

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:18 a.m. on March 11, 2010, in Room 783 of the Docking State Office Building.

All members were present except:

Representative Stan Frownfelter- excused

Representative Pat George- excused

Committee staff present:

Gordon Self, Office of the Revisor of Statutes

Scott Wells, Office of the Revisor of Statutes

Chris Courtwright, Kansas Legislative Research Department

Brandon Riffel, Kansas Legislative Research Department

Marla Morris, Committee Assistant

Conferees appearing before the Committee:

Others attending:

See attached list.

Correspondence from Linda Sheppard, Kansas Insurance Department, was distributed to the members of the Committee, providing answers to questions presented during the hearing of **HB 2682** (Attachment 1).

Discussion and possible action on:

HB 2682 - Allowing employees to retain and receive contribution from employer on individual policies, requiring employer to provide cafeteria plan, and requiring administering carriers to provide health savings accounts and high deductible health plans

Staff Scott Wells, Office of the Revisor of Statutes summarized **HB 2682**. The bill allows a small employer who does not offer a group health insurance plan to contribute to a premium of an eligible employee's individually underwritten health benefit plan. The bill would allow the employees to retain the individual plan even if they were eligible to enroll in the small employer health benefit plan. The small employer could then establish a health reimbursement plan to contribute to the employees individual plan. The employer would pay the employee the same amount that would have been contributed to the employers plan if the employee had elected to participate. The bill also allows an income tax deduction to the Kansas adjusted gross income in the amounts paid for health insurance premiums beginning in tax year 2010. He stood for questions.

Representative Siegfroid moved to pass out favorably **HB 2682**. The motion was seconded by Representative Goico.

Representative Siegfroid moved an amendment to strike the term *individual* from line 19 on page 8 of **HB 2682** and insert *individually underwritten privately purchased health insurance policy*. The motion was seconded by Representative Goico. The motion carried.

Discussion on main motion:

Representative Hawk moved to amend **HB 2682** by changing line 14 on page 1 to read: A small employer who does not offer a group health insurance plan *and has not for the last five years*; and remove all of section 2 in the bill. Representative McCray-Miller seconded the motion. Division was called. The motion failed.

Representative Benlon moved to ask the Speaker of the House to re-refer **HB 2682** to the Insurance Committee. The motion was seconded by Representative Menghini. Chairman Carlson ruled motion out order.

Representative Schroeder moved to amend **HB 2682** by striking the term *shall* under New Section 2, line 33 and insert the term *may*. The motion was seconded by Representative Wolf. It was determined that the term *may* was addressed in line 30 of New Section 2. Representative Schroeder moved to withdraw the motion

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:00 a.m. on March 11, 2010, in Room 783 of the Docking State Office Building.

and was agreed upon by the second

Chairman Carlson asked Representative Siegfried to close on the original motion as amended.

Representative Siegfried moved his motion to pass out **HB 2682** favorably as amended. Division was called. The motion carried.

The next meeting is scheduled for March 16, 2010.

The meeting was adjourned at 10:22 a.m.

HOUSE TAXATION COMMITTEE

DATE: March 11, 2010

NAME	REPRESENTING
Michelle Bolles	Capitol Strategies
KEN DANIEL	TIBA
Michael J. Smith	KIMHA
John Beete	KID
Joe Morrison	PACA ..PKS
Mike Powell	Sales Broker
John Frederick	Boeing
Gene Meyer	Kansas Reporter



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

March 10, 2010

The Honorable Representative Richard Carlson, Chairman
Taxation Committee
300 SW 10th Avenue,
State Capitol, Room 274-W
Topeka, KS 66612

richard.carlson@house.ks.gov

RE: House Bill 2682

Dear Chairman Carlson:

As requested during the March 8th hearing on HB 2682 we are providing the following information in response to questions raised by members of the Committee.

1. Rate Increases

Increases for the "index" or base rate for 2010 for the top five small group insurers in Kansas ranged from -2.7% to 15%. This does not include the group specific increases based on case characteristics.

Increases for 2010 for the top five individual coverage insurers in Kansas ranged from 9.3% to 18.2%.

2. Make-up of Small Group Rate

In general, the "index" or base rate component of the premium rate for any small group will be the largest portion of the rate. However, based on the specific case characteristics of a small group there may be cases in which the final rate is more than double the base rate.

