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Statement of Sunee N. Mickle, Director of Government Relations
Blue Cross and Blue Shield of Kansas, Inc.
Opponent for House Bill 2575
House Health and Human Services Committee

February 14, 2018

Good Afternoon Chairman Hawkins and Members:

Blue Cross and Blue Shield of Kansas (BCBSKS) is a locally operated mutual insurance company with more than 1,600 Kansas-based employees. We have offices in 11 different Kansas communities (Dodge City, Garden City, Hays, Hutchinson, Independence, Lawrence, Manhattan, Salina, Pittsburg and Wichita), and our corporate headquarters is located in Topeka. The company's service area includes all Kansas counties except Johnson and Wyandotte in the Kansas City metro area.

We currently serve approximately 930,000 of your fellow Kansans, in 103 Kansas counties. BCBSKS offers fully-insured health insurance plans in the individual market on and off the federal exchange. We also sell fully-insured plans to small and large groups, and we administer many self-funded plans to larger employers domiciled in our service area.

BCBSKS works very hard to maintain a robust provider network. We contract with 100% of the acute care medical facilities, 99% of medical doctors, and 96% of other providers in our service area. This enables our members to have access to the health care services they need and deserve at the most affordable rate.

BCBSKS believes patients should have the ability to understand the true cost for health care services so they become better consumers, but we respectfully oppose HB 2575 as it is written due to unintended consequences the bill may have for BCBSKS members.

Our actuaries believe HB 2575 could:

- 1) significantly increase administrative costs,
- 2) disrupt our provider networks and value-based programs, and
- 3) and have tax consequences for our members.

As a mutual insurance company that operates as a not-for-profit, BCBSKS strives to minimize our administrative cost. One way that we accomplish this is by spending nearly 90 cents of every premium dollar we collect on our members' medical claims. As it is written, HB 2575 would require BCBSKS to develop a publicly accessible website that provides the cost for an unlimited number of health care services and out-of-pocket quotes for members. This is different than the patient incentive program we are currently building with the State Employees Health Plan and different than currently operating patient incentive programs in other states.



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Patient incentive programs usually allow the member to login to a secure section of the insurance carrier's website and they compare a patient's health plan, deductible, and other cost sharing specifics with a limited number of health care services. The State Employees Health Plan will use Smartshopper® to manage a secure website for its members, and it will not be available to the general public. Also, in the state of Maine, a Right to Shop state, consumers are limited to four categories of "comparable health care services": physical and occupational therapy, radiology and imaging, laboratory and infusion therapy services. The current language in HB 2575 does not enable insurers to work with existing vendor platforms or price a limited number of services. Furthermore, it requires carriers to complete implementation by January 1, 2019. As a result, our IT and actuarial staff believe there may be a need build our own IT platform to support the current requirements in HB 2575 which will use significant administrative resources.

As I stated earlier, BCBSKS contracts with 100% of the acute care medical facilities, 99% of medical doctors, and 96% of other providers in our service area. We have worked closely with our providers to implement new value-based reimbursement models such as ACOs and patient centered medical homes to improve patient quality and continuity of care. We are not certain how accurately the "average cost" for a health care procedure will be reflected when it is compared to the older fee for service reimbursement model. HB 2575 does not speak to value-based programs and the pricing variations that may occur due to these high quality reimbursement models. Therefore, we would like more information to understand the impact HB 2575 could have on our provider networks and value-based programs.

Finally, BCBSKS would like for the language in HB 2575 to address and clarify how the patient incentive program will operate under federal tax law. Due to information we have received through our work with Smartshopper® for State Employees Health Plan, we understand that patient incentives are considered taxable income by the IRS. HB 2575 does not explain who is responsible for informing patients about the tax implications or for sending the patient a 1099 Form. The tax impact may be even more troubling for those in the individual market who may find that their patient incentives affect their current eligibility for receiving advance premium tax credits or cost-sharing reduction plans which could jeopardize their ability to continue their individual health insurance coverage.

BCBSKS believes it is important to explore ways to incentivize and reward insureds who shop for the most affordable health care services. But we do not believe we can support HB 2575, as it is written, due to the unintended consequences it may have on our members. We are looking forward to seeing how the State Employee Health Plan's Smartshopper® incentive program works in KS first. Then we hope to use that as a model to build similar programs that do not increase administrative costs, disrupt our provider networks, or cause federal tax problems for our members.

BCBSKS appreciates the opportunity to share our concerns, and I am happy to answer any of your questions. Thank you.