

MINUTES

Special Committee on Commercial and Financial Institutions/Insurance

October 22, 2001
Room 514-S—Statehouse

Members Present

Senator Sandy Praeger, Chairperson
Senator Paul Feleciano, Jr., Ranking Minority Member
Senator Pete Brungardt
Senator Ruth Teichman
Representative Ray Cox
Representative Stanley Dreher
Representative Joe Humerickhouse
Representative Judith Loganbill
Representative Bill McCreary
Representative Eber Phelps
Representative Sue Storm

Members Absent

Senator James A. Barnett
Representative Bob Tomlinson, Vice Chairperson

Staff Present

Dr. Bill Wolff, Kansas Legislative Research Department
Becky Krahl, Fiscal Analyst, Kansas Legislative Research Department
Kenneth M. Wilke, Revisor of Statutes Office
June Evans, Committee Secretary

Conferees

Barbara Langner, Project Director, Kansas Health Insurance Study
Bill Riley, Chairman, Health Policy Committee
Kyle Wendt, State Employee Health Care Commission
Randy Allen, Kansas Association of Counties
Don Moler, League of Kansas Municipalities
Richard Huncker, Kansas Insurance Department
Linda DeCoursey, Kansas Insurance Department

**October 22, 2001
Morning Session**

Chairperson Praeger called the meeting to order at approximately 10:00 a.m. By way of announcements, staff told the members there was a letter in their notebooks from Linda DeCoursey, Kansas Insurance Department, regarding Public Adjusters, filed under the Adjusters tab. Also, a letter from Bob Alderson distributed at the last meeting regarding prescription drug cards was filed in the notebooks under the Drug Card tab. Finally, drafts of three Committee reports were distributed for review at the November meeting: Prescription Drug Information, Credit Scores, and Public Adjusters Licensing. The remaining three reports will be mailed out prior to that meeting (Attachments 1, 2 and 3).

The Chairperson called on Dr. Barbara Langner, Project Director, Kansas Health Insurance Study, to review the findings of the study *Finding and Filling the Gaps: Developing a Strategic Plan to Cover all Kansans* (Attachment 4). The study was commissioned by the Kansas Insurance Department, prepared by the Department of Health Services Administration, University of Florida, under contract to the University of Kansas Medical Center. (A copy of the study document is available from the Department of Insurance.)

Senator Feleciano asked how many more persons would be added to the number of uninsured identified in the study because of the layoffs by Sprint in Kansas City, and Boeing in Wichita. Dr. Langner said the uninsured numbers will probably continue to get worse. She added, it is not only those layoffs that contribute to the number of uninsured, but the withdrawal of companies writing in the individual insurance market adds to the difficulty of the uninsured.

Representative Storm asked if the data were arranged so that the total uninsured could be looked at. It looks like HealthWave and Medicaid has made a difference. Dr. Langner said a steering committee in charge of the study was starting to work with that data, but children who have HealthWave as their insurance product and those in the income bracket that HealthWave should reach, can be identified. Since the data also are available by region of the state, the level of coverage can be further identified.

Representative McCreary asked if numbers were available to indicate how many adults do not have insurance and why? Dr. Langner said more adults than children do not have insurance; that low income persons are more likely to be uninsured; to fix that problem it takes a subsidy from some source as those people cannot afford insurance; the age group 19-24 tends to be healthy and does not feel a need to purchase insurance; if this group could be brought into the insurance pool, it would be helpful because they tend to use fewer services; most uninsured Kansans are working at low income jobs and say insurance is just too expensive; and education is related to having insurance. She noted that to address these problems of the low income uninsured, some states are expanding using HealthWave to parents of eligible children that are enrolled and where possible.

Chairperson Praeger commented that not all low income uninsured people access services. Many need prescription drugs but can not afford them. By going without they have more severe health problems that cost more to treat in the long run.

Chairperson Praeger asked what the time frame was for getting the final report to the Health Resources and Services Administration (HRSA). Dr. Langner said the report was due the next Monday, but an extension had been received. Now the hope is to have it finalized by December. More public input is still being sought, she said. The Chairperson said the Committee would have one more meeting and if any new information was available, particularly related to a plan of action, the Committee would like to receive it. She noted that data is a part of the study, a viable plan of action is the net result of the study. Dr. Langner responded that the steering committee was working with a consulting firm on options for addressing the uninsured; the costs associated with the options; and the potential impact each option might have on the problem.

