Approved: 3-24-08

Date

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on March 20, 2008 in Room 136-N of the Capitol.

All members were present.

Committee staff present:
Melissa Calderwood, Kansas Legislative Research Department
Ken Wilke, Office of Revisor of Statutes
Bev Beam, Committee Secretary
Jill Shelley, Kansas Legislative Research Department

Conferees appearing before the committee:
Ed Fonner, Kansas Health Insurance Assn.
Natalie Bright, Alliance of Health Care Sharing Ministries

Others attending:
See attached list.

The Chair called the meeting to order.

Hearing on

SB 637 - concerning the Kansas uninsurable health insurance plan act; increasing the lifetime maximum benefit

Melissa Calderwood gave a brief overview of SB 637. Ms. Calderwood stated this bill would amend the Kansas Uninsurable Health Insurance Plan Act which is an act that applies to the administration of the state high risk pool to increase the maximum lifetime benefit for covered individuals from one to two million dollars. The fiscal note indicates the Kansas Health Insurance Plan, which is administered by the Kansas Health Insurance Association, the Board responsible for administering the high risk pool, is funded through association member assessments which would include all health insurers who provide benefits and also premiums charged to the plan's participants. The bill could increase member assessments and increase premiums paid by the beneficiaries. There would be no fiscal effect on state revenues or state expenditures.

Ed Fonner, Kansas Health Insurance Association, testified in support of SB 637. Mr. Fonner stated that the Kansas Health Insurance Association (KHIA) was created by the Kansas Legislature in 1992 as a non-profit association offering comprehensive health insurance benefits to several groups of eligible individuals. He said KHIA is one of 32 states with high risk pools established to help people with health conditions that makes it difficult for them to obtain health coverage. He noted KHIA is managed by a Board of Directors who are elected by the members of the association and subject to approval by the Commissioner of Insurance. He said the 11-member Board consists of insurance carriers, the public, an agent and a healthcare provider. He said the Board maintains four committees to oversee operations, investments, nominations and legal issues and grievances. He said as KHIA continues to improve its services, benefits, and operations, an effective cost containment and care management component will be critical for maintaining the pool's financial viability and affordability for current and future enrollees. (Attachment 1)

The Chair closed the hearing on SB 637.

Hearing on

HB 2783 - relating to insurance; concerning voluntary non-contractual mutual aid arrangements

The Chair asked Melissa Calderwood for a brief overview of HB 2783. Ms. Calderwood stated that HB 2783 was introduced by the Financial Institutions and Insurance Committee at the request of the Alliance of Health Care Sharing Ministries. It would remove all voluntary non-contractual mutual aid arrangements from the application of the Kansas Insurance Code. There currently is an exclusion only for the

arrangements that were founded on or before December 31, 1982.

Natalie Bright testified in support of HB 2783 on behalf of her client, Alliance of Health Care Sharing Ministries. Ms. Bright said her client seeks to amend current law so that they may experience the same exemption from insurance mandates as is afforded to sharing ministries established prior to December 31, 1982. She said there are currently 730 Kansas families participating in one of their member sharing programs. She said their members have chosen to collectively share and pay for each others health care expenses in lieu of purchasing a traditional health care insurance policy to cover such expenses. Ms. Bright said unfortunately, the current exemption set out in the law is too narrow to include the newer ministries represented by the Alliance because of a clause referring to the date of organization. She said it was their understanding the date was inserted as a cautionary mechanism in 1994 because only one nationwide ministry was in existence. She said since then, two additional nationwide ministries have evolved and proven to be a viable option for families across the country. She noted that as such, they requested the introduction of HB 2783 so that the newest ministries may share the same protections. (Attachment 2)

Following lengthy discussion, the Chair closed the hearing on HB 2783.

Final action

The Chair called for final action on HB 2783. Senator Steineger moved to pass HB 2783 our favorably. Senator Schmidt seconded, but wants to know, however, why the Kansas State High School Activities Association would be in this bill. She said she does support this bill, but wants an answer before it gets to the floor. The bill was passed out favorably.

Final action

The Chair called for final action on SB 637. Senator Schmidt moved to pass SB 637 out favorably. Senator Brownlee seconded. Motion passed.

The Chair announced there are two conference bills that will be heard for information purposes in the F I & I Committee meeting on Monday, March 24.

The meeting adjourned at 10:30 a.m.

