

February 10, 2025

The Honorable William Sutton, Chairperson
House Committee on Insurance
300 SW 10th Avenue, Room 218-N
Topeka, Kansas 66612

Dear Representative Sutton:

SUBJECT: Fiscal Note for HB 2245 by House Committee on Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2245 is respectfully submitted to your committee.

HB 2245 would transfer all powers, duties, and functions of the staff of the Division of the State Employee Health Benefits Program (SEHBP) and the State Workers Compensation Self-Insurance Fund of the Department of Administration to the Insurance Department under the direction of the Insurance Commissioner. The bill would transfer all officers and employees of the SEHBP and the State Workers Compensation Self-Insurance Fund who are engaged in the exercise and performance of the powers, duties, and functions involving the administration of the State Employee Health Benefits Plan and the State Workers Compensation Self-Insurance Fund, as well as all officers and employees of the Department of Administration who are determined by the Insurance Commissioner to be engaged in providing administrative, technical, or other support services, to the Insurance Department. Transferred employees would retain all retirement benefits, leave balances, and rights that had accrued prior to the transfer. The service of each transferred employee or officer would be considered continuous. Any layoffs or abolishing of classified positions must be made in accordance with the Kansas Civil Service Act. The bill would prohibit the transfer from affecting the classified status of any transferred person.

The bill would make the Insurance Department the successor in every way to the powers, duties, and functions of the SEHBP and the State Workers Compensation Self-Insurance Fund. The bill specifies that any statute that references the Department of Administration in regard to the SEHBP and the State Workers Compensation Self-Insurance Fund would apply to the Insurance Department. All rules and regulations, orders, and directives of the SEHBP of the Department of Administration would continue to be effective and would be deemed to be applied to the rules and

regulations, orders, and directives of the Insurance Commissioner. All order and directives of the Secretary of Administration relating to the State Workers Compensation Self-Insurance Fund would be deemed to be applied to the orders and directives of the Insurance Commissioner. The balances of all funds or accounts of the SEHBP of the Department of Administration would be transferred to the Insurance Department. The balance of all the funds or accounts of the State Workers Compensation Self-Insurance Fund of the Department of Administration or any other state agency, department, board, commission, or council would be transferred to the Insurance Department. Liability for all accrued compensation or salaries of transferred officers and employees would be assumed and paid by the Insurance Department. The Insurance Department would succeed to all property, property rights, contracts, and records of the SEHBP and the State Workers Compensation Self-Insurance Fund, and if any conflict arises as to the disposition of any personnel, property, property right, contract, record, power, duty, function, or unexpended balance of any appropriation, such conflict would be resolved by the Insurance Commissioner. No suit, action, or other proceeding, judicial or administrative, lawfully commenced, or that could have been commenced, by or against the SEHBP of the Department of Administration or by or against the Secretary of Administration, would abate by reason of the transfer. No criminal action commenced or that could have been commenced by the state would abate by reason of the transfer.

The bill would designate the Insurance Commissioner as the Chairperson of the Kansas State Employees Health Care Commission. The Insurance Commissioner would administer all budgeting, purchasing, and related management functions of the Commission. Under current law, the technical administrator of the State Health Care Benefit Program is under the direction and supervision of the Secretary of Administration. The bill would place the technical administrator under the direction and supervision of the Insurance Commissioner. The bill would require the Insurance Commissioner to appoint the technical administrator.

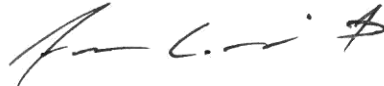
The Insurance Department indicates that the bill would transfer all employees, fund balances, revenues, and expenditures from the Department of Administration to the Insurance Department. The Department also states that it does not have the capacity in its current building for all the employees of the State Employee Health Benefits Program (SEHBP). The Department is not able to estimate a cost but notes that there could be additional expenditures depending on where those employees would be located.

The Department of Administration states that prior to the SEHBP moving into the Department of Administration, it had a memorandum of understanding in place for the Department of Administration to handle payroll processing of health insurance premiums, health savings accounts, flexible spending accounts, and other payroll processing. At that time, the SEHBP paid \$119,510 annually for this service. If the bill is enacted, this service would be paid by the Department of Insurance. In addition, the Department estimates that it would cost \$140,713 for various hosting, support, and other information technology services to be transferred or altered from the Department of Administration to the Department of Insurance. Due to the variety of unknown factors, the Department of Administration is unable to estimate a precise fiscal effect.

The Division of the Budget notes that budgeted expenditures from the SEHBP in the Department of Administration total \$619.4 million in FY 2025 and \$680.9 million in FY 2026, all

from agency fee funds. These amounts include \$631.8 million in FY 2025 and \$663.3 million in FY 2026 for employee healthcare premium payroll deductions for payment of claims. Total expenditures for the Workers' Compensation Program total \$19.6 million for FY 2025 and \$20.1 million for FY 2026, all from agency fee funds. Any fiscal effect associated with HB 2245 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", with a stylized flourish at the end.

Adam C. Proffitt
Director of the Budget

cc: Kyle Strathman, Insurance Department
Samir Arif, Department of Administration