SESSION OF 2013

SUPPLEMENTAL NOTE ON SENATE BILL NO. 51

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 51 would amend a provision in the Insurance Code to add a trade organization of banks to the list of associations providing health insurance coverage exempted from the jurisdiction of the Kansas Insurance Commissioner. Enactment of the bill would allow this designated banking organization the ability to self-insure, offering health coverage through a self-funded group plan.

Background

The 1991 Legislature exempted five multiple welfare arrangement (MEWA) association groups from the jurisdiction of the Insurance Commissioner. Those five associations exempted in KSA 40-2222 are: a professional association of architects (American Institute of Architects—Kansas), a professional association of dentists (Kansas Dental Association), a trade association of banks (Community Bankers Association of Kansas), a trade association of truckers (National Association of Independent Truckers), and an association of physicians practicing in the Kansas City metropolitan area that provides certain health benefits to the members of the association.

The bill was introduced at the request of the Kansas Bankers Association (KBA) whose representative indicated the Affordable Care Act has placed new burdens and requirements for association-sponsored group health plans,

*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 creating uncertainty for participating banks with fewer than 50 employees. A representative of the KBA Insurance, Inc., indicated that becoming self-funded would allow the plan to maintain a specific stop loss-policy that would limit the plan's exposure to any one claim at a manageable level. Self-funded plans, the representative noted, are commonplace in the state banking association realm.

There were no opponents to the bill at the Senate Committee hearing.

The Senate Committee on Financial Institutions and Insurance requested clarification of the original fiscal note provided by the Division of the Budget for the bill. The Committee asked for clarification of the fiscal impact relating to an association opting to create a self-funded plan and the application of KSA 40-2222b, which requires associations exempted under the statute amended by the bill to pay 1.0 percent per year, with certain allowable deductions. (The original fiscal note indicated the bill would decrease the amount of insurance premium taxes deposited into the State General Fund in FY 2014 and in each year thereafter.)

The Department provided clarification to the original fiscal note as follows:

> The Insurance Department believes the bill would not cause a decrease in the amount of insurance premium taxes that are deposited in the State General Fund in FY 2014 and in each year thereafter. For FY 2012, the Kansas Bankers Association (KBA) paid an estimated $435,905 in premium taxes on $58,120,703 in total premiums, resulting in a 0.77 percent premium tax. This figure is a result of currently applicable law (KSA 40-252), which provides for a 2.0 percent premium tax with certain deductions and credits. The bill would result in the KBA no longer being subject to KSA 40-252. Instead, KSA 40-2222b would apply,

subjecting the KBA to a 1.0 percent premium tax with certain deductions, but no credits. Applying the 1 percent premium tax under KSA 40-2222b to the KBA's 2012 premiums would result in a premium tax of $580,207. This is an increase of $144,302 compared to the KBA's estimated premium taxes for 2012 under KSA 40-252. The premium tax estimate of $580,207 would be reduced by any applicable deductions, the amount of which is unknown, at this time. However, it is unlikely those deductions would reduce that figure by $144,302 or more.

As such, based upon a comparison of the KBA's 2012 estimated premium taxes under KSA 40-252 and an estimate of the KBA's 2012 premium taxes under the bill (KSA 40-2222b), the Insurance Department believes the fiscal effect of the bill would be neutral or positive. This analysis does not account for variables outside of those affected by the bill, which might change from year to year.