

March 18, 2024

The Honorable William Sutton, Chairperson  
House Committee on Insurance  
Statehouse, Room 218-N  
Topeka, KS 66612

Dear Representative Sutton and Members of the Committee:

SUBJECT: Opponent Testimony on HB 2834

Thank you for allowing me the opportunity to provide testimony in opposition to HB 2834.

The State Employee Health Program (SEHP) is currently situated within the Department of Administration (DofA). Given DofA's role as the state's central service organization, this is the most natural and efficient home for SEHP. As the state's chief administrative officer, I am charged with leading the organization responsible for providing shared services and products to serve Kansas citizens, other state agencies, and all state employees. DofA is home to the central human resources function, central print and mail function, central procurement function, central payroll function, and central accounting and auditing function (plus many others). Each of these functions has a natural level of interaction and overlap with the SEHP function. Separating SEHP from these other centralized functions – namely the HR functions – would introduce inefficiencies into the system.

The natural relationship between DofA and SEHP was recognized by the statewide efficiency study conducted by Alvarez & Marsal (A&M) in the fall of 2015 and released in January 2016. Recommendation 3 from the State Employee Health Plan Overview section of the A&M study stated that SEHP should be placed within DofA, given its high level of interaction with, and natural overlap with the state's central HR and payroll functions. This study further stated that many benchmark states placed their health plans within their Departments of Administration, "or another state agency that handles Human Resource functions." Below is a sampling of other quotes from the A&M efficiency study:

- "SEHP is an extremely lean, efficient organization – the staff appears to effectively manage partnerships with vendors." (page 75)
- "It is recommended that the plan transition into an ancillary agency of the DOA responsible for managing the administration of the benefit program available to state employees, retirees, and their dependents, as well as employees of certain other government entities." (page 80)
  - "This structure would allow for better coordination and communication between the DOA and SEHP." (pages 80-81)
- "The current employment structure of the SEHP staff creates a misalignment of priorities due to the differing role of the department of Administration (DOA) and the KDHE, within the Kansas Government." (page 80)

It was this efficiency study that prompted Executive Reorganization Order number 45 (ERO 45) received by both chambers on January 30, 2020. The Legislature recognized and agreed with the importance of ERO 45, as is

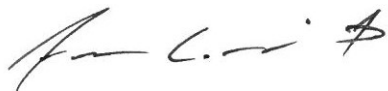
evidenced by committees in both chambers recommending approval of the ERO within weeks of its introduction. The House Committee on General Government Budget made this recommendation on February 14, 2020, and the Senate Committee on Ways and Means made this recommendation on February 24, 2020. The full body in both chambers accepted such recommendation, thus agreeing with the merits of placing SEHP within DofA.

In addition to obvious inefficiencies, if the functions of SEHP were moved to the Kansas Insurance Department (KID), there would appear to be a very real and clear conflict of interest at play. A key component of KID's mission is to serve as the regulatory agency for insurance companies across Kansas. Yet, if HB 2834 were to move forward, you would have the agency responsible for regulating and issuing licenses now negotiating pricing and terms of procurement from the very companies that they are regulating. There are also HIPAA issues that would need to be addressed, and this bill makes no mention of how KID would partition the functions of SEHP from the balance of the Insurance Department, or how it would mitigate HIPAA concerns.

In closing, I would ask that this committee recognize the clear benefits of maintaining SEHP's position within DofA, and I request that this committee take no further action on this bill. There is simply no benefit to making a move of this magnitude, especially in the closing days of the biennium. A move like this – contemplated in a hasty fashion – would only harm state employees and others that rely upon the SEHP for quality healthcare.

I am happy to stand for questions at the appropriate time.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt". The signature is fluid and cursive, with a stylized initial "A" and a flourish at the end.

Adam C. Proffitt  
Secretary, Kansas Department of Administration