary assignment



of benefits is mandatory upon the filing of a motion.

The first difficulty with the proposed bill is that it requires each and every worker to have their benefits delayed by a minimum of 30 days. Again, these payments are weekly wage replacement checks, which are already substantially less than what the worker was earning. The number of Title IV -D recipients is probably small compared to the number of injured workers who have no such obligations. Accordingly, we are punishing every worker injured on the job "for the sins of a few." At the current time, the mean time for an insurance company to issue the first payment following an on-the-job injury is 129 days. (Workers Compensation, 33rd Annual Statistical Report, Fiscal Year 2007, Table 3-6, p. 130) Further delay is unconscionable.

The second difficulty is that the delay of payment to an on-the-job injured worker could be unlimited. The "disclosure required...shall be made no less than 30 days before" a payment is issued. Assume an insurance carrier takes 30 or 60 days to investigate a workers compensation claim. They then decide that payment should be made, but realize that a "disclosure" has not been made. By law, payment cannot be made under this bill to the worker. If the insurance carrier fails to again effectuate disclosure, another 30 or 60 days can go by. In other words, the "trigger" is the insurance carrier's decision to pay, whenever that is made.

Finally, the proposed bill conflicts with the intent and at least some provisions of the Kansas Workers Compensation Act. The intent of the Act is for prompt payment, and multiple sections encourage prompt payment. In addition, when a court orders an insurance carrier to make a payment, they have 20 days to do so, or they are subjected to penalties. They, therefore, cannot simultaneously comply with the provisions of this bill, and the penalty provisions of K.S.A. 44-512a.

The Kansas AFL-CIO would suggest that there are various methods to accomplish the noble intent of this bill. For example, the trigger should be when a claimant notifies the employer/insurance carrier of an on-the-job injury. The employer/insurance carrier should then have 5 days to notify the matching entity. The entity in turn should have another 5 days to notify SRS, and then SRS can promptly file their lien pursuant to K.S.A. 44-514. If the carrier or matching entity miss their deadlines, they could be responsible for the lost reimbursement. Similarly, if SRS delays, they simply lose for those weeks of "nonaction."

Again, Kansas AFL-CIO supports the concept of the bill but does not believe that ALL workers should be penalized at a critical time after being injured on the job for no fault of their own.

44-514. Payments not assignable; exception, orders for support. (a) Except as provided in subsection (b), K.S.A. 23-4.146 or the income withholding act and amendments thereto, no claim for compensation, or compensation agreed upon, awarded, adjudged, or paid, shall be assignable or subject to levy, execution, attachment, garnishment, or any other remedy or procedure for the recovery or collection of a debt, and this exemption cannot be waived.

(b) Claims for compensation, or compensation agreed upon, adjudged or paid, which are paid to a worker on a weekly basis or by lump sum shall be subject to enforcement of an order for support by means of voluntary or involuntary assignment of a portion of the compensation.

(1) Any involuntary assignment shall be obtained by motion filed within the case which is the basis of the existing order of support.

(A) Any motion seeking an involuntary assignment of compensation shall be served on the claimant and the claimant's counsel to the workers compensation claim, if known, the motion shall set forth:

- (i) The amount of the current support order to be enforced;
- (ii) the amount of any arrearage alleged to be owed under the support order;
- (iii) the identity of the payer of the compensation to the claimant, if known; and
- (iv) whether the assignment requested seeks to attach compensation for current support or arrearages or both.

(B) Motions for involuntary assignments of compensation shall be granted. The relief granted for:

(i) Current support shall be collectible from benefits paid on a weekly basis but shall not exceed 25% of the workers gross weekly compensation excluding any medical compensation and rehabilitation costs paid directly to providers.

(ii) Past due support shall be collectible from lump-sum settlements, judgments or awards but shall not exceed 40% of a lump sum, excluding any medical compensation and rehabilitation costs paid directly to providers.

(2) In any proceeding under this subsection, the court may also consider the modification of the existing support order upon proper notice to the other interested parties.

(3) Any order of involuntary assignment of compensation shall be served upon the payer of compensation and shall set forth the:

- (A) Amount of the current support order;
- (B) amount of the arrearage owed, if any;
- (C) applicable percentage limitations;
- (D) name and address of the payee to whom assigned sums shall be disbursed by the payer; and

(E) date the assignment is to take effect and the conditions for termination of the assignment.

(4) For the purposes of this section, "order for support" means any order of any Kansas court, authorized by law to issue such an order, which provides for the payment of funds for the support of a child or for maintenance of a spouse or ex-spouse, and includes such an order which provides for payment of an arrearage accrued under a previously existing order and reimbursement orders, including but not limited to, an order established pursuant to K.S.A. 39-718a and amendments thereto; K.S.A. 39-718b and amendments thereto; or an order established pursuant to the uniform interstate family support act and amendments thereto.

(5) For all purposes under this section, each obligation to pay child support or order for child support shall be satisfied prior to satisfaction of any obligation to pay or order for maintenance of a spouse or ex-spouse.

