

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Representative Turnquist at
Chairperson

3:30 ~~a.m.~~ p.m. on Thursday, February 13, 1992 in room 531 N of the Capitol.

All members were present except:

Representative Campbell - Excused	Representative Welshimer - Excused
Representative Helgerson - Excused	Representative Ensminger - Excused
Representative Sebelius - Excused	Representative Flower - Excused

Committee staff present:

Mr. Fred Carman, Revisor
Mr. Chris Courtwright, Research
Mrs. Nikki Feuerborn, Secretary
Mr. Mark Hunter, Intern

Conferees appearing before the committee:

Mr. Dick Brock, Insurance Department
Mr. Ron Smith, Executive Director of Wichita Independent Business Assoc.

Hearing on HB 2440 - Small employer health benefit plans

Mr. Chris Courtwright of Research gave a brief staff review of the bill. This bill would allow companies who employ 25 rather than 50 employees who do not have health insurance as a spouse, dependent or otherwise or who are not eligible for medicaid or state medical assistance to participate in an insurance pool. The main problem appears to be that these companies must not have contributed within the preceding two years to any health insurance premium on behalf of an employee.

Mr. Dick Brock of the Insurance Department said there have been no participants in the program as it is now designed. This is patterned after a program in Oregon which is being marketed and has at this time 40,000 participants. This program has not been marketed in Kansas.

Mr. Ron Smith, Executive Director of Wichita Independent Businesses Association, stated the program needs major overhaul as "the setting up of the program is horrendous and the redtape is horrible." He agreed to check with Oregon and find out how the program can be altered in Kansas to make it more appealing to Kansas business persons.

Hearing on SB 66 -Health and accident insurance conversion rights

Mr. Chris Courtwright of Research gave a staff review of the bill.

Mr. Dick Brock, Insurance Department, reviewed the proposed amendments of which many are technical in nature. The amendments to the statutes will govern the continuation and conversion of group accident and health insurance policies issued by Blue Cross and Blue Shield organizations and commercial insurance companies. (See Attachment 1).

Mr. Brock presented the committee with copies of a proposed amendment. (See Attachment 2).

Mr. Carman suggested technical adjustments and changes regarding the amendment to make it in agreement with HB 2001 and do an update on the years. Representative Neufeld moved we accept the amendment on Page 4. Motion seconded by Representative Wells. Motion carried.

Representative Wells made a conceptual motion to have the Revisor make all technical changes. Motion seconded by Representative Gilbert. Motion carried.

Representative Sprague moved for the favorable passage of SB 66 as amended. Representative Cornfield seconded the motion. Motion carried.

Representative Gilbert moved the committee accept the minutes of the February 11, 1992, meeting. Representative Cozine seconded the motion. Motion carried.

Meeting adjourned at 4:15 p.m.

Testimony By
Kansas Insurance Department
Before the House Committee on Insurance
on Senate Bill No. 66
February 13, 1992

Mr. Chairman, members of the committee, Senate Bill No. 66 suggests several amendments to the statutes governing the continuation and conversion of group accident and health insurance policies issued by Blue Cross and Blue Shield organizations and commercial insurance companies.

As you review the bill, it will be obvious that some of the suggested changes are of an editorial nature but most of the proposed amendments involve provisions that we have had difficulty administering or provisions that are not producing the results originally intended. Senate Bill No. 66 is therefore being proposed and supported by the Insurance Department as a means of alleviating these administrative difficulties but, even more important, as a means of clarifying the statutes so Kansas insureds will consistently receive the continuation and conversion rights to which they are entitled.

A more specific explanation of the substantive changes and the reasons therefor follows:

Section 1(e)(2)- In 1987 an exception to continuation and conversion rights under state law was created for policies or subscription agreements issued to employers subject to continuation requirements imposed by the federal law known as COBRA. The exception was intended to eliminate confusion over complying with two sets of mandates. Since the federal requirements provided a longer continuation period, it was believed there would be no adverse impact to consumers.

