

SESSION OF 2025

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2245

As Amended by House Committee on Insurance

Brief*

HB 2245 would transfer authority over the Kansas State Employee Health Plan and the State Workers Compensation Self-Insurance Fund from the Department of Administration (DoA) to the Department of Insurance (Department) and establish the Commissioner of Insurance (Commissioner) as the Chairperson of the Kansas State Employees Health Care Commission. The bill would become effective July 1, 2027. The bill would also make conforming amendments to statutes to reflect the transfer.

[*Note:* References in the bill to State Employee Health Plan, the State Employee Health Care Benefits Program, and the State Employee Health Benefits Plan are referred to here collectively as the State Employee Health Plan (SEHP).]

Transfer of Authority (New Section 1)

The bill would provide for all powers, duties, and functions of the staff of the division of the SEHP to transfer from the DoA to the Department under the direction of the Commissioner.

Transfer of Employees (New Section 2 and 7)

The bill would provide for all officers and employees of the division of the SEHP of the DoA who, immediately prior to July 1, 2025, are engaged in the exercise and performance of

*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 <https://klrd.gov/>

the powers, duties, and functions involving the administration of the SEHP, as well as officers and employees of the DoA who are determined by the Commissioner to be engaged in providing administrative, technical, or other support services that are essential to the exercise and performance of the powers, duties, and functions of the SEHP, to be transferred to the Department. All classified officers and employees so transferred would retain their status as classified employees.

Officers and employees of the division of the SEHP of the DoA transferred by the bill would retain all retirement benefits, leave balances, and rights that had accrued or vested prior to the date of transfer. The service of each transferred officer and employee would be considered continuous. Any subsequent transfers, layoffs, or abolition of classified service positions under the Kansas Civil Service Act would be made in accordance with civil service laws and adopted rules and regulations. Nothing in this section of the bill would affect the classified status of any transferred person employed by the division of the SEHP of the DoA prior to the date of transfer.

Notwithstanding the effective date of the bill, the provisions of the bill prescribing the transfer of officers and employees would commence at the start of a payroll period.

Insurance Department (New Section 3)

The bill would provide for the Department to be the successor in every way to the powers, duties, and functions of the division of the SEHP in the DoA involving administration of the SEHP.

Every act performed in the exercise of transferred powers, duties, and functions by or under the authority of the Department and the Commissioner involving the administration of the SEHP would be deemed to have the same force and effect as if performed by the division of the

SEHP, the Secretary of Administration (Secretary), or the Director of the SEHP prior to the transfer.

The bill would provide for references to the division of the SEHP of the DoA or words of like effect in statute, contract, memorandum of agreement, or other document in reference to the powers, duties, and functions transferred to the Department to apply to the Department.

Additionally, all rules and regulations, orders, and directives of the division of the SEHP of the DoA that relate to the powers, duties, and functions transferred under the bill would be in effect on July 1, 2024, would continue to be effective, and would be deemed to be rules and regulations, order, and directives of the Commissioner until revised, amended, repealed, or nullified.

Transfer of Funds and Accounts (New Section 4)

The bill would provide for the balances of all funds or accounts appropriated or reappropriated for the division of the SEHP of the DoA relating to the powers, duties, and functions involving administration of the SEHP to be transferred within the State Treasury to the Department and be used only for the purpose for which the appropriation or reappropriation was originally made.

Liability for all accrued compensation or salaries of officers and employees who are transferred to the Department would be assumed and paid by the Department.

Transfer of Property, Property Rights, Contracts, and Records (New Section 5)

The bill would declare the Department succeeds to all property, property rights, contracts, and records that were used for or pertain to the performance of powers, duties, and functions involving the administration of the SEHP of the DoA and transferred to the SEHP.

When any conflict arises as to the disposition of any personnel, property, property right, contract, record, power, duty, function, or the unexpended balance of any appropriation as the result of any transfer made by or under the bill, the bill would provide for the conflict to be resolved by the Commissioner, whose decision would be final.

Abatement (New Section 6)

The bill would provide for no suit, action, or other proceeding, judicial or administrative, lawfully commenced, or that could have been commenced, by or against the division of the SEHP of the DoA or by or against the Secretary in their official duties to abate by reason of the transfer effected under the bill. The court would be authorized to allow any such suit, action, or other proceeding to be maintained by or against the Department or the Commissioner.