SENATE FINANCIAL INSTITUTIONS & INS. COMMITTEE
GUEST LIST

DATE: 3-20-08

NAME	REPRESENTING
J. Slack	federico Consulting
Alex Kotoyantz	P.I.A.
Edwin Fonner JR	KS Health Insc. Assn.
Brooke DeVader	Student
Tricia Sweany	Student
Jamal Jones	UHG
Bruce Wahl	Preferred Health Systems
Kerri Spielman	KAIA
Natalie Bright	Alliance for Health Care Sharing
Bill Sneed	ANIP
LARRY MAGILL	KAIA

KANSAS SENATE COMMITTEE ON
FINANCIAL INSTITUTIONS AND INSURANCE

TESTIMONY FOR SENATE BILL 637
THURSDAY, MARCH 20, 2008

THE KANSAS HEALTH INSURANCE ASSOCIATION (KHIA)
By: EDWIN FONNER, Jr., DrPH, EXECUTIVE DIRECTOR

Thank you for the opportunity to make this presentation, the purpose of which is to provide an overview of the Kansas state high risk pool, known as the Kansas Health Insurance Association or 'KHIA'. This printed copy also includes a list of current members of the Board of Directors and some statistical information.

Background. KHIA was created by the Kansas legislature in 1992 as a non-profit association offering comprehensive health insurance benefits to several groups of eligible individuals defined below. KHIA is one of 32 states with high risk pools established to help people with health conditions that make it difficult for them to obtain health coverage. A national entity, the National Association of State Comprehensive Health Insurance Plans (NASCHIP), was created in 1993 to provide education, advocacy, and leadership for these pools.

Basic Features. The number of KHIA enrollees at the end of November 2007 was 1,734. Adding in 168 dependents, the total plan membership stood at 1,902. Almost all KHIA enrollees are under age 65 and dispersed across the state in farming communities, small towns, and larger municipalities. We know they aren't Medicaid eligible, but since we don't request reported income, we assume they are middle income people. Here is a summary of the time enrollees have been insured by KHIA:

Longevity	Percent	Longevity	Percent
Under 1 year	27.3%	Three years	10.1%
One year	16.2%	Four years	8.0%
Two years	12.9%	5 to 14 years	25.5%

As of July 2007, there were 446 persons enrolled with KHIA for 5 or more years.

No. of Years	Enrollees	No. of Years	Enrollees
5 years	182	10 years	21
6 years	94	11 years	10
7 years	58	12 years	12
8 years	24	13 years	13
9 years	28	14 years	4

FI&I Committee
March 20, 2008
Attachment 1

Policies – KHIA originally offered six plan options ranging from a $500 deductible to $5,000. A $7,500 deductible plan was introduced in 2002 followed by a $10,000 deductible option added in 2007. Starting in 2008, four new policies with deductibles ranging from $1,500 to $10,000 were introduced, while the seven 'old block' policies were closed to new enrollment. One of the policies is HSA eligible.

Coverage – KHIA offers comprehensive coverage for inpatient hospital care, outpatient and preventive services, maternity care, emergency room, drugs, skilled nursing and home health care, and durable medical equipment. KHIA does offer inpatient and outpatient mental health and substance abuse coverage.

Premiums – Enrollees pay premiums for their coverage, set annually at 133% of the average of the state's largest insurers. Premiums increased 14% in 2003, 8% in 2004, 3% in 2005, 2.5% in 2006, 3.8% in 2007, and 13.8% this year. The new policies are rated by age in single years, gender, and smoking status.

Medical Loss Ratios – During KHIA's history, medical spending has always exceeded premiums paid by enrollees by an average of 54%. The 2007 medical loss ratio was 165% compared with 181% in 2006. Year-to-date in November 2007, the lowest medical loss ratios were for the $10,000 deductible plan (21%), the $7,500 deductible plan (92%), and the $5,000 deductible plan (121%). The $2,500 deductible plan had the second highest medical loss ratio in 2006 (221%) and 255% in 2007. Historically, the $500 deductible plan has had the highest medical loss ratio (240%) although it has declined steadily to 222% in 2006 and 157% as of November 2007.

Other Funding Sources – Covering Plan losses requires an effective collaboration between the state's insurers, the Kansas Insurance Department, and other sources. In 2007, the state insurers were assessed $15 million to cover losses (see **Table** below). KHIA assesses members in proportion to their respective shares of total health insurance premiums received in Kansas during a calendar year. Since inception, over $61 million has been assessed against the state's insurers by KHIA (nearly 33% in the last two years alone.)