Senator Feleciano commented that it would help if Medicaid/HealthWave funds could be used for the entire family given costs are split between the federal government and the state—approximately 60/40 for Medicaid and 70/30 for HealthWave. Dr. Langner stated two of the strategies under review would pull down the federal match. To the extent federal program rules allow, funds can be used to subsidize the cost of insurance offered by the employer of low income employees. Also, federal dollars can be used to purchase private insurance if the cost is no more expensive than Medicaid coverage. Kansas currently uses this program to cover approximately 600 families. Some states, Iowa for example, have used this option to a much greater extent.

Representative Storm asked if more employers would be able to offer health insurance to their employees if this type of program were available. Dr. Langner replied that these types of wrap-around programs, subsidies, and tax credits all have potential for increasing the number of employers offering and participating in health insurance for their employees.

Representative McCreary said another problem dealing with small businesses is they may offer insurance, but with such a large deductible or co-payment that the low income workers still cannot afford to take the coverage.

Chairperson Praeger stated the survey was great and that it is much easier to develop strategies when you have good data. Dr. Langner said the research was finished and a plan is now being developed. We are continuing on until the report is submitted.

The Chairperson thanked Dr. Langner for her presentation.

Afternoon Session

The Chairperson reconvened the meeting at 1:30 p.m. and directed the members' attention to a different topic—the Kansas Business Health Partnership. Chairperson Praeger asked Bill Riley, Chairman, Health Policy Committee, to bring the Committee up to

date on the activities of the Health Policy Committee since his last report during the Session (Attachment 5).

Mr. Riley summarized the responsibilities of the Kansas Health Policy Committee (KHPC). He commented that he had not expected to be a fund raiser for the group, but as it worked to bring this partnership on line and do something that no one else had done, funds would be needed. He said the Robert Wood Johnson Foundation suggested to the KHPC in the spring that it might entertain proposals for up to \$1.5 million to assist in implementing the partnership. They said what we were doing was very promising, intriguing, trying to plow some ground that had not been plowed, and if this could be achieved—linking the public/private dollar, we would like to help you; however, the Foundation later determined that the KHPC was not at the point of implementing the partnership. Rather, it offered the KHPC a grant for continued planning activities. Mr. Riley reported that today the KHPC has been awarded that grant and now has a bank roll to work with. He also reported that today the request for proposals was on the streets soliciting potential candidates for the Kansas Business Health Partnership.

Finally, he said the KHPC has informally discussed the need for some statutory changes in the Partnership Act and that the KHPC at its next meeting would give further consideration for changes. If legislative changes are forthcoming, he offered to present them at the Special Committee's next meeting on November 13, 2001.

Chairperson Praeger stated Mr. Riley had spent a lot of time on this project and she appreciated his effort.

The Chairperson said, this morning when Dr. Langner made her presentation it was clear there were a lot of companies offering insurance, but it was also clear that a lot of people are uninsured because they cannot afford the coverage. The task, she said, is to find a way to make it more affordable by either subsidizing premiums or bringing small employers into a larger purchasing and thereby take many of the uncertainties out of the small employer market. The Kansas Business Health Partnership can be a mechanism to bring coverage to low wage employees of small employers.

Representative Cox asked if the insurance industry was represented on KHPC. Chairperson Praeger said Martha Leonard, a Certified Public Accountant who works with business benefit programs; Cliff Somes, Wichita; Gary Sherrer; Janet Schalansky; and Linda DeCoursey all are members, but there are no industry representatives on KHPC.

Representative McCreary said the SRS budget for FY 2003 is \$932 million for medical assistance for the state. How much of that money would be available for subsidizing insurance premiums? Chairperson Praeger said she could not answer that question, but it was a good question. Assuming it is more cost effective to get through the work place rather than the government program, the concept here is to try to create opportunities for more people to have insurance through their employment. She said the idea behind creating the Business Health Partnership is to make coverage available as much as possible through the private market place. We need to reduce the number of uninsured and find a way for people to take advantage of job based coverage.

Representative Storm said were asking how do we help small businesses offer insurance. Now our question is, how do we help people take advantage of the insurance that is offered to them. This data certainly has changed our perspective.

Chairperson Praeger added the data show that Kansas businesses do offer insurance to their employees and at a rate greater than the national average. Data also show that companies are offering insurance that is not affordable to many employees. Now how do we find ways to help those companies make insurance affordable? Just getting more people into the insurance pool will help bring the premiums down.

On a related matter, the Chairperson pointed out that Kansas has a high risk pool (Kansas Uninsurable Health Insurance Plan Act) for those persons who are unable to obtain insurance in the private market. She introduced Rich Huncker, to comment on the current status of that pool. Mr. Huncker reviewed the premium rates of the pool and stated the rates would be increasing 22 percent in 2002 (Attachment 6).

