Approved: 04/10/10
Date

MINUTES OF THE SENATE PUBLIC HEALTH AND WELFARE COMMITTEE

The meeting was called to order by Chairman Jim Barnett at 1:30 p.m. on February 17, 2010, in Room 546-S of the Capitol.

All members were present.

Committee staff present:
Nobuko Folmsbee, Office of the Revisor of Statutes
Renae Jefferies, Office of the Revisor of Statutes
Iraida Orr, Kansas Legislative Research Department
Melissa Calderwood, Legislative Research Department
Amanda Nguyen, Intern, Legislative Research Department
Jan Lunn, Committee Assistant

Conferees appearing before the Committee:
Jim Watson, Regional Director, Governmental Affairs, United Healthcare
Brad Smoot, Blue Cross Blue Shield of Kansas, Blue Cross Blue Shield of Kansas City
Thomas A. Bryon, Kansas Association of Health Underwriters
Kerri Spielman, Kansas Association of Insurance Agents

Others attending:
See attached list.

Senator Barnett recognized Renae Jefferies, who briefed those attending on **SB 136 - Patient protection act, prohibited provisions in agreement.** Ms. Jefferies indicated **SB 136** would prohibit a health insurer from including provisions in their agreements with healthcare providers that: (1) prohibits a provider from contracting with another health insurer to accept a lower reimbursement than the payment specified in the agreement; (2) requires the provider to accept a lesser reimbursement from the health insurer if the provider agrees with another carrier to accept a lower reimbursement; (3) terminates, renegotiates, or grants an agreement if the provider agrees to accept a lower payment from a different carrier; and (4) requires the provider to disclose its contracted reimbursement rates with other health insurers. She explained this is frequently termed a "most frequent nation (MFN)" clause.

Informational Hearing on SB 136:

Mr. James Watson, Regional Director of Governmental Affairs, United Healthcare, explained that current law renders competition virtually meaningless (Attachment 1). The passage of **SB 136** would enable local healthcare markets to function more effectively; preserve and promote the ability of all insurers to compete on the basis of price, efficiency, and innovative products; and lead to provider reimbursement rates reflecting true costs and lower consumer insurance premiums.

Mr. Brad Smoot, representing Blue Cross Blue Shield of Kansas and Kansas City, indicated that these types of contract provisions are designed to enable purchasers to get the best prices from sellers of goods and services (Attachment 2). They are common in the healthcare industry and in international agreements (from which the name is derived). He explained the different type of plans Blue Cross Blue Shield uses in their contractual agreements. He reported that these types of clauses are used in order to keep their plans competitive, to keep insurance rates as affordable for members, and to keep hospitals, doctors and other providers in business to care for consumers.

Senator Barnett inquired whether healthcare providers are able to negotiate rates beneath those of Medicare. Mr. Smoot responded that he would provide information at a later date, but in his opinion there could be some instances where insurers are paying lower rates on some services. Senator Colyer inquired when "most favored nation" clauses were first used by Blue Cross Blue Shield and whether clauses of this type can be omitted or "negotiated away" at the request of a provider. Mr. Smoot indicated answers to these questions would be submitted at a later time.

Mr. Thomas Bryon, Kansas Association of Health Underwriters, indicated that by prohibiting MFN clauses, persons would derive a financial benefit: (a.) lower costs for goods and services and (b.) lower health insurance premiums (Attachment 3). He reported that seventeen other states have

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passed legislation containing prohibitions for MFN contractual clauses.

Kerri Spilman, Kansas Association of Insurance Agents and representing over 435 member agencies across the State, agreed that to lower health insurance costs, free market forces must come to bear (Attachment 4).

Senator Barnett called attention to written testimony submitted by Scott Day, Day Insurance Solutions, LLC, Wichita, Kansas (Attachment 5) who encouraged competition in Kansas as a method to lower healthcare costs.

Chairperson Barnett closed the informational hearing on **SB 136**.

SCR 1626 - Constitutional amendment to preserve right to choose health care services and health insurance plan

Senator Barnett provided a brief summary of discussion concerning **SCR 1626.** Following Chairperson Barnett's comments, Senator Pilcher-Cook withdrew her motion to pass out favorably **SCR 1626;** the second to the main motion, Senator Kelsey, withdrew his second.

