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Proponent for House Bill 2054

House Insurance Committee

January 28, 2019

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to testify in support of HB 2054. This legislation is one of several bills that attempt to align Kansas insurance statutes with recently amended federal regulations that pertain to association health plans.

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 over 900,000 of your fellow Kansans, in 103 Kansas counties. BCBSKS maintains a robust provider network in which we contract with 100% of the acute care medical facilities, 99% of medical doctors, and 96% of other providers in our service area.

For several decades, BCBSKS has offered fully-insured association health plans and served as the third-party administrator for self-funded association health plans in our state. 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. In addition, BCBSKS offers fully-insured health insurance plans in the individual market on and off the federal exchange.

The U.S. Department of Labor's (DOL) Final Rule on Association Health Plans (AHPs) creates more flexibility for sole proprietors and other small businesses to purchase affordable health plan coverage. Since the passage of the Affordable Care Act (ACA), sole proprietors have not been able to buy employer-based health insurance plans. Currently, sole proprietors have been forced to purchase individual market health insurance coverage which has higher premiums due to restrictive rating rules.

Under the AHP Final Rule, sole proprietors and businesses with less than 51 employees can band together to purchase health plan coverage using large employer group health plan benefit designs and rating requirements. This coverage is guaranteed issue so all the members in an association can participate in the health plan regardless of their employees' pre-existing health conditions.

BCBSKS has been approached by several associations who would like to offer their members high quality affordable health plan coverage with the same regulatory and economic advantages that are usually only available for large employers. The challenge is that Kansas' current insurance laws do not allow fully-insured AHPs to rate two or more small employers as a large group. This means that most associations can offer only the same ACA-style plan designs and rates as the rest of the fully-insured small group health insurance market. That's just not helpful for Kansas sole proprietors and small business owners.

HB 2054 and its companion bills include amendments to Kansas' small group health insurance laws to allow our state to take full advantage of the new U.S. Department of Labor AHP final rule. This is an opportunity for you to provide your constituents with more affordable health insurance plans that have strong consumer protections and oversight from the Kansas Insurance Department and federal government. These AHPs cannot deny employer groups or their employees coverage based upon their pre-existing health conditions, and they cannot inflate rates on one person or a single small business based on pre-existing health conditions.

BCBSKS encourages this committee to support the passage of HB 2054 to allow Kansas-based associations the ability to offer high quality and affordable fully-insured association health plans to their members in accordance with federal law.

Thank you for your time today.