Revised
SESSION OF 2010

SUPPLEMENTAL NOTE ON HOUSE SUBSTITUTE FOR SENATE BILL NO. 200

As Recommended by House Committee on Social Services Budget

Brief*

House Sub. for SB 200 would amend the statute providing for the assessment of privilege fees for Health Maintenance Organizations (HMO) (KSA 40-3213) to remove the phase-in for the assessment of privilege fees on new HMOs operating in Kansas. Under current Kansas law, HMOs operating in Kansas for less than three years owe no fee, HMOs operating at least three years but not more than five, pay an amount equal to 0.5 percent on all premiums charged, and HMOs operating for more than five years pay rate of 1.0 percent.

Background

The House Social Services Budget Committee amended the bill by replacing the contents of 2009 SB 200 with those of 2010 HB 2723 and recommended a substitute bill. The original SB 200 would have enacted new law and would have amended existing law concerning the State Board of Healing Arts and its regulation of certain allied health professionals.

There are eleven organizations in Kansas which are subject to the privilege fee and three of those organizations receive Medicaid funding. As of the 2009 tax year, there are two organizations receiving a reduced assessment rate as provided in KSA 40-3213. Current law grants the authority to the Commissioner of Insurance to waive the privilege fee where, "the privilege fee would cause a denial of, reduction in

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*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org or elimination of federal financial assistance to the State or to any health maintenance organization." Historically, the Commissioner has waived the privilege fee as it applies to the three HMOs in Kansas who process and receive Medicaid monies. Starting in March of 2010, the Commissioner is no longer waiving the privilege fee for these organizations. According to estimates provided by the Kansas Health Policy Authority (KHPA) and the Division of the Budget [at the time of the Committee hearing on the bill] this decision will generate an additional $4.1 million dollars in privilege fee revenue for the State. House Sub. for SB 200 does not speak to the Commissioner's authority to waive the assessment.

The Legislative Counsel for Children's Mercy Family Health Partners and a representative with the KHPA testified in support of HB 2723. The spokesperson for Children's Mercy Family Health Partners state that the addition of the $4.1 million in revenue by removing the waiver, combined with an equivalent increase in the Medicaid capitation rate, could generate an additional $25.7 million in revenue for the State between FY 2010 and FY 2012. (There is no provision contained within House Sub. for SB 200 which alters the Medicaid capitation rate in Kansas. Any action to alter the capitation rate would need to be taken through the appropriations process.)

The fiscal note prepared by the Division of Budget states that HB 2723 would generate $4,134,060, in new revenue to the State General Fund in both FY 2010 and BY 2011, from the three Medicaid funded health maintenance organizations that would pay the privilege fee. The three Medicaid funded health maintenance organizations that would be affected by the bill are Children's Mercy Family Health Partners, UniCare, and Value Options. The amount of the rate increase would total $3,917,350, of which $1,214,378 is from the State General Fund, in FY 2011, the first full year. However, in FY 2010, KHPA reports only one quarter would be spent in, or one-fourth the FY 2011 amount. The privilege fee would continue in future fiscal years.