Senator Pilcher-Cook moved to pass out **SCR 1626** to the full Senate without recommendation; Senator Kelsey seconded the motion. Discussion followed in which Senator Haley expressed his concerns with a health committee taking favorable action or passing out without recommendation any legislation that could potentially decouple Kansas citizens from healthcare access. Senator Haley opined that **SCR 1626** is a constitutional amendment, and therefore, is inappropriately being heard in the Senate Public and Welfare Committee whose purpose is to promote health. There was no further discussion on the motion. Chairperson Barnett requested members vote on the previous question. The motion passed. Senator Haley requested that his vote be recorded in the permanent record as "no."

SB 475 - Defining funeral services for the purpose of regulating funeral directors

Senator Barnett indicated **SB 475** was a bill considered February 16, 2010. However, there appeared to be several questions remaining. Language is required to change the definition of "funeral services" and places a new definition of "funeral directing" so that definitions will not conflict with rules and regulations.

Senator Schmidt, having voted on the prevailing side, moved to reconsider **SB 475**. The motion was seconded by Senator Kelly; the motion carried.

Upon a motion by Senator Schmidt and a second by Senator Huntington to adopt the amendments discussed by committee members, the motion passed.

Upon a motion by Senator Schmidt and a second by Senator Kelly to favorably pass out a **substitute for SB 475;** the motion carried.

SB 448 - Vital statistics; maternal and child health surveillance and monitoring

Senator Pilcher-Cook discussed with committee members her proposed amendment stemming from a constituent's miscarriage in which there was no stillbirth certificate issued. Upon review of current statute, Senator Pilcher-Cook discovered that scientific language was unused in the majority of existing law. Therefore, her amendment dealt with defining language contained in the statute related to the demise of an infant in utero (excluding abortion). Scientific language was used to amend certain definitions and if passed, would allow a stillbirth certificate to be issued.

Senator Pilcher-Cook moved her amendment; Senator Kelsey seconded the motion. Discussion of the amendment ensued. Several senators expressed concern that the amendment would

perpetuate broad change in many current statutes and perhaps would be better suited for discussion in another committee where testimony could be presented.

There was no further discussion. Chairperson Barnett repeated the motion on the table, and requested the vote on the previous question; the motion to amend **SB 448** failed.

Nobuko Folmsbee requested a technical amendment amending KSA 65-177 and KSA 2009 Supp. 65-2422d and repealing the existing sections. Senator Brungardt moved favorable passage of the technical amendment as discussed; Senator Colyer seconded the motion which passed.

Upon a motion by Senator Brungardt to favorably pass out **SB 448** as amended and a second by Senator Kelly; the motion carried.

SB 508 - Discount card; filing requirements with the secretary of state

Ms. Folmsbee distributed amendments to **SB 508** and described the technical change on page 2 line 17; additional language on page 3 clarifies the difference between the supplier **who sells** (files with the AG office annually) and the supplier **who markets** (files with the AG office every three years).

Upon a motion by Senator Kelly and a second by Senator Huntington to adopt the amendments discussed, the motion carried.

Senator Huntington moved to favorably pass out **SB 508** as amended; Senator Kelly seconded the motion which passed.

Senator Barnett adjourned the meeting at 2:29 p.m.

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SB418 -
SB508

PUBLIC HEALTH AND WELFARE
GUEST LIST
February 17, 2010

NAME	AFFILIATION
Joan Ward	
John D. Currie	
Karen Cochran	
Tom Ward	
JOHN (JACK) SOSSOMAN	
Bob Eckhardt	
Pam Scott	KS Funeral Directors Asn
Kristin Lee	KCUMB student
Bob Williams	Ks Assoc. Osteopathic Medicine
Jackson Lindsey	Hein Law
Tom Bruno	KAHU
Kathy Ammel GOD	
B J Ammel	
Bob Ammel	
Linda Kenney	KDHE
Cathy Reed	KNASW
[illegible]	SPFF
Bob Weeks	
John Meetz	NTD
Chad Austin	KHA
[illegible]	VHG
Jim Watson	VHG
[illegible] Smith	SCLHS
[illegible] Gaches	KAHU
CHUCK HENDERSON	FLINT HILLS TEA PARTY, MANHATTAN KS
Chris [illegible]	FlintHills TEA PARTY, Mhtn, KS & self & PATRIOT
Richard D-Fry	November Patriots / CCCG - SSS
Anne Spiess	American Cancer Society

UnitedHealth Group

James Watson, Vice President State Government Affairs
Information concerning SB 136
Public Health and Welfare Committee
Kansas Senate room 546-S
February 17, 2010

Senator Barnett and members of the Health and Welfare Committee:

Most Favored Nation ("MFN") contract provisions – contractual clauses that require health care providers to renegotiate rates if they offer a lower rate to a competing insurer – are used by insurers with large market shares to render competition meaningless. This in turn can can increase prices, and reduce consumer choice. These provisions serve as a barrier to meaningful negotiation in the marketplace. A copy of an MFN provision, in use in the State of Kansas, is attached to this information as Exhibit A.

