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**STATEMENT OF BRAD SMOOT**  
**LEGISLATIVE COUNSEL**  
**BLUE CROSS BLUE SHIELD OF KANSAS**  
**HOUSE INSURANCE COMMITTEE**  
Regarding 2017 House Bill 2021  
February 2, 2017

**Chairman and Members:**

BCBSKS and its more than 1600 Kansas employees operating from 11 different communities serve approximately 930,000 of your fellow Kansans in 103 Kansas counties. We contract with 100% of the acute care medical facilities in the state, 99% of medical doctors, and 97% other providers in our service area. This enables our members to have access to the health care services they need and deserve.

BCBSKS is a mutual insurance company, which means the company is owned by and operated for the benefit of our policyholders. Nearly \$2.6 billion was paid last year for over 18.9 million claims on their behalf. We handle these claims efficiently, averaging about 90% of our premium dollar in payments to providers, mostly in Kansas. With the remaining premium, we maintain reserves, pay employees and provide facilities, equipment and other routine operational costs, including more that \$77.9 million in federal, state and local taxes in 2015.

On behalf of our BCBSKS customers and policyholders, we must respectfully oppose HB 2021.

As your staff correctly noted, Kansas law currently requires that the proponents do a cost benefit analysis in support of any mandate and file an impact report with this committee. See K.S.A. 40-2248. That does not appear to have been done yet. The reason, of course, for this requirement is that lawmakers need to fully understand the costs as well as the benefits before ordering that private insurance purchasers must pay for additional products or services. A look at

the Fiscal Note prepared by the Budget Office suggests that those costs on the state alone could be enormous. Our own internal calculations suggest a more modest premium increase of \$2.64 per contract per month or \$31.68 per year for the SEHP. Those costs would either be born by the state general fund or as an increase in the premium or deductibles for plan members. Hundreds of cities, counties, school districts and other tax supported entities who provide insurance will also be impacted adding to the local and state tax burden of your constituents.

As you consider the different estimates of cost for this mandate, note that nothing in the bill limits what insurers must pay for hearing aids. We calculated our estimates using an average hearing aid cost of just under \$3000 (replaced every 3 years for adults and every year for children) with repairs and batteries at an additional \$100 per year. Proponents mentioned \$5000 per unit and who knows what new and expensive devices may be developed. The bill is a blank check.

These SEHP costs are just a snapshot of the impact on the affected insurance market. The bill most dramatically affects those in the small group and individual markets. These are the people most adversely affected by the well-publicized premium rate increases brought on by the Affordable Care Act and the steady increase in medical utilization. One hundred thousand Kansans purchase their coverage on the Federal Exchange and many times that purchase individual or small group off the Exchange. For these markets, BCBSKS offers HMO plans with \$3,000 deductibles with limited networks and \$6,500 deductibles for PPO plans. Even at rates of \$300 to \$400 per person per month, these plans are unaffordable to many and to even more Kansans as costs rise. In short, the issue for most Kansans who must pay for their own health insurance is the cost of coverage or the size of their out of pocket expenses. It is not that the benefits are too few.

Please remember also that this bill is another mandate on businesses large and small who are fully insured. While certain ERISA employer groups might be able to escape this mandate, thousands of other employers will not because they are not self insured.

These costs may also become an additional burden on the state general fund. As your staff noted, the ACA specifically requires that states that mandate coverage for benefits beyond the Essential Health Benefits required by federal law must pay for those added state mandate costs for persons on the Exchanges. We estimate for just our members on the Exchange that the state

might be obliged to pay nearly \$2 million from the SGF in addition to the SEHP and Medicaid costs. Federal rules on this topic are in flux.

This may be the biggest single reason not to enact HB 2021. We simply don't know what the new administration and Congress will do about the ACA and any replacement plan. No matter how well-intended, adding additional costs to health insurance policies without knowing what the marketplace will look like next year is risky for our customers and the Kansas taxpayers.

At least one proponent expressed astonishment that insurers would oppose this mandate. And I hope I can answer that question for you. We at BCBSKS don't view the premiums we collect or the payments we make to providers as our money. It belongs to our customers. And when prices are driven upward by government action, we feel obliged to stand up for those hardworking customers and share what we believe would be their concerns. Mandate costs, like the millions in taxes we pay, are inevitably a pass through to our customers who pay the premiums. We don't hear them clamoring for more coverage, we hear them clamoring for smaller premiums and lower deductibles.

We appreciate the importance of hearing and hearing aids to the quality of life of our fellow Kansans. Through their premiums our customers contribute a lot of money for hearing testing, treatment and surgeries. We appreciate that most of us would like someone else to pay for all of our health care needs, not just some of them. Unfortunately, for every mandate you consider, there are many more waiting in the wings.

For these reasons we must urge the Committee to refrain from adding any to new costs to the already expensive health insurance market. I am pleased to respond to questions.