Representative Cox asked how many policy holders are in the pool. Mr. Huncker responded 1,476: 184 under Plan A, \$500 deductible; 483 under Plan B, \$1,000 deductible; 387 under Plan C, \$1,500 deductible; 69 under Plan D, \$2,250 deductible; and 353 under Plan E, \$5,000 deductible. Premiums can be up to 150 percent of what is being charged in the private market place for the same type coverage.

Losses in the pool are made up through assessments on companies writing accident and health insurance in the state. The assessment is \$7.5 million for 2002 (the assessment was \$3 million for 2001) and will be reviewed again for sufficiency at the April meeting of the plan. Companies paying the assessments can claim a tax credit of 60 percent against the premium taxes they owe. Representative Cox asked how many insurance companies are involved. Mr. Huncker replied, approximately 180.

The Chairperson thanked Mr. Huncker for his assistance to the Committee.

Kyle L. Wendt, Health Benefits Administrator, State of Kansas Health Care Commission, was asked by the Chairperson to continue the discussion of bringing cities and counties into the state health care benefit plan (Attachment 7).

Representative Cox asked if the state plan had suffered adverse selection from bringing in school district employees. Mr. Wendt did not believe so, but added there has not been enough time to know. Representative Cox continued, if there has been no adverse impact by using the three-year ramp-up provision, could there not be a longer ramp-up period so more school boards could afford the coverage and join the state plan. He said his school district can not even look at the state plan now and would like the ramp-up period extended.

Terry Bernatis, Department of Administration, Division of Personnel Services, said the problem the Kansas Health Care Commission kept hearing in 1995 from state employees was we can not afford the insurance. What they could not afford was the dependent coverage, so the Commission changed the way that contributions were being

made for that coverage. Now almost 50 percent of state employees have family or dependents covered. In 1995 it was just over 20 percent. By increasing the state's contribution for dependent coverage, more persons were covered under the plan and the plan has a more diversified membership that help hold down usage and costs.

Senator Teichman asked how many school districts had taken the plan and the number of employees covered. Mr. Wendt replied there were 18 USDs with 1,700 employees covered.

Representative Storm commented we all evaluate things based on our own experience and I have not worked for anyone who helped pay family insurance. I know some companies do, I still think there are significant numbers that do not. USDs approached the state and said let us be part of the health insurance program because we can not afford insurance premiums and now cities and counties are asking the same thing. Do those people that have made that request know, coming in that the employee and employer contribution rates must be the same as in the state plan? Could that be part of the explanation why not more than 18 USDs have come into the plan and would cities and counties be less likely to participate because of that?

Mr. Wendt said he believed the cities and counties were aware of those requirements because they have been here with us while going through the requirements. Ms. Bernatis replied she put 25,000 miles on a car trying to get that information out in a six-month period of time when school districts were allowed into the plan.

Representative Storm asked if the USDs that have come in were already paying part of the dependent coverage. Ms. Bernatis said from the first some were paying and some not paying for dependent coverage and choosing the five-year ramp-up option.

Representative Storm said the people this has helped were in those school districts that really have been trying to do the best by their employees. Some school districts say here is \$150 and see what you can do with it. This plan will not help them.

Chairperson Praeger said, referring to Mr. Wendt's testimony, he stated plan design and funding are not subject to negotiations. Does that mean they would have to accept what the state employees decide? Mr. Wendt said that was correct. The Chairperson asked further if there was a certain optimum number of participants, that once reached, no further benefit accrues to the plan. Mr. Wendt said the Post Audit report showed the optimum number to be around 1,000.

The Chairperson asked further if there were some opportunities for cities and counties to create their own pool and through their pool have a lot more control over what they want. Have the cities and counties looked at establishing pools? Mr. Wendt said the task for persons seeking to start a pool is to establish what is to be in the program. There is an advantage to joining a group where someone has already done that background work.

Randy Allen, Kansas Association of Counties, testified that counties think the option of joining the state health care plan holds great promise. He said counties are aware of the

underwriting criteria that they would be expected to meet in order join the state plan. He agreed that counties should and would pay their portion of the administrative expense. Counties, he said, recognize the Health Benefits Administrator has a concern about being able to add the sufficient amount of staff to serve county and city employees. A feasible starting point for cities and counties for admission into the plan would be January 2003. That would be the next budget cycle for cities and counties. Budget preparation for 2003 will be starting in a matter of a few months. It will take a period of months to work out the details but think that is a reasonable period of time. Counties do understand the plan design would not be subject to negotiation; however, at some point it would make sense, if the pool were broadened, to include county, city, school districts, and state employees in the management structure, e.g., Kansas Employees Public Health Insurance. It would be appropriate to look at representation on the commission or the oversight group to include some representatives from these groups. Mr. Allen concluded by committing to work with all parties to make this happen.