3. Growth or Loss in the Small Group Market

In the time available we were only able to obtain information from three of the companies that offer small group coverage in Kansas. In looking at those companies, which represent 45% of the Kansas small group market, it appears there has been a net increase of 753 small employers groups added to the market in the last year. However, in the absence of complete numbers from all of the companies it is difficult to determine the

House Taxation

Date: 3-11-10
Attachment: 1

Representative Richard Carlson
March 10, 2010
Page Two

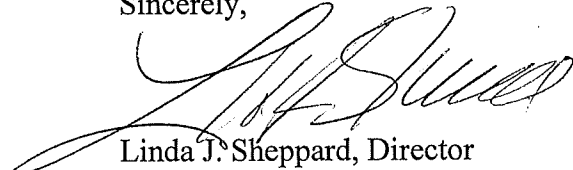
actual growth or loss since some of the changes are due to groups moving from one company to another.

4. Mandated Benefits for Individual and Small Group Policies

A brief description of the mandated benefits for individual and group policies is attached.

Thank you for the opportunity to provide you with this information and please let us know if you have additional questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'L. Sheppard', written over a horizontal line.

Linda J. Sheppard, Director
Accident & Health Division

cc: Sandy Praeger, Commissioner of Insurance
Cindy Hermes, Director, Government and Public Affairs

Attachments

Group Kansas Mandated Health Insurance Benefits

K.S.A. 40-2,100

Coverage for services performed by optometrists, dentist, and podiatrist. Pursuant to this statute, whenever an accident and health policy provides coverage for any service within the lawful scope of practice of **any practitioner licensed** under the healing arts act of this state, reimbursement shall not be denied when such services are performed by an optometrist, dentist, or podiatrist acting within the lawful scope of their license.

K.S.A. 40-2,101

Coverage for services performed by providers under the Kansas **healing arts** act. Pursuant to this statute, whenever an accident and health policy provides for reimbursement for any service within the lawful scope of practice of any practitioner licensed under the Kansas healing arts act, reimbursement shall not be denied when such service is rendered by any such licensed practitioner practicing within the lawful scope of their license.

K.S.A. 40-2,102

Insurance coverage for **newly born children**. This law requires a hospital and medical expense insurance policy to cover the newborn child of the insured from the moment of birth when coverage has been issued on a family basis, a newborn child adopted by the insured from the moment of birth if a petition for adoption is filed within 31 days of the birth of such child, and an adopted child from the date petition for adoption is filed. The coverage for newly born children shall consist of: coverage of injury or sickness including the necessary care and treatment of medically diagnosed congenital defects and birth abnormalities; and routine and necessary immunizations for all newly born children from birth to 72 months and is not subject to any deductible, copayment or coinsurance payment. "Routine and necessary immunizations" are those specified by the secretary of health and environment.

Policies providing family coverage on an expense incurred or indemnity type basis are also required to offer an option to the insured whereby the health insurance benefits shall include the delivery expenses at birth of the **birth mother** of a child adopted by the insured within 90 days of birth of such child.

K.S.A. 40-2,103

The requirements of K.S.A. 40-2,100, 40-2,101, 40-2,102, 40-2,104, 40-2,114, and K.S.A. 40-2250 shall **apply to all insurance policies**, subscriber contracts, or certificates of insurance delivered, renewed, or issued for delivery within or outside of this state or used within this state by or for an individual who resides or is employed in this state.

K.S.A. 40-2,104

Coverage for services performed by licensed **psychologist**. Pursuant to this statute, whenever an accident and health policy provides reimbursement for any service within the lawful scope of practice of a licensed psychologist, an insured shall be allowed and entitled to reimbursement for such service irrespective of whether the service was provided by a duly licensed physician or duly licensed psychologist.

K.S.A. 40-2,105(Amended by 2009 Kansas House Bill 2214)

Effective July 1, 2009. Insurance coverage for services rendered in treatment of mental illness, alcoholism, drug abuse, and substance use disorders as defined in the diagnostic and statistical manual of mental disorders, fourth edition, (DSM-IV, 1994) of the American Psychiatric Association. This statute requires individual and small employer accident and sickness policies which provide medical, surgical or hospital expense coverage to provide not less than 45 days coverage per year when the insured is confined in a medical care facility for in-patient treatment of mental illness and no less than 30 days coverage per year when the insured is confined in a medical care facility for in-patient treatment of alcoholism, drug abuse, or substance use disorders. When outpatient care is needed for such conditions, the policy must provide a lifetime outpatient benefit of no less than \$15,000, without an annual limit, and shall be subject to the same deductibles, copayments, coinsurance, out-of-pocket expenses and treatment limitations as apply to other covered services. This law also applies to contracts issued by health maintenance organizations.