The transfer effected under the bill would not abate any criminal action commenced or that could have been commenced by the State.

State Workers Compensation Self-Insurance Fund (New Section 7)

The bill would provide for all powers, duties, and functions of the staff of the division of the SEHP of the DoA regarding the State Workers Compensation Self-Insurance Fund (Fund) to be transferred and imposed upon the Department, under the direction of the Commissioner.

The balances of all funds or accounts appropriated or reappropriated for the division of the SEHP of the DoA or any state agency, department, board, commission, or council, relating to the powers, duties, and functions of the administration of the Fund would be transferred within the State Treasury to the Department, to be used only for the purpose originally designated by the appropriation or reappropriation. Liability for all accrued compensation or salaries of officers or employees who are transferred to the Department under the bill would be assumed and paid by the Department.

The Commissioner would be the successor in every way to the powers, duties, and functions vested prior to July 1, 2025, to the Secretary that relate to the Fund.

All orders and directives of the Secretary that relate to the Fund in existence immediately prior to July 1, 2025, would continue to be effective and would be deemed the orders and directives of the Commissioner until revised, amended, repealed, or nullified.

Transfer of Property

The Commissioner would succeed to all property, property rights, contracts, and records that were used for or pertain to the performance of the powers, duties, and functions transferred to the Commissioner from the division of the SEHP of the DoA. Any conflict as to the proper disposition of property, property rights, contracts, and records would be

resolved by the Commissioner, whose decision would be final.

Other Authorities Related to the Fund (Sections 8-13)

The bill would transfer authority over workers compensation payments, the state Workplace Health and Safety Program, claims for compensation under the Workers Compensation Act, and rules and regulations related to the administration of the Fund from the Secretary of Health and Environment to the Commissioner.

Statutes for Repeal (Section 14)

The bill would repeal statutes that are obsolete or pertain to transfer of responsibilities from the Department of Health and Environment (KDHE) Division of Health Care Finance to DoA:

- KSA 75-6506a relating to the health care benefits pilot programs;
- KSA 75-37,162 relating to the division of the State Employee Health Benefits Plan appointments;
- KSA 75-37,163 relating to the administration of the State Employee Health Benefits Plan and the transfer of powers, duties and functions to the KDHE;
- KSA 75-37,164 relating to the DoA successor to transferred powers, duties and functions, rules and regulations, orders, and directives;
- KSA 75-37,165 relating to transfer of duties and liabilities;
- KSA 75-37,166 relating to the transfer of property rights and conflict between agencies;
- KSA 75-37,167 relating to suits, actions, other proceedings or criminal actions not abated by reorganization;

- KSA 75-37,168 relating to the transfer of officers and employees of KDHE involved in the state employee health benefits plan, determination by the Secretary, and the retainment of civil service rights and benefits;
- KSA 75-37,169 relating to the powers, duties and functions related to the Fund, the State Workplace Health and Safety Program, and the transfer of orders, directives, property, officers and employees;
- KSA 75-37,170 relating to workers compensation and prior claims against any state agency continued against the Fund, defense, investigation and settlement of claims by the DoA, and payment of claims; and
- KSA 75-37,171 relating to rules and regulations authorized for administration of state workers compensation self-insurance fund.

Background

In the House Committee hearing on the bill, **proponent** testimony was provided by Representative Sutton, who provided bill history and indicated the bill would combine an insurance tool, the SEHP, within the Department which would be cohesive due to existing infrastructures.

Opponent testimony was provided by a representative of the DoA, who indicated the bill would move the SEHP outside of the DoA, making the Legislature's efforts to operate government less efficient.

No other testimony was provided.

The Committee adopted an amendment to update the bill's statute repealer and to establish an effective date of July 1, 2027.

Fiscal Information

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

The Division of the Budget notes that budgeted expenditures from the SEHP in the DoA 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 health care 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 enactment of the bill is not reflected in *The FY 2026 Governor's Budget Report*.

State employee health plan; Department of Administration; Department of Insurance; Commissioner of Insurance; Kansas State Employees Health Care Commission