Because of the adverse impact that MFNs have on the healthcare marketplace, we believe Legislative action to address MFNs would serve the important public purpose of helping health care markets function more effectively. Twelve states have enacted comprehensive bans on MFNs. Alaska, Idaho, Indiana, Maryland, Massachusetts, Minnesota, New Hampshire, New Jersey, North Dakota, Rhode Island, Vermont, and Washington have all enacted comprehensive bans on MFNs and five other states—California, Kentucky, New York, Ohio, and West Virginia—have limited the use of MFNs in particular contexts. While different states have taken slightly different approaches, in every case the state statutes are based on the recognition that MFNs harm competition and consumers. Rhode Island provides a good example. The state passed legislation that prohibits health plans from including most favored rate clauses in provider contracts

and deems any MFN clause included in provider contracts null and void on or after January 1, 2004 (the bill's effective date). While there are no studies on how this law has affected market competition, there is evidence that at least one insurer (Tufts Health Plan) re-entered the market in 2009, bringing more choice and options to health care consumers in Rhode Island.

How MFNs Decrease Competition and Increase Consumer Prices

Insurers with high market shares use MFNs in many states and major metropolitan areas, often in contracts with key providers of health care services. Where MFNs are in place, providers frequently refuse to contract with insurers with smaller market shares or insist that they pay inefficiently high reimbursement rates. Some MFNs require termination or renegotiation of the contract if a provider offers a competing insurer a lower or equal price. Others require a provider to accept a lower payment in the event that the provider agrees to provide services to another insurer at a lower price. Still others may prevent providers from entering into contracts with insurers with smaller market shares even at reimbursement rates higher than an insurer with higher market share is willing to pay. But regardless of the form they take, MFNs can and often do adversely affect competition and increase consumer costs. Insurers with large market shares may use MFNs to prevent entry of competitors by imposing draconian consequences on health care providers if they try to encourage insurance competition, fill unused capacity and thereby reduce average cost per patient, or promote lower-cost managed care options by letting a smaller rival in at an attractive price that rewards greater efficiency or long-term benefits.

The loss of income from an insurer accounting for the large majority of a provider's patients makes it untenable to bring in a new insurer offering a small but

significant new set of pat... s at lower prices. The effect i... ven worse when an MFN prevents an entrant from trying to compete by paying a provider more than an insurer with a higher market share.

MFNs can also facilitate price coordination among healthcare providers. As the Director of the FTC's Bureau of Competition noted: "An MFN clause imposed by a dominant group of competing sellers can establish a price floor and restrict competition that otherwise would allow prices to go below that floor."

The resulting impact on consumer prices is significant. For example, according to the Boston Globe, the largest insurer in the Boston area, Blue Cross Blue Shield of Massachusetts ("BCBS"), offered the largest hospital company, Partners, a significant rate increase if Partners agreed not to offer a lower rate to any other insurer. The Globe reports that this agreement marked the beginning of a rapid escalation in health care costs in Boston, with premiums increasing at over double the annual rate than in the decade prior. Such arrangements benefit only insurers with large market shares and health care providers. Competition and consumers are left out in the cold.

Limiting or eliminating the use of MFNs by insurers and providers with high market shares will eliminate key barriers to competition on a nationwide basis. At the same time, it will preserve and promote the ability of all insurers to compete on the basis of price, on the basis of efficiency, and on the basis of innovative products. Insurers with large market shares will be able to bargain for low reimbursement rates, but on the merits, leading to provider reimbursement rates that reflect true costs and lower consumer insurance premiums. Health insurance and health care markets will function far better.