Operations - KHIA is managed by a Board of Directors (see **List** below**)** elected by the members of the association and subject to approval by the Commissioner of Insurance. The 11-member Board consists of insurance carriers, the public, an agent, and a healthcare provider. The Board maintains four committees to oversee operations, investments, nominations and legal issues, and grievances. KHIA has no employees and is managed by a part-time director. A third party administrator, actuary, pharmacy benefits firm, bank, two PPO networks, and case management firm are responsible for operations.

Insurance Functions. KHIA is a small and complex organization offering comprehensive benefits to eligible Kansas residents. Administrative services span eligibility verification, premium billing (e.g., collections, lockbox deposits, and termination), banking transactions, claims payment, utilization review, case management, performance reporting, audit and actuary support, assessments, customer service, a website, pharmacy benefits, and administration of the state's Medicare Supplement Reinsurance Program.

Activity. Total benefits paid in 2007 were $17.9 million on premium revenue of about $10.8 million. Annual incurred claims were $18,512,043 for 2006, $15,414,731 for 2005, and $15,243,511 for 2004. On a per member per month basis, this was $817 for year-to-date November 2007, $816 in 2006, $664 in 2005, and $690 in 2004. Inpatient services accounted for 35% of claims at the end of November 2007 followed by outpatient services (24%), generic and prescription medications (17%), and doctor's office visits (15%). Claims over $40,000 accounted for 52% of all claims in the 2006 period compared with 57% in the 12 months from December 2006 to November 2007. The top 20 pharmacy claims grew by 25% compared with the prior year. Nearly half of the claims *count* was for claims under $2,500 and their dollar value was 3% of all claims. Conversely, 3% of the claims count was for claims greater than $50,000, but these totaled 50% of all claims;

Eligibility Criteria. Coverage is available from KHIA if an applicant meets the following criteria. Proof of Kansas residency for at least six months prior to applying for coverage is required. It must be determined that an applicant is not eligible for Medicare or Medicaid coverage and that their health insurance coverage was involuntarily terminated for reasons other than nonpayment of premiums. There must be evidence that their application was (a) rejected by two health insurance carriers because of health conditions *or* (b) they were quoted a premium rate that exceeded the Plan rate *or* (c) they were accepted for health insurance subject to a permanent exclusion of a preexisting disease or medical condition. Also, eligibility is available to any Federally Defined Eligible Individual or Federally Defined Eligible Individual for FTAA who is a Kansas resident with aggregate creditable coverage of 18+ months under a government, group, church or similar plan with exhausted COBRA coverage.

Federal Grant Funds. CMS administered $1,461,000 in grant funding in 2004, $1,297,000 in 2005, and $1,031,000 in 2006 plus $295,000 for planning a disease management program. Funds have been applied to waiving co-payments for generic prescription drugs, use of preventive services, case management, a one-month premium holiday in 2005, claims payment ($204,000 in 2005), and director compensation. KHIA is waiting to apply for 2008 grant funding. Federal funds allocated to high risk pools in the U.S. for 2008 are expected to total $75 million - $50 million for operating loss grants and $25 million for disease management 'bonus' grants. The amount each state receives is based on a weighted formula involving percent uninsured and other factors.

Demonstration to Maintain Independence and Employment (DMIE) program. Several years ago, the KHIA Board agreed to participate in a program funded by CMS in conjunction with the Kansas Department of Social and Rehabilitative Services and the University of Kansas. The program goal is to determine whether providing medical services along with other services, assistance and support to individuals with typically disabling diagnoses will prolong their ability to work and maintain self-sufficiency. The costs associated with administering this program are paid by the federal grant. DMIE is a separate entity from KHIA and has a separate benefit structure. Benefits are paid at 100% after a $3 co-payment for any and all approved benefits, secondary to KHIA payments. Separate banking arrangements are required so as not to commingle funds. Current enrollment stands at 359 with 192 in the study group and 167 in a control group. The program is expected to continue through 2009 and possibly be extended beyond that date.

Cost Control and Quality Improvement. KHIA strives to effectively manage resources and maintain quality healthcare for enrollees. Pre-admission review of hospital admissions is conducted along with case management services for individuals experiencing critical health problems. The goals of KHIA's case management function are (a) to ensure the enrollee is receiving well-coordinated, quality health services, (b) to improve their health outcomes, and (c) to control costs and ensure best use of scarce resources. Case management and disease management programs are not inexpensive and there is some debate about their effectiveness and 'return on investment'.

