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STATEMENT OF BRAD SMOOT
LEGISLATIVE COUNSEL
BLUE CROSS BLUE SHIELD OF KANSAS
HOUSE INSURANCE COMMITTEE
Regarding 2017 House Bill 2103
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 than \$77.9 million in federal, state and local taxes in 2015.

On behalf of our BCBSKS customers and policyholders, we must respectfully oppose the passage of HB 2103. In addition to the more than 22 mandates already enacted, there are numerous others that have not passed. Among those are baby formula and breast milk mandates. For decades, most insurance companies have rejected the notion that out patient food supplies must be covered by accident and health policies.

HB 2103 has problems similar to those of HB 2021 in that no cost benefit analysis was completed by the proponents as required by K.S.A. 40-2248 and the bill appears to be unlimited in the amount of products insurers would be

required to pay for and how long they must pay (lifetime?). Although Medicaid currently covers these products for the less fortunate, the state employees health plan (SEHP) does not. The Governor's Budget does not include the estimated \$160,000 for the remainder of Fiscal 2018, or the \$339,200 for FY '19 or \$359,552 for FY 2020. Moreover, as noted in the Fiscal Note on HB 2103, Budget Division cannot estimate the even larger impact on tax funded local governments, including cities, counties and school districts. This is particularly important for school districts in light of the state's obligations to pay a portion of the school finance formula and proposal currently being considered to create a state school district pool for tens of thousands of public school employees.

As for the private fully insured non-exchange insurance marketplace, BCBSKS estimates the cost increase of approximately \$1.35 million annually. To the extent that the ACA may require states to pay for mandates in excess of the Essential Health Benefits, as noted in the staff Briefing Book on page 6, the state may be obliged to fund an estimated \$350,000 annually to pay for these benefits received by customers on the Exchange. In light of the changes coming from Washington, we simply don't know what to expect and caution against any action on mandates until such becomes clearer.

One final philosophical observation: Kansans are a generous bunch. We contribute to charity and provide government sponsored health benefits for the truly underprivileged through Medicaid, WIC and other programs. Public funding is distributed to those in need; not those who can afford a product or service themselves. Unfortunately, health insurance is the equal pooling of risk and distribution of benefits without regard to ability to pay. Hence, Kansans who can barely afford health insurance are subsidizing payments for other insureds who admittedly have the ability to pay themselves.

For this reason and others, insurers are always concerned with the affordability of coverage. When people drop coverage because it's too expensive, not only are they exposed to personal financial risk, it causes the entire pool of insureds to shrink and reduces the fundamental effect of insurance, namely the broad spreading of risk. We urge the Committee to look for alternative methods to assist those in need of food supplements based on their financial needs; not as an added cost to already expensive health insurance policies. Thank you for your time and consideration of our views.