



MIDWEST HEALTH

Jennifer Sourk, General Counsel, Midwest Health, Inc.
House Insurance Committee
Testimony In Support of Senate Bill 117
March 12, 2015

In support of SB 117, a change is needed to allow parity under the current law that will allow adult care facilities an opportunity to self-insure under the same set of rules that are currently in place for other Health Care Providers.

Last year, licensed nursing facilities, licensed assisted living facilities and licensed residential health care facilities became defined Health Care Providers under the Health Care Stabilization Fund providing minimum required coverage and participation in the fund to maintain licensure in this state. Adult long term care facilities are asking to be allowed the opportunity to apply for self-insurance just as other defined Health Care Providers are allowed under the law. Midwest Health has been working with Cindy Luxem, Kansas Health Care Association Executive Director and John Federico to reach a resolution.

Under the current law, health care system is defined as an entity which owns and operates two or more medical care facilities which are defined under KDHE statute. Long Term Care facilities fall under the jurisdiction of KDADS, which is why the additional language is needed to allow these facilities to participate.

Midwest Health began in 1977 with a lease of one nursing home in Topeka, Kansas. Now, Midwest Health operates 53 adult care facilities in Kansas, Nebraska, Iowa and Oklahoma and maintains its corporate offices in Topeka. Midwest Health employs approximately 2400 employees and growing. In Kansas, Midwest Health operates 36 facilities and growing every year including new state of the art facilities in Garden City and Kansas City. Midwest Health also operates a number of ancillary senior care businesses such as a senior pharmacy, a durable medical equipment company, home health and hospice.

Midwest Health began self-insuring its professional and general liability in 2004 as Midwest Health had just experienced a large growth surge and the market for insurance had become unfavorable. Midwest Health, as a company, became even more focused on risk management and management of liability claims. The increased focus on risk management has led to a decrease in claims, benefiting the consumers of Kansas, and a significant decrease in expensive litigation costs resulting in those funds being used on the consumer providing a higher and better level of care.

Midwest Health facilities are also Medicare and Medicaid provider of services. In order to keep costs down and provide these services, it is key to eliminate as much cost as possible and to utilize those funds in providing care in order to continue to successfully be a provider to the public. As a result of not being able to self-insure under the HCSF, Midwest Health has seen an increase of approximately \$50,000 in premiums for its Kansas facilities. This amount will only increase as Midwest Health grows in Kansas which plays a part into the calculation of whether an operation will be successful.

In order to comply with the law this year, Midwest Health had to form its own licensed insurance company in Kansas to provide the coverage that it would have been able to self-insure under the HCSF.

Midwest Health is not asking the Health Care Stabilization Fund to change its high threshold and standards it puts upon Health Care Providers in order to be approved for self-insurance, but we are asking to have the opportunity to demonstrate Midwest Health's ability to meet the standards of the HCSF and be approved to continue to self-insure as it has for the last 10 years.