Some of the challenges facing KHIA in this area are the following. How is adherence with our case management or disease management program determined or encouraged? How are savings validated? How are improvements in health outcomes judged? Is it best to purchase an operational program from a for-profit vendor (generally expensive) *or* use local Kansas resources (e.g., home health, visiting nurses, hospice, local hospital case managers) *or* create a 'homegrown' program with a medical director and contract nursing support? Should the program be made available to all KHIA enrollees or just for specific segments where positive results have been documented in research studies?

As KHIA continues to improve its services, benefits, and operations, an effective cost containment and care management component will be critical for maintaining the pool's financial viability and affordability for current and future enrollees.

Information. The KHIA website is www.KHIAstatepool.com. The plan's third party administrator, Benefit Management Inc. can be contacted at 800-290-1368 or www.benefitmanagementks.com. NASCHIP publishes an annual report on high risk pools, *Comprehensive Health Insurance for High-Risk Individuals.* A copy can be ordered at their web site (www.naschip.org).

KHIA BOARD OF DIRECTORS

William Tracy, **Chairman** of the Board. Chief Executive Officer, UnitedHealthcare – Heartland States, Overland Park KS.

Bruce Witt, **Vice Chairman**. Corporate Compliance Officer, Preferred Plus of Kansas, Wichita KS.

Steve Robino, Compliance Director, Coventry Health Care of Kansas, Inc., Kansas City MO.

Ron Schucknecht, Asst. Actuary II, Blue Cross & Blue Shield of Kansas, Topeka KS

Jeff Berry, Vice President of Underwriting, Blue Cross & Blue Shield of Kansas City, Kansas City KS.

Bob Corn, First Vice President of Regulatory Affairs, United of Omaha Life Insurance Company, Omaha NE.

David Hornick, agent and public member, Leavenworth KS.

Lisa Kiely, public member, Overland Park KS

Bonnie Lowe, public member, Lawrence KS.

Ken Davis, public member, Mission KS.

Richard B. Warner, MD, provider and public member, Shawnee Mission KS.

Executive Director: Edwin Fonner, Jr., DrPH, Lenexa KS

PARTNER/OVERSIGHT

Kansas Insurance Department, Topeka KS
Sandy Praeger, Commissioner
Julie Holmes, Accident and Health Division

SERVICE PROVIDERS

Plan Administrator: Benefit Management, Inc., Great Bend KS.

Actuary: Miller & Newberg, Inc., Gene Blobaum, Actuary, Olathe KS.

Pharmacy Benefits Manager: Express Scripts Inc., St. Louis MO

Utilization Review and Case Management: MedWatch, Lake Mary FL, and Shorman and Associates, Kansas City KS.

KHIA HISTORICAL DATA

Year	Enrollees	Assessments	Loss Ratios (%)
1993	224	$0	Na
1994	578	$0	Na
1995	619	$505,815	Na
1996	952	$620,353	Na
1997	976	$4,900,000	Na
1998	1019	$1,510,556	151.4
1999	1202	$4,685,418	173.5
2000	1283	$2,786,591	159.0
2001	1577	$7,840,523	158.2
2002	1806	$5,109,584	146.8
2003	1703	$3,045,981	133.4
2004	1727	$7,472,876	160.3
2005	1717	$3,003,381	144.6
2006	1718	$4,500,000	181.0
2007	1734	$15,000,000	165.2

Note: Number of enrollees doesn't include dependents.

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Testimony in favor of HB 2783
Presented to the Senate Committee on Financial Institutions and Insurance
March 20th, 2008

Chair Teichman and honorable committee members:

Thank you for the opportunity to appear before you today on behalf of my client the Alliance of Health Care Sharing Ministries (The Alliance) in support of HB 2783. My client seeks to amend current law so that they may experience the same exemption from insurance mandates as is afforded to sharing ministries established prior December 31, 1982.

Currently, there are 730 Kansas families participating in one of our members sharing programs. Our members have chosen to collectively share and pay for each others health care expenses in lieu of purchasing a traditional health care insurance policy to cover such expenses. Such arrangements have existed for centuries amongst faith based communities, but in the last 20 years have seen a significant growth in their membership as families struggle to pay for the health care needs. During 2007, Kansas Alliance members shared a total of $2.6 million in health care expenses. This equates to an annual sharing of health care expense for each family of $3,562.