K.S.A. 40-2,105a (Amended by 2009 Kansas House Bill 2214)

Effective July 1, 2009. Any group policy which provides medical, surgical or hospital expense coverage shall include coverage for diagnosis and treatment of mental illness, alcoholism, drug abuse or other substance abuse disorders as defined in the diagnostic and statistical manual of mental disorders, fourth edition, (DSM-IV, 1994) of the American Psychiatric Association. Such coverage shall be subject to the same deductibles, copayments, coinsurance, out-of-pocket expenses, treatment limitations and other limitations as apply to other covered services and shall include treatment for both in-patient and out-patient care.

K.S.A. 40-2,105b (2001 Kansas Senate Bill 2003)

Effective January 1, 2002, any group health insurer which provides coverage for prescription drugs, other than prescription drugs administered in a hospital or physician's office, shall provide coverage for psycho-therapeutic drugs used for the treatment of mental illness under terms and conditions no less favorable than coverage provided for other prescription drugs.

K.S.A. 40-2,114

Coverage for services performed by licensed specialist **social workers**. Pursuant to this statute, whenever an accident and health policy provides reimbursement for any service within the lawful scope of practice of a duly licensed specialist social worker, the insured shall be allowed and entitled to reimbursement for such service, unless the coverage in the plan in existence on or before March 15, 1989 is refused in writing by the policyholder prior to March 15, 1989.

K.S.A. 40-2209(I)

Group **continuation and conversion** requirements. Pursuant to this statute, group policies of accident and health insurance which provide coverage for hospital, surgical, or major medical expense insurance or any combination of these on an expense incurred basis must provide that an employee or member or such employee's or member's covered dependents whose coverage under the group policy has been terminated for any reason and who has been continuously insured under a group policy or one which it replaces for at least three months immediately prior to termination, shall be entitled to have such coverage continued under the group policy for a

period of 6 months and have issued to them at the end of such 6 month period of continuation, a policy of accident and health insurance which is in compliance with Kansas insurance laws. An insured shall not be entitled to continuation and conversion benefits in the following instances:

1. The employee or member failed to pay any required premium after receiving reasonable notice of such required contribution from the insurer.
2. Any discontinued group coverage was replaced by similar group coverage within 31 days.
3. The employee or member is or could be covered by Medicare.
4. The employee or member is or could be covered by any other insured or non-insured arrangement provided on a group basis.

K.S.A. 40-2229 and K.S.A. 40-2230

Coverage for **pap smears and mammograms**. Pursuant to these statutes, whenever an accident and health policy provides reimbursement for laboratory or x-ray services, reimbursements shall not be denied for pap smears or mammograms. However, the same deductibles, coinsurance, and other limitations as applied to other covered services may apply to coverage for pap smears and mammograms.

K.S.A. 40-2250

The provisions of individual and group health insurance policies cannot grant any preference or discriminate between an Advanced Registered Nurse Practitioner or a duly licensed physicians for any service within the lawful scope of practice of an **ARNP** irrespective of whether it was provided or performed by either one of these providers.

K.S.A. 40-2254(revised within KS 2001 Senate Bill # 101)

Continuation of inpatient coverage. Every group policy and certificate of accident and sickness insurance providing inpatient hospital and medical-surgical shall:

1. Contain a provision extending payment of such benefits until discharged or for a period not less than 31 days following the expiration date of the policy, whichever is earlier, for covered insureds confined in a hospital on the date of termination; and
2. Provide that coverage under any subsequent replacement policy, contract or certificate that is intended to afford continuous coverage and will commence on the same date as that of the entire group (with no gap in coverage)

K.S.A. 40-3209

Conversion requirements for HMO contracts. Pursuant to this statute, HMO contracts must provide that an enrollee or a covered dependent of an enrollee whose coverage under an HMO contract has been terminated for any reason but who remains in the service area and who has been continuously covered by the HMO contract for at least 3 months shall be entitled to obtain a converted contract. These requirements shall not apply to any enrollee or their covered dependent(s) when:

1. Such person was terminated for cause as permitted by the contract approved by the commissioner.
2. Any discontinued group coverage was replaced by similar group coverage within 31 days.

