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STATEMENT OF BRAD SMOOT
LEGISLATIVE COUNSEL
BLUE CROSS AND BLUE SHIELD OF KANSAS, INC.
HOUSE INSURANCE COMMITTEE
REGARDING SENATE BILL 348
MARCH 15, 2018

Mr. Chairman and Members:

Blue Cross and Blue Shield of Kansas (BCBSKS) appreciates the opportunity to express our support for SB 348. 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. We currently serve approximately 930,000 of your fellow Kansans, in 103 of the Kansas counties. The company's service area includes all Kansas counties except Johnson and Wyandotte in the Kansas City metro area.

As a mutual insurance company that operates as a not-for-profit, BCBSKS strives to minimize our administrative costs. One way that we accomplish this is by spending nearly 90 cents of every premium dollar we collect on our members' medical claims. In 2016, BCBSKS paid nearly \$2.6 billion to our providers and members for over 18.9 million member claims. With the remaining premium dollars, we paid employees, provided facilities, equipment, and other routine operational costs in Kansas, including more than \$180 million in state, federal, and local taxes.

SB 348 would help BCBSKS further reduce our operating costs and assist us with directing our member's premium dollars towards the health care services they need. For example, in 2017, BCBSKS mailed out more than 5.4 million explanation of benefits to its members. The cost for mailing hard copies of the explanation of benefits was approximately \$2.7 million. Under current law, BCBSKS is also obligated to mail hard copy versions of insurance policies, summary of benefits, and other coverage documents. In fact, we mailed several hundred thousand such documents in 2017, and with those documents containing 30-50 pages or more, the mailing costs also run into the millions for those documents.

BCBSKS supports the proposed amendments to the definition of health plan so that it will include individual and not just group coverage. Under the federal Exchange where tens of thousands of Kansans buy their health insurance, the federal government already utilizes electronic notices as its primary communication method. Indeed, most of those using the Exchange have signed up for insurance online. Currently, we receive complaints from customers, both employers and individuals, about the number and volume of materials that we mail to them. Our customers are asking for us to utilize electronic notices where possible.

SB 348 modernizes Kansas law and supports the efforts of BCBSKS to reduce administrative costs for our members without infringing on the rights of anyone who prefers to receive hard copy documents. Therefore, BCBSKS respectfully requests your favorable consideration of SB 348.

Thank you for your time and I am happy to answer any questions.