

**Terry D. Holdren**

Kansas Farm Bureau

785.587.6262 Office • 785.341.6910 Cell • holdrent@kfb.org

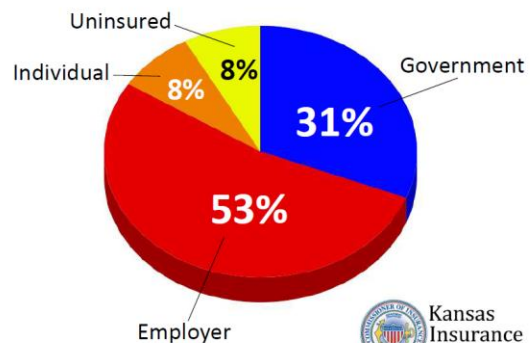
**DATE:** January 28, 2019  
**TO:** Chairman Vickrey and Members of the Insurance Committee  
**FROM:** Terry Holdren  
CEO & General Counsel, Kansas Farm Bureau  
**RE:** KS FB Health Plans – HB 2055

Since 1919 Kansas Farm Bureau has been working to strengthen agriculture and the lives of Kansans through advocacy, education and service. Today KFB members live and work in each of the state’s 105 counties. More than 30,000 of those families are directly connected to agriculture. These families produce food, fuel and fiber to support local economies and add value to agricultural products that are exported around the globe.

In a recent national survey of farmers and ranchers, 65 percent of respondents identified the cost of health coverage as the largest threat to their ability to remain on the farm. In Kansas, Farm Bureau members report health coverage costs are the most significant expense in their family budget, at times representing 30 to 40 percent of annual budgeted expenses. Most do not qualify for federal ACA subsidized products with incomes greater than 400 percent of the federal poverty level, and many seek employment off the farm solely for the health care benefit. Others join health care sharing ministries or become uninsured.

According to the Kansas Insurance Department, 53 percent of Kansans receive health care benefits through their employers. Thirty-one percent find coverage through government programs. Eight percent of Kansans purchase health coverage through individual or non-group plans. The remaining eight percent of Kansans are uninsured.

**Health Insurance Coverage in Kansas**



Source: KHI.org

In the past five years, net farm income has declined by nearly 50 percent (according to DTN 2013, net farm income was \$123.8 billion, compared to a predicted \$65.7 billion for 2018). In that same timeframe single individual premiums increased by 176% and premiums for families in the individual market increased 216%.

We appear today neutral on HB 2055 to request your consideration of an amendment that would allow Kansas Farm Bureau to develop member health care benefit coverage, specifically and solely for Farm Bureau members in Kansas to address the access and affordability concerns of our membership. Specifically, the amendment to KSA 40-2222 would:

- Exempt KFB's member health care benefit coverage from the authority of the Kansas Insurance Commissioner. This exemption is similar to other associations and entities who offer coverage to members.
- Because the plan is defined as "not insurance," the bill would allow creation of individual non-ACA compliant member health care benefit coverage that would be fully underwritten and individually rated, resulting in premiums below ACA Exchange offerings (rates are estimated at 30 percent below current offerings on the exchange).
- Authorize issuance of member health care benefit coverage exclusively to KFB members.
- Allow KFB to partner with other entities as Third Party Administrators (TPAs) or reinsurers to ensure products and services meet the high standards and reputation of the organization and the needs of our members.

This plan is not:

- An addition to or creation of an Association Health Plan.
- A health care sharing ministry.
- Individual plans contemplated under this legislation would not be compliant with the ACA, may not cover all Essential Health Benefits and would not be guaranteed issue products.

Analysis of the Kansas marketplace indicates that participation in pre-ACA and ACA exchange products has been and will continue to decline as rates for unsubsidized participants continue to increase. Those individuals would benefit from creation of a more affordable option than is currently available. The concept would also likely reduce the number of uninsured Kansans by offering coverage at attractive premiums.

Farm and ranch families and small business owners face uncertain economic times, making their ability to purchase health coverage for their families difficult, which results in more uncovered lives in Kansas and struggling

health systems in rural communities. Our proposal will allow the creation of competition and free-market options for health coverage and support rural hospitals and providers.

We urge your favorable action on the bill and stand ready to assist as you work to improve the lives of all citizens of the state.

**HOUSE BILL No. 2055**

1 AN ACT concerning insurance; relating to health insurance; making  
2 certain association health plans subject to the jurisdiction of the  
3 commissioner of insurance; amending K.S.A. 2018 Supp. 40-2222, 40-  
4 2222a and 40-2222b and repealing the existing sections.

5  
6 *Be it enacted by the Legislature of the State of Kansas:*

7 Section 1. K.S.A. 2018 Supp. 40-2222 is hereby amended to read as  
8 follows: 40-2222. ~~(a)~~ Any person or other entity ~~which that~~ provides  
9 coverage in this state for medical, surgical, chiropractic, physical therapy,  
10 speech pathology, audiology, professional mental health, dental, hospital,  
11 or optometric expenses, whether such coverage is by direct payment,  
12 reimbursement, or otherwise, shall be presumed to be subject to the  
13 jurisdiction of the commissioner of insurance unless the person or other  
14 entity:

15 ~~(1)~~ (a) Is a professional association of architects incorporated in  
16 Kansas on October 4, 1954, ~~which that~~ provides coverage for the payment  
17 of expenses described herein to or for the members of the association or  
18 dependents through a trust established November 1, 1986, and complies  
19 with K.S.A. 40-2222a, and amendments thereto;