"**Notice and Negotiation Provision:**

A. Notice and Negotiations: Without limitation to any other provision under the Agreement, if Hospital maintains or enters into any agreement with any other payor (excluding governmental payors and uninsured individuals paying directly for their own or their dependents' health care) to furnish health care services for HMO, PPO, or POS products at rates more favorable than the Blue-Advantage HMO, Blue-Care HMO and/or Preferred-Care Blue PPO Payment Rates available to BCBSKC under this Agreement, BCBSKC shall have the right to renegotiate the Payment Rates hereunder. Within ten (10) calendar days after entering into any such agreement as referenced above, Hospital shall notify BCBSKC in writing of such agreement and, upon BCBSKC's request, shall enter into good faith negotiations with BCBSKC regarding adjustment to the Payment Rates under this Agreement. Should Hospital fail to provide the notice required above, upon BCBSKC's request, Hospital shall enter into good faith negotiations with BCBSKC regarding adjustment to the Payment Rates, with any adjustments intended to take into account the period of time during which Hospital charged more favorable rates for any other payor's HMO, PPO or POS products. Negotiations required above shall begin within ten (10) calendar days of BCBSKC's request.

B. Certification: Upon signing this [Amendment/Addendum] and on an annual basis thereafter, Hospital shall provide BCBSKC with written statements, signed by Hospital's Chief Financial Officer, certifying that Hospital does not maintain any contract with any other payor under which Hospital's HMO, PPO, or POS payment rates are more favorable than Blue-Advantage HMO, Blue-Care HMO and/or Preferred-Care Blue PPO Payment Rates under this Agreement ("Certification(s)").

C. Audit: Within five (5) calendar days of BCBSKC's request, Hospital shall supply to a mutually agreed upon independent auditor, on a confidential basis, copies of all books, records and other information required by such independent auditor to confirm Hospital's compliance with this Notice and Negotiation Provision.

D. No Effect on Other Agreements. This Notice and Negotiation Provision shall not be construed to prohibit Hospital from determining what to charge to any other payor, nor shall it in any way limit BCBSKC from determining what to pay any other Hospital or health care provider."

BRAD SMOOT
ATTORNEY AT LAW

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SUITE 230
LEAWOOD, KANSAS 66206

STATEMENT OF BRAD SMOOT
LEGISLATIVE COUNSEL
BLUE CROSS BLUE SHIELD OF KANSAS AND KANSAS CITY
SENATE PUBLIC HEALTH & WELFARE COMMITTEE
REGARDING SENATE BILL 136
FEBRUARY 17, 2010

Mr. Chairman and members:

On behalf of Blue Cross Blue Shield of Kansas and Blue Cross Blue Shield of Kansas City, thank you for this opportunity to comment on 2009 Senate Bill 136. BCBSKS is a mutual insurance company, owned by its policyholders, which provides a variety of health insurance policies to nearly 900,000 of your fellow Kansans in 103 Kansas counties. BCBSKC is a nonprofit hospital and medical service corporation providing coverage to approximately 300,000 Kansans in Johnson and Wyandotte Counties in Kansas and the western counties of Missouri.

SB 136 would prohibit longstanding contract provisions commonly known as "most favored nation" clauses. These contract provisions are designed to enable purchasers of goods and services to get the best prices from sellers of goods and services. They are common in our industry and in international agreements from which the name is derived. In the health insurance industry, these negotiated provisions enable our customers to get the best possible rates from contracting providers that we can get and thus help reduce out of pocket expenses and monthly premiums for employers and families.
As you all know, health insurers generally subsidize the inadequate reimbursement levels paid by the uninsured, Medicaid and Medicare. A portion of every premium dollar you and our other customers pay goes to cover the under payments suffered by hospitals, doctors and other providers of health care services. Hence, we are not anxious to subsidize other insurers and their customers by paying any more than we have to for services. We try to negotiate rates that are fair, rates which enable us to have a comprehensive network of providers to care for our insureds, and which help premiums remain affordable. This is no small task.

To help us get better rates and lower premiums for our customers, Blue plans operating in Kansas use essentially two types of MFN provisions: One requires that we get the lowest available rates and should a lower rate be offered to another carrier later on, that we get an opportunity to renegotiate our original rate. The second provision simply requires that if a provider gives a lower rate than what has been negotiated, we get that favorable rate also. While these contractual provisions are rarely if ever enforced, they give us the provider's word and some confidence that we are doing the best by our customers.

We imagine you will be told a lot of derogatory things about these contract provisions by the bill's sponsor United HealthCare or others. Those criticisms may include the

following: These provisions violate the law. These provisions create a pricing "floor." Other carriers can't use these provisions. Or, that MFN provisions enable us to get lower prices that anyone else. Such complaints are untrue and deserve individual comment.