Unfortunately, the current exemption set out in the law is too narrow to include the newer ministries represented by the Alliance because of a clause referring to the date of organization. It is our understanding the date was inserted as a cautionary mechanism in 1994 because only one nationwide ministry was in existence. Since then, two additional nationwide ministries have evolved and proven to be a viable option for families across the country. As such, we requested the introduction of HB 2783 so that the newest ministries may share the same protections.

HB 2783 had no opponents in the House and a representative from the Kansas Insurance Department indicated they did not have position on HB 2783. When debated by the full house, the bill passed by a vote of 123 to 0. I respectfully request you support HB 2783 and advance it to the full Senate for consideration. I would be happy to stand for questions.

FI&I Committee
March 20, 2008
Attachment 2

Zip Code	CCM	SMI	Alliance Total
66002	1	3	4
66006	4	1	5
66012	2	1	3
66015	0	1	1
66021	0	1	1
66024	1	0	1
66025	3	1	4
66040	1	1	2
66043	1	0	1
66044	0	1	1
66046	3	1	4
66047	1	1	2
66048	6	5	11
66049	1	2	3
66053	1	0	1
66054	0	1	1
66056	1	0	1
66061	5	2	7
66062	4	2	6
66066	1	1	2
66067	0	5	5
66071	3	2	5
66072	0	1	1
66073	0	2	2
66075	1	0	1
66078	0	1	1
66079	0	1	1
66083	1	0	1
66085	2	1	3
66086	1	3	4
66088	1	1	2
66095	0	3	3
66097	1	0	1
66104	0	1	1
66106	2	1	3
66109	4	0	4
66111	2	1	3
66202	0	1	1
66203	1	0	1
66204	3	5	8
66205	0	1	1
66206	1	0	1
66207	1	0	1
66208	1	0	1
66209	1	3	4
66210	6	0	6
66212	5	4	9
66213	2	0	2
66214	2	0	2
66215	1	1	2
66216	4	1	5
66217	1	1	2

66221	0	1	1
66223	2	1	3
66224	0	1	1
66226	1	0	1
66282	2	0	2
66402	2	1	3
66403	0	1	1
66408	1	0	1
66414	0	1	1
66415	1	0	1
66419	1	0	1
66424	1	0	1
66425	0	1	1
66432	1	0	1
66434	1	0	1
66440	2	0	2
66451	0	1	1
66502	4	4	8
66503	3	1	4
66508	3	1	4
66512	1	1	2
66515	1	0	1
66524	1	2	3
66528	0	1	1
66532	1	0	1
66533	1	0	1
66537	1	0	1
66538	1	1	2
66539	1	0	1
66542	2	0	2
66547	1	0	1
66548	0	1	1
66601	0	1	1
66604	4	1	5
66605	4	1	5
66606	1	1	2
66608	1	0	1
66609	2	0	2
66610	6	0	6
66611	5	0	5
66614	11	2	13
66615	0	1	1
66618	1	1	2
66701	2	2	4
66710	0	1	1
66712	1	0	1
66713	1	1	2
66720	1	1	2
66725	0	1	1
66733	1	0	1
66736	2	0	2
66743	4	0	4
66753	1	0	1
66762	2	0	2
66776	2	2	4
66801	3	0	3
66830	1	0	1
66833	1	0	1

66839	1	0	1
66845	0	1	1
66850	1	0	1
66853	1	0	1
66857	0	1	1
66862	0	1	1
66865	1	0	1
66866	2	0	2
66869	0	4	4
66872	1	1	2
66891	0	1	1
66901	1	0	1
66938	1	0	1
66951	1	0	1
66963	1	0	1
66967	2	2	4
67001	1	0	1
67002	2	0	2
67003	0	2	2
67005	1	0	1
67008	1	0	1
67010	5	1	6
67017	2	0	2
67019	1	0	1
67020	1	0	1
67024	0	3	3
67025	1	0	1
67026	3	1	4
67029	2	0	2
67031	2	0	2
67037	8	1	9
67038	1	0	1
67041	0	1	1
67042	5	3	8
67045	1	0	1
67054	1	0	1
67056	2	1	3
67059	0	2	2
67060	1	2	3
67062	1	0	1
67063	2	2	4
67070	0	1	1
67101	1	0	1
67104	1	1	2
67107	2	0	2
67108	1	0	1
67110	2	1	3
67114	12	0	12
67118	0	1	1
67120	1	1	2
67123	2	0	2
67124	1	4	5
67127	3	0	3
67133	3	4	7
67134	0	1	1
67144	2	2	4
67146	1	1	2
67147	4	3	7