20 ~~(2)~~ (b) is a professional association of dentists incorporated in Kansas  
21 on July 3, 1972, ~~which that~~ provides coverage for the payment of expenses  
22 described herein to or for the members of the association or dependents  
23 through a trust established November 1, 1985, and complies with K.S.A.  
24 40-2222a, and amendments thereto;

25 ~~(3)~~ ~~(A)~~ (c) (1) is a trade association of banks incorporated in Kansas  
26 on August 9, 1978, ~~which that~~ provides coverage for the payment of  
27 expenses described herein to or for the members of the association or  
28 dependents through a trust established July 1, 1989, and complies with  
29 K.S.A. 40-2222a, and amendments thereto; or

30 ~~(B)~~ (2) is a trade organization of banks incorporated in Kansas on  
31 June 1, 1982, ~~which that~~ provides coverage for expenses described herein  
32 to or for members of the association or dependents, and complies with  
33 K.S.A. 40-2222a, and amendments thereto;

34 ~~(4)~~ (d) is a trade association of truckers incorporated in Kansas on  
35 July 1, 1985, ~~which that~~ provides coverage for the payment of expenses  
36 described herein to or for the members of the association or dependents

1 through a trust established January 1, 1990, and complies with K.S.A. 40-  
2 2222a, and amendments thereto;

3 ~~(5) (e)~~ is an association of physicians practicing in the Kansas City  
4 metropolitan area, incorporated in Missouri on March 5, 1891, and  
5 qualified as a foreign corporation in Kansas on May 19, 1987, ~~which that~~  
6 provides coverage for the payment of expenses described herein to or for  
7 the members of the association, their employees and dependents through a  
8 trust established November 1, 1984, and complies with K.S.A. 40-2222a,  
9 and amendments thereto;

10 ~~(6) (f)~~ is organized as a farmers' cooperative under the Kansas  
11 cooperative marketing act, K.S.A. 17-1601 et seq., and amendments  
12 thereto, on January 13, 1983, and is an association of farmers' cooperatives  
13 and other like associations operated on a cooperative basis and their  
14 affiliated companies, ~~which that~~ provides benefits for employees, and  
15 family members of such employees, of such associations, and complies  
16 with K.S.A. 40-2222a, and amendments thereto;

17 ~~(7) is any other qualified trade, merchant, retail, or professional-~~  
18 ~~association or business league incorporated in Kansas which complies with~~  
19 ~~K.S.A. 40-2222a, and amendments thereto;~~

20 ~~(8) (g)~~ conclusively shows by submission of an appropriate  
21 certificate, license, letter or other document issued by the United States  
22 department of labor that such person or entity is not subject to Kansas law;  
23 or

24 ~~(9) (h)~~ conclusively shows that it is subject to the jurisdiction of an  
25 agency of this state or the federal government. For purposes of this act, tax  
26 exempt status under section 501(c) of the federal internal revenue code of  
27 1986 shall not be deemed to be jurisdiction of the federal government.

28 ~~(b) For the purposes of this section, a qualified trade, merchant, retail~~  
29 ~~or professional association or business league shall mean any bona fide~~  
30 ~~trade, merchant, retail or professional association or business league that:~~

31 ~~(1) Has been in existence for at least five calendar years; and~~

32 ~~(2) is comprised of five or more employers.~~

33 Sec. 2. K.S.A. 2018 Supp. 40-2222a is hereby amended to read as  
34 follows: 40-2222a. At the time the initial application for coverage is taken  
35 with respect to new applicants and upon the first renewal, reinstatement or  
36 extension of coverage following the effective date of this act with respect  
37 to persons previously covered, each association described in ~~subsection (a)~~  
38 ~~of K.S.A. 40-2222~~, and amendments thereto, shall provide a written notice  
39 stating that:

40 (a) The coverage is not provided by an insurance company;

41 (b) the plan is not subject to the laws and regulations relating to  
42 insurance companies;

43 (c) the plan is not under the jurisdiction of the commissioner of

**Commented [AD1]:** (i) is a nonprofit agricultural membership organization incorporated in Kansas on June 23, 1931, or an affiliate thereof, that provides healthcare benefit coverage for the payment of expenses described herein to or for the members of the organization and their dependents. Notwithstanding any provision of law to the contrary, the healthcare benefit coverage described in this paragraph shall not be considered insurance. The risk under such coverage may be reinsured by a company authorized to conduct reinsurance in Kansas.

1 insurance; and

2 (d) if the plan does not pay medical expenses that are eligible for  
3 payment under the plan for any reason, the individuals covered by the plan  
4 may be liable for such expenses.

5 Sec. 3. K.S.A. 2018 Supp. 40-2222b is hereby amended to read as  
6 follows: 40-2222b. (a) As a condition precedent to continuation of the  
7 exemption provided by K.S.A. 40-2222, and amendments thereto, each  
8 association described in ~~subsection (a)~~ of K.S.A. 40-2222, and  
9 amendments thereto, shall, no later than May 1 of each year, pay a tax at  
10 the rate of 1% per annum upon the annual Kansas gross premium collected  
11 during the preceding calendar year. In the computation of the tax, such  
12 associations shall be entitled to deduct any annual Kansas gross premiums  
13 returned on account of cancellation or dividends returned to members or  
14 expenditures used for the purchase of reinsurance or stop-loss coverage.

15 (b) Every association subject to taxation under the provisions of this  
16 section shall pay the tax imposed and make a return under oath to the  
17 commissioner of insurance under such rules and regulations and in such  
18 form and manner as the commissioner may prescribe.

19 Sec. 4. K.S.A. 2018 Supp. 40-2222, 40-2222a and 40-2222b are  
20 hereby repealed.

21 Sec. 5. This act shall take effect and be in force from and after April  
22 1, 2019, and its publication in the Kansas register.