*Contrary to proponents claims, these provisions do not violate the law. Absent a law, like SB 136, we are aware of no court of law which has declared such provisions to violate law or public policy. In fact, courts usually speak of such clauses with favor, declaring that such clauses provide significant flexibility in determining pricing and are standard devises that promote the kind of competitive environment that anti trust laws seek to encourage. Citations available.

*Such provisions don't create a pricing "floor" that no other insurer can negotiate. Nothing in these provisions says that no other carrier can have the same rate or even a lower rate. What they say is that if a lower rate is given, we get the right to renegotiate for that same rate or we get that same lower rate. Someone else can establish the "floor." We just want our customers to join them with that same good rate.

*Other carriers can place similar provisions in their contracts. None of our contracts prohibit that.

* Most importantly, please don't let anyone lead you to believe that we are insisting on a rate lower than anyone else. That is not the case. Anyone can get the same rate we get if the provider agrees to it.

Blue Cross Blue Shield of Kansas, for example, contracts with virtually all hospitals in its service area, including numerous specialty hospitals. We contract with 98 percent of the physicians. We want a large adequate network of providers and are willing to pay fairly to get it. Most providers, like most other people, realize that volume purchasing means the person or company that buys the most, usually gets the best prices. Whether you are buying goods in bulk at Costco, a fleet of vehicles from a Ford dealership or directing patients and payments to a hospital or other provider, volume usually drives prices downward. It is true in the health insurance industry as it is in other parts of the U.S. marketplace. As a mutual insurer or non profit corporation, the Blue plans in Kansas do not seek lower prices to enhance their stock value or corporate profits. We do what we do to keep our plans competitive. To keep insurance rates as affordable for our members as possible and to keep hospitals, doctors and other providers in business to care for our customers. SB 136, by removing our ability to utilize MFN provisions in our contracts with providers, will reduce our ability to accomplish these objectives on behalf of our customers and your constituents. Thank you for consideration of our views.

Testimony of Thomas A Bryon
Regarding Senate Bill 136: Health Insurance Contract Provisions
On Behalf of Kansas Association of Health Underwriters
Senate Public Health and Welfare Committee
Wednesday, February 18, 2010

Thank you Chairman Barnett for this opportunity to visit with your Committee regarding Senate Bill 136. My name is Thomas A. Bryon. I've been a licensed insurance agent for the past 34 years specializing in the sale and servicing of group and individual health insurance products.

Today I am speaking to you on behalf of the members of the Kansas Association of Health Underwriters (KAHU), and its affiliate chapters in Kansas City and Wichita.

KAHU is here in support of Senate Bill 136. We believe that passage of this bill, which would prohibit the inclusion of a "favored nations clause" in the contracts insurance companies offer to their preferred providers, would benefit Kansas consumers by increasing competition in the health care insurance market in Kansas.

We believe that by prohibiting the inclusion of a "favored nations clause" from such contracts, every person in the State of Kansas would derive a financial benefit: lower costs for goods and services and lower health insurance premiums.

The exclusion of this clause would allow for each licensed insurance company, self-funded plan, Third-Party Administrator, individual payer and any other entity the ability to negotiate with each provider the best price for the medical services being rendered or medical goods being purchased.
As it stands today, if a health care provider wanted to give a price break to any of the above entities ***they could not*** without being in violation of the "favored nations clause" which exists in their provider contract with the largest carrier in the State of Kansas.

At a recent health insurance round table discussion held in the Statehouse on January 22, I mentioned that as an owner of a consumer-driven health plan Health Savings Account, that I am currently precluded from negotiating

with any provider for a better price for the medical goods and services that I need. I submit to you that it is not fair to me, or to any other consumer in the State of Kansas. I know of no other product or service that exists in the state today where I cannot negotiate my best price.

Seventeen states have already passed similar legislation, with 12 of them passing comprehensive contract prohibitions nearly identical to SB 136.

At this time I know of only two carriers that have such clauses in their provider contracts, BCBSKS and BCBSKC.
BCBS was formed many years ago as a service to the residents of the State of Kansas. They were designated as the "provider of last resort". At that time, the inclusion of most favored nations language in their provider contracts may have been necessary to help the citizens of Kansas find affordable health insurance coverage. Now that BCBSKS and KC have well over 1,000,000 Kansans insured, which represents in excess of 50% of the private insured market place, it no longer makes sense for them to have this competitive advantage.