67152	1	0	1
67154	5	0	5
67155	1	0	1
67156	1	1	2
67203	1	1	2
67204	5	2	7
67205	2	0	2
67207	3	0	3
67208	1	0	1
67209	1	0	1
67210	1	0	1
67211	1	0	1
67212	4	0	4
67213	2	0	2
67214	1	0	1
67215	1	1	2
67216	2	0	2
67217	2	1	3
67218	0	1	1
67219	2	1	3
67220	8	0	8
67223	1	0	1
67226	2	0	2
67230	1	0	1
67235	4	0	4
67301	1	5	6
67330	2	1	3
67335	1	1	2
67337	0	1	1
67342	0	1	1
67347	1	0	1
67353	0	1	1
67356	0	1	1
67357	3	0	3
67361	0	1	1
67401	6	2	8
67410	4	1	5
67416	1	0	1
67420	2	0	2
67422	1	0	1
67427	2	0	2
67428	1	0	1
67432	1	1	2
67437	0	1	1
67438	0	1	1
67441	1	0	1
67443	1	0	1
67445	0	1	1
67448	0	1	1
67456	4	2	6
67457	1	0	1
67459	1	1	2
67460	6	0	6
67464	1	0	1
67467	3	1	4
67473	1	0	1
67481	0	1	1
67501	4	4	8

67502	8	1	9
67505	2	0	2
67510	2	0	2
67514	0	1	1
67516	1	1	2
67521	0	1	1
67522	0	4	4
67524	0	1	1
67530	6	5	11
67543	2	0	2
67544	1	1	2
67545	0	1	1
67546	1	2	3
67547	1	0	1
67550	0	3	3
67554	1	0	1
67557	1	0	1
67559	0	1	1
67561	1	1	2
67566	3	2	5
67568	3	0	3
67570	1	0	1
67578	1	1	2
67579	2	0	2
67601	5	1	6
67623	1	1	2
67637	1	0	1
67642	0	1	1
67654	0	1	1
67661	0	4	4
67663	1	1	2
67665	3	0	3
67669	1	0	1
67671	1	0	1
67672	0	1	1
67675	1	0	1
67701	3	1	4
67731	1	0	1
67733	0	1	1
67736	1	2	3
67738	0	1	1
67740	0	1	1
67748	1	2	3
67749	1	2	3
67751	0	1	1
67752	1	21	22
67753	2	0	2
67756	1	5	6
67758	2	0	2
67801	1	1	2
67844	1	0	1
67846	8	1	9
67849	1	0	1
67853	2	1	3
67854	1	0	1
67855	0	1	1
67861	1	1	2
67864	3	0	3

67865	2	1	3
67870	0	1	1
67871	1	0	1
67878	0	1	1
67879	0	1	1
67880	0	1	1
67901	2	0	2
67951	1	0	1
	459	271	730

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Written testimony in favor of HB 2783
Presented to the Senate Committee on Financial Institutions and Insurance
March 20th, 2008

Chair Teichman and honorable committee members:

The Alliance of Health Care Sharing Ministries represents a group of ministries like the one that was exempted from the insurance code in 1994. Since that time, these ministries have been formed to help meet the health care cost needs of members by sharing funds voluntarily among other members of similar beliefs, just as the ministry exempted in 1994 did. The monthly amounts, or shares, each member contributes are sent to other members to help pay for their medical expenses and are administered by the health care sharing ministries, who act as clearinghouses for the shares.

Health care sharing ministries do not assume any risk or guarantee payment of medical bills and operate with voluntary cooperative sharing without a contractual transfer of risk. Health care sharing ministries also put a heavy priority on seeking to meet the spiritual and emotional needs of members through prayer and notes of encouragement from member to member.

The 1994 exemption is too narrow to include these newer ministries represented by the Alliance of Health Care Sharing Ministries because of a clause referring to the date of organization. However, because of their voluntary and ministerial nature, these newer ministries should also be recognized by the insurance code as ministries and not as health insurance companies

James Lansberry

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