Your rights. Our mission.

To: Representative Clark Shultz, Chairman
Members of the House Insurance & Financial Institutions Committee

From: Jeff Cooper, Cooper & Lee LLC
On behalf of the Kansas Association for Justice

Date: February 20, 2008

Re: HB 2904—**OPPOSED**

The Kansas Association for Justice (KsAJ) is a statewide, nonprofit organization of attorneys that serve Kansans seeking justice. Thank you for the opportunity to provide you with our testimony. KsAJ is opposed to HB 2904.

KsAJ is fully in favor of protecting children, and assuring that parents that have support obligations are meeting their obligations. HB 2904 appears to have the intent of improving the Secretary of Social and Rehabilitation Services' (SRS) ability to collect delinquent support payments from debtors that receive insurance payments, including workers compensation and personal injury settlements or judgments.

HB 2904 is similar to a bill heard in the House Health and Human Services Committee in 2007 that did not advance (2007 HB 2503). HB 2503 was of great concern to many because of the significant delays it would have imposed on all injured Kansas workers receiving workers compensation insurance payments. It also had the effect of replacing current, effective law that allows child support to be collected from workers compensation benefits. In addition, HB 2503 was administratively burdensome.

Current Kansas workers compensation law has for many years provided a mechanism to collect child support from workers compensation benefits paid to injured workers. Currently, K.S.A. 44-514, states motions for involuntary assignment of compensation shall be granted for child support. Current law provides as follows:

1. Payment for weekly ongoing benefits of 25% for current support obligations, and

2. Forty percent (40%) of any settlement or award of permanent benefits for payment of past due child support.

Current law requires that only an order from any Kansas Court or any order established under the "Uniform Interstate Family Support Act" shall result in withholding. Also, K.S.A. 39-7,147 provides that an income withholding order may be entered by the Secretary if no income withholding order is in effect to enforce a support order in a Title IV-D case. So the Secretary of SRS already may already obtain an income withholding order under present Kansas law. These laws already provide a very clear and manageable mechanism for payment of current and past due child support from workers compensation benefits.

It is important to note that the workers compensation law does not furnish damages for physical injury. Workers compensation law provides for payment of money to or for the benefit of an injured employee, which payments are intended to mitigate the disastrous economic effects of a work injury.

Example: A worker earning a gross average weekly wage of \$1,000.00 a week prior to an injury, would receive temporary total disability if unable to work in Kansas of \$483.00 a week.

Before Injury: \$1,000.00 a week

After Injury: \$483.00 a week maximum (assuming 2007 injury)

Unfortunately, Kansas workers compensation benefits are among the lowest in the nation. Under current law, 25% of those benefits are subject to withholding for child support, or as in our example \$120.75 a week. After child support withholding, weekly temporary total disability benefits paid to the injured worker would be \$362.25. Most of us would find living on 50% or 40% or less our current income a very significant personal crisis.

While no one would suggest that injured workers should be relieved of their child support obligations, it is important to ask whether HB 2904 will result in the efficient, cost effective collection of significant amounts of unpaid child support, or whether the amount collected in relationship to the state's cost of collection and the burden on the workers compensation system is justified.

1. HB 2904 would result in delays in payments to ALL injured workers. New Section 2 (c) requires insurance companies to disclose information about claimants no less than 30 days before an insurance payment is disbursed. We are concerned that ALL payments to injured workers—

regardless of whether the claimant has child support obligations, or even if they are parents—would be delayed by 30 days.

As noted, injured workers experience a significant drop in their income and they are dependent on timely receipt of their workers compensation insurance benefits to pay the ordinary expenses of daily living. Thirty days is a significant period of time for many working families who cannot do without a pay check. Delays could cause families to miss payments for their mortgage or rent, car payments, electricity, bills, etc., and struggle to pay for basic necessities.

It is unnecessary and extreme to delay workers compensation insurance coverage for injured workers who have no outstanding supporting obligations for 30 days. We question whether SRS needs 30 days to secure and enforce a lien even if there is a child support debt. SRS should be required to quickly determine if there are child support debts, and all other insurance claims should be immediately released. The bill does not address this problem.

2. Would HB 2904 disrupt the current workers compensation lien process?
The current law is an effective mechanism for collecting child support payments from workers compensation benefits. The interaction of HB 2904 and current law needs to be better understood.
3. How will HB 2904 work? We have questions about the process by which the bill would operate. We would like to better understand how the bill will work so that we might propose alternatives that would not delay ALL payments to ALL injured workers, regardless of whether or not they have owe child support.

In summary, we believe the objectives of HB 2904 are good, but are concerned that the bill may unnecessarily disrupt the workers compensation insurance system for all injured workers—regardless of whether they have child support obligations or not. We also have concerns about HB 2904 and its interaction with current law which already provides a mechanism for collection of child support pursuant to a Title IV-D case or any other case. We look forward to learning more about how HB 2904, if passed, would be implemented.

Thank you for the opportunity to provide you with our comments.