3. The employee or member is or could be covered by any other insured or non-insured arrangement provided on a group basis.

K.S.A. 40-3230

HMO Continuation of coverage. A health maintenance organization shall establish reasonable procedures for assuring a transition of enrollees to physicians or health care providers and for continuity of treatment, including providing immediate notice to the enrollee and making available to the enrollee a current listing of preferred providers, in the event a provider's participation in the plan is terminated for any reason. The plan shall include the continuation of care for up to 90 days by a provider who is terminated from a network if such care is medically necessary and where there are special circumstances such as a disability, a life threatening illness, or during the third trimester of pregnancy.

K.S.A. 40-2,163

Diabetes coverage. Coverage for equipment and supplies would be limited to hypodermic needles and supplies used exclusively with diabetes management and out patient self-management training and education. Coverage for insulin is only required when there is coverage of prescription drugs. This applies to any individual or group health insurance policy, medical service plan, contract, hospital service corporation contract, hospital and medical service corporation contract, fraternal benefit society or health maintenance organization which provides coverage for accident and health services and which is delivered, issued for delivery, amended or renewed on or after January 1, 1999.

K.S.A. 40-2,164

Prostate cancer screening coverage. Any individual or group health insurance policy, medical service plan, contract, hospital service corporation contract, hospital and medical service corporation contract, fraternal benefit society or health maintenance organization which provides coverage for accident and health services and which is delivered, issued for delivery, amended or renewed on or after July 1, 1998 also shall provide coverage for prostate cancer screening for men 40 years of age or over who are symptomatic or in a high risk category, and for all men 50 years of age or older. Minimum screening requirements shall consist of a prostate-specific antigen blood test and a digital rectal examination.

K.S.A. 40-2,165

Any individual or group health insurance policy, which provides coverage for accident and health services and which is delivered, issued for delivery, amended or renewed on or after July 1, 1999, also, shall provide coverage for the administration of **general anesthesia** and medical care facility charges for dental care provided to the following covered persons: (1) A child five years of age and under; or (2) a person who is severely disabled; or (3) a person has a medical or behavioral condition which requires hospitalization or general anesthesia when dental care is provided.

K.S.A. 40-2,166

On or after July 1, 1999 medical and surgical benefits with respect to a **mastectomy** shall provide, in a case of a participant or beneficiary who is receiving benefits in connection with a mastectomy and who elects breast reconstruction in connection with such mastectomy, coverage

for: (1) Reconstruction of the breast on which the mastectomy has been performed; (2) surgery and reconstruction of the other breast to produce a symmetrical appearance; and (3) prostheses and physical complications in all stages of mastectomy, including lymphedemas.

K.S.A. 40-2,166a

Effective July 1, 2001 any individual or group health insurance policy which provides coverage for hospital, medical and surgical services shall include coverage for services related to diagnosis, treatment and management of **osteoporosis** for individuals with a condition or medical history for which bone mass measurement is medically necessary. Such policy provision may apply the same deductibles, coinsurance and other limitations as apply to other covered services.

K.S.A. 40-2,167 thru K.S.A. 40-2,170

An insurer that provides coverage for prescription drugs may not issue, deliver, execute or renew any health insurance policy or health service contract on an individual, group, blanket, franchise or association basis which excludes coverage of a **prescription drug for cancer treatment** on the grounds the prescription drug has not been approved by the federal food and drug administration (off-label Rx) for that covered indication if the prescription drug is recognized for treatment of the indication in one of the standard reference compendia or in substantially accepted peer-reviewed medical literature. The prescribing physician shall submit documentation supporting the proposed off-label use or uses if requested by the insurer.

K.S.A. 40-4609

Effective July 1, 2001 each insurer shall permit a woman insured by that insurer, to visit an in-network obstetrician or gynecologist for **routine gynecological care** from an in-network obstetrician or gynecologist, one time each calendar year without requiring such woman to first visit or received a referral from a primary care provider.

Individual Kansas Mandated Health Insurance Benefits

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Effective July 1, 2001 each insurer shall permit a woman insured by that insurer, to visit an in-network obstetrician or gynecologist for **routine gynecological care** from an in-network obstetrician or gynecologist, one time each calendar year without requiring such woman to first visit or received a referral from a primary care provider.