As a health insurance professional, my responsibility to my clients and prospective clients is to provide the most comprehensive plans at the most affordable price. That is very difficult in today's environment. The Department of Insurance reports there are more than 100 licensed health carriers in the state. However, for practical purposes there are fewer than a dozen quality health insurance carriers who are actively seeking to write new business in the state today. Why?

Because the playing field is not level.

We urge you to pass this legislation and bring competitive pricing back to Kansas insurance consumers.

Thank you for allowing me the opportunity to speak to you on this most important issue.

Kansas Association of Insurance Agents

Testimony on Senate Bill 136
Before the Senate Public Health & Welfare Committee
By Kerri Spielman
February 17, 2010

Thank you, mister Chairman and members of the committee, for the opportunity to offer testimony in support of SB 136. My name is Kerri Spielman and I represent the Kansas Association of Insurance Agents. We have approximately 435 member agencies across the state and another 110 branch offices that employ a total of over 2,500 people. Most of our agencies have a staff member who is licensed for life and health insurance and provide the coverage for their clients. Independent agents are free to represent a number of different insurance companies.

Health insurance companies will be the first to tell anyone who will listen that if you want to lower health insurance costs, then allow the free market forces to come to bear. Free market competition will eliminate inefficiencies and drive down insurance costs.

KAIA supports free market competition. SB 136 would set the stage for free market competition in contract negotiations between companies and providers. Currently, some contracts restrict these negotiations. Free market competition cannot happen if Carrier B has an unfair advantage by requiring in its contracts with providers that the provider must give Carrier B the same discount given to Carrier C if Carrier C's rate is lower. SB 136 would simply level the playing field in carrier-provider contract negotiations.

Health insurance companies would be the first to argue that less government involvement will lower health insurance costs. We would submit to you that there are times when government plays a critical role in encouraging that free market competition. This is one of them.

We would ask for your favorable support of SB 136 to encourage free market competition that could ultimately drive down health insurance costs.

815 SW Topeka Blvd.◆ Topeka, KS 66612 ◆ (785

Jan Lunn

From: Scott Day [Sday@dayins.net]
Sent: Tuesday, February 16, 2010 8:27 AM
To: Jim Barnett
Subject: RE: SB 136
Attachments: WICHITA DOC'S0001.pdf

Sorry...here's the article...thanks!

Scott Day
Day Insurance Solutions, LLC
Ph: 785-291-0200
Fax 785-291-0202
http://dayinsurancesolutions.com

From: Jim Barnett [mailto:Jim.Barnett@senate.ks.gov]
Sent: Tuesday, February 16, 2010 7:08 AM
To: Scott Day
Subject: RE: SB 136

Mr. Day, there was no attachment to this e-mail.

Jan Lunn
Legislative Assistant
Senator Jim Barnett
785-296-7384
Room 234-E, Capitol Building
jan.lunn@senate.ks.gov

From: Scott Day [mailto:Sday@dayins.net]
Sent: Monday, February 15, 2010 9:11 PM
To: Jim Barnett; senatorjb@sbcglobal.net
Subject: SB 136

Senator Barnett,

I wanted to testify, but I have another obligation to attend, so I will outline my support for SB 136...which you will hear testimony for on Wednesday. I have attached an article from the Wichita Business Journal that shows that Wichita doctors on the average rank 10th in the nation overall in reimbursement. Family doctors rank 3rd and surgeons' rank 6th. Overall in KS, doctors fare pretty well. Why are provider costs so expensive in Wichita and KS? Because of the "favored nation" clause that BCBS has in their contracts with doctors.

As a provider you may already be aware of this...but basically the "Big Blue" has a stipulation in their contracts that states that Providers (docs, hospitals, and other service providers) are in violation of their BCBS contract...if they contract with another insurance carrier at a lower reimbursement schedule. If a provider contracts with other carriers at a lower reimbursement rate, they forfeit their higher reimbursement from BCBS, and BCBS gets to reimburse the provider at the lower level that the other carrier pays.

This is a double edged sword that cuts in favor of BCBS and is crushing and preventing competition from other insurance carriers. It also inflates healthcare costs in Kansas and prevents the lowering of healthcare costs if

there was competition. It inflates healthcare costs because BCBS is allowed to "outbid" other insurance carriers for the services of providers. They pay doctors more than other insurance companies can afford.