Senator Teichman asked Mr. Allen if he thought all counties would join immediately or over the next few years. Mr. Allen said it is anticipated that a number of counties would join as soon as possible giving the level of interest we hear from our members. A few might come in later, but the number will never reach 100 percent of the counties.

Senator Teichman asked are there a lot of employees, because of their young age that have insurance at other places. Mr. Allen said there is not a cash out option to their benefit plan. Employees may forgo coverage because the spouse has a better plan.

Chairperson Praeger asked if the counties understand the contribution levels they must pay toward employee and dependent coverage. Mr. Allen said yes, and the criteria are not going to be an obstacle for counties.

Don Moler, Executive Director, League of Kansas Municipalities, testified cities have been discussing for some time the growing problem of providing health insurance benefits for their employees. Cities remain committed to entering the state plan and think a number would enter immediately. Cities do not expect the cost to be much less than current premium charges, but premium spikes would be mitigated. Mr. Moler agreed with the representative of the counties in that the name should be changed to include all entities and all entities should be represented in the oversight structure (Attachment 8).

Chairperson Praeger asked if benefits are part of a bargaining agreement, does joining the state plan take health insurance off the bargaining table. Mr. Moler said cities and counties are different than most school districts. There are only about 15 percent of cities and counties that have bargaining units that negotiate. The plan would tie the hands of the city and county governing body which now has the ability to modify the plan as they see fit. They usually do that in response to an increased premium where you have to make a choice between reduced benefits, higher premium, cost of living increase, or a little bit more for your employees. Most cities of a size that have ongoing city operations currently are paying an amount for health care costs comparable to what the state pays. Also, most cities pay a portion of a family plan.

The Chairperson asked if joining the state health care plan requires the cities and counties to give up some home rule authority. Mr. Moler said the way the discussion of city and county membership in the state plan has developed, cities and counties would be able to withdraw after a minimum three-year commitment if it did not meet their needs.

Representative Phelps said it was mentioned that bringing in the municipalities would not necessarily be a cost savings, but would eliminate the spikes. Are they existing right now in your group? Mr. Moler said there were spikes in premiums.

Representative Storm said that school districts negotiating teams do not sit down and hammer out the plan, but there is a committee that has teacher representation and classified employee representation who decide on a plan. It seems to me cities and counties probably do the same thing and that group would decide the plan it wants to join. Mr. Moler said that is correct. The very largest units have collective bargaining.

Senator Feleciano asked how many counties had collective bargaining. Mr. Moler responded there are 15–17 total that have collective bargaining and there are 627 cities and 105 counties; so that is a small percentage of the total.

Chairperson Praeger told Rich Vargo, Riley County, who was in the audience, that she had used his example of how to get families to buy into the plan numerous times since his presentation at an earlier meeting. She asked if he still feels his city's group would do better in the state plan. Mr. Vargo replied, yes. Riley County is as interested as everyone else. The county has a small group, so if it has one premature birth and one major surgery, its percentage can go up 20–30 percent. Riley County reduced its rates by attracting younger couples. There are 150–155 full-time employees and about 140 individuals and families participate.

Andy Corbin, Blue Cross/Blue Shield, said he was curious how cities, particularly those in the current small employer group market and subject to the laws governing small employer groups, could leave that market and become a part of the state health care plan without legislation making that possible.

Chairperson Praeger said she asked the Insurance Department to comment on that question. Linda DeCoursey, Insurance Department, said since there are only 18 districts in the pool, the small employer market is not impacted at this time.

Mr. Corbin said his question was not about the impact on the small employer pool and reiterated his question about the laws governing small groups needing to be changed. The Chairperson directed staff to review the issue raised by Mr. Corbin and report to the Committee at its next meeting.

Senator Feleciano moved, seconded by Representative Phelps that the minutes of September 17-18, 2001, meeting be approved. The motion carried.

There being no further business to come before the Committee, the meeting was adjourned at 3:30 p.m. The next meeting will be November 13, 2001.

Prepared by June Evans
Edited by Dr. William G. Wolff

Approved by Committee on:

November 13, 2001