*Ins. Committee
Attachment 1
2-13-92*

However, in applying the law after enactment of the exception for COBRA groups, it became apparent there were "gaps" which left certain persons without or with less continuation or conversion rights than they had prior to the 1987 legislation. The most common examples include:

- (1) COBRA group ceases to provide any coverage which would not be a "qualifying event" needed to trigger COBRA, and
- (2) COBRA provides no conversion rights.

This amendment would restore rights under state law to persons covered through groups subject to COBRA to the extent COBRA does not provide equal or greater rights.

Section 1(e)(2)(B) - Amendment provides an exception to Blue Cross and Blue Shield organizations' obligations to provide continuation and conversion rights for persons eligible for Medicare. A similar provision currently exists in the statutes governing continuation and conversion for other insurers (K.S.A. 1989 Supp. 40-2209(D)(c)).

Section 1(e)(2)(C) - The first amendment to this paragraph clarifies the covered person must be covered to the same extent by the replacement coverage in order to relieve the replaced insurer from its obligation to provide continuation and conversion rights to that covered person. This should close the gap which exists for a person who had been receiving benefits under a replaced plan, but is not eligible for such benefits under the new plan (even though it may be identical) because of pre-existing condition limitations, waiting periods, etc.

The second amendment to this paragraph merely clarifies replacement coverage which is not insured must be a lawful self-insured arrangement

in order to terminate the replaced insurer's continuation and conversion obligations.

The third amendment to this paragraph clarifies an ambiguity relative to issuing a conversion in lieu of continuation and allows the insurer to issue an individual policy if the coverage is substantially similar and at the same or a lesser premium. This should provide consumers with equal or greater substantive coverage rights while allowing insurers the option to provide such coverage in a manner more administratively feasible. The employee or member retains the right to be issued a conversion policy (which generally has lesser benefits) in lieu of continuation, in case the conversion policy would be more affordable than continuing the group policy.

Section 2(D) and 2(D)(d) - The amendments in section 2(D) and 2(D)(d) are the same as those discussed above with respect to section 1(e)(2) and 1(e)(2)(C) except section 1 applies to Blue Cross and Blue Shield organizations and section 2 applies to traditional insurers.

Section 2(D)(9) - This amendment requires the converted policy issued by either traditional insurers or Blue Cross and Blue Shield organizations to provide credit for deductibles, copayments and other conditions satisfied under the group policy if benefits under the converted policy are reduced by payments and benefits payable under the group policy.

As I noted earlier, enactment of these amendments will, we believe, clarify the law, simplify its administration, and provide more consistent and more equitable treatment of persons who are terminated from group coverage and need to utilize this law.

1 group coverage within 31 days; or *the employee or member is or*
2 *could be covered by medicare (title XVIII of the United States social*
3 *security act as added by the social security amendments of 1965 or*
4 *as later amended or superseded); or*

5 (C) the employee or member is or could be covered to the same
6 extent by any other insured or ~~noninsured~~ lawful self-insured ar-
7 rangement which provides expense incurred hospital, surgical or
8 medical coverage and benefits for individuals in a group under which
9 the person was not covered prior to such termination. In the event
10 the group policy is terminated and not replaced the employee or
11 member, ~~at the option of, the employee or member or at the~~
12 ~~option of the insurer,~~ may be issued a conversion *an individual*
13 policy or certificate which otherwise meets these provisions in
14 lieu of a conversion policy or the right to continue continuation
15 of group coverage required herein if the individual policy or cer-
16 tificate provides substantially similar coverage for the same or less
17 premium as the group subscription agreement. In any event, the
18 employee or member shall have the option to be issued a conversion
19 policy which meets the requirements set forth in this subsection (e)
20 in lieu of the right to continue group coverage.

21 (3) Written application for the converted subscription agreement
22 shall be made and the first premium paid to the insurer not later