And it eliminates competition for services because many doctors will not contract with other insurance carriers because they don't want to lose their high reimbursement levels that BCBS offers. It creates an artificial inflated "ceiling" on the cost of healthcare reimbursements. It prevents competition for services and keeps healthcare costs artificially high. It also prevents other insurance carriers from contracting with providers at lower reimbursement levels. This prevents Kansas citizens from having access to adequate provider networks...which means people have a hard time switching to a lower cost insurance company because they don't have an adequate network of providers.

We do not need to protect BCBS...we need to encourage competition in KS if we want to lower healthcare costs. The "favored nation" clause in BCBS contracts strangles efforts to lower healthcare costs. SB 136 seeks to eliminate this clause so that other insurance companies have the ability to contract with physicians at lower reimbursement levels and so that providers will not be "punished" by BCBS for contracting with another carrier.

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Wichita Business Journal - January 5, 2009
/wichita/stories/2009/01/05/story1.html

Wichita Business Journal

Friday, January 2, 2009

Study: Wichita in country's top 10 for providing healthy medical careers

Wichita Business Journal - by Daniel McCoy

DANIEL MCCOY/WBJ
Ronald Brown believes training and retaining quality doctors in the area has helped Wichita claim some of the highest average salaries in the industry, well above those of numerous larger markets.
View Larger

A new research project has placed Wichita in the top 10 markets in the country for the average salary of general and family medical practitioners and for physicians and surgeons.

The study uses statistics from the **U.S. Department of Labor** to compare average salaries in 24 high-paying careers in the country's 100 largest markets.

Although below the national average in 19 of the categories, Wichita did stack up well in medically related careers, placing No. 3 for general and family practitioners.

Dr. Ronald Brown, who practices at **Wichita Family Medicine Specialists**, says the overall numbers aren't surprising. But Wichita's high rankings did cause him to raise an eyebrow.

"My first thought in looking at the top 10 is there's not a huge difference," he says, referring to the roughly $12,000 separating the first and tenth spot.

"But that Wichita is that far ahead of a St. Louis (which placed last in the category, $74,000 behind Wichita), that is surprising," he says.

'An interesting mix'

"It is tough to explain," says Scott Thomas, demographics editor for **American City Business Journals**, who compiled the data for the project. "It's a case where your assumption can be wrong."

Thomas has been gathering the salary data annually for several years.

"It's always an interesting mix of what you see," he says, explaining that often smaller markets beat out larger ones for top spots.

However, Thomas warns other factors, such as cost of living, must be considered as well.

Although San Jose, Calif., ranked No. 1 in several categories, including computer software engineers, engineering managers and lawyers, Thomas says accounting for the higher cost of living means a person could do just as well — if not better — in a market like Wichita.

Thomas' findings are in line with those of the **Kansas Department of Labor**'s 2008 Wage Survey.

According to the state's findings, the top five paying occupations in the state are all either in the medical or dental fields, with oral and maxillofacial surgeons at $98.66 per hour — nearly $13 above the national average.

The state survey also found that although they serve fewer patients per physician, general and family practitioners in Wichita made more than practitioners in the rest of the state.

When salary is broken down into an hourly wage, the difference is nearly $13 an hour.

"I wouldn't call it an anomaly," says Inayat Noormohmad, economist with the Kansas Department of Labor.

Although Noormohmad is intrigued that the typical functions of supply and demand don't seem to hold in this case, he speculates that skill sets of local practitioners could contribute to an increase cost of service.

Staying close to home

For Brown, who has practiced medicine for 30 years, all in the Wichita area, the key lies in the training and opportunities the Wichita market provides.

"We grow our own," he says.

Brown says the interconnection of health care providers in Wichita and the ability many have to perform procedures normally reserved for hospitals in more rural areas may have helped set the metro area apart.

"I think it's a big factor," he says. "I'd like to think the quality of family physicians is good in this area."

Employment study

In a new study, Wichita placed in the top 10 in two of 24 categories comparing average salaries for careers in 100 metro markets.
In family and general practitioners, Wichita placed third with an average salary of $194,580. In the category of physicians and surgeons, Wichita placed sixth with an average salary of $203,610.
Wichita was only above the national average in two other categories: dentists and college and university education administrators. Other notables include chief officers, in which Wichita is nearly $20,000 below the national average and below average salaries in all five engineering categories.
To view the complete research results, visit
http://www.bizjournals.com/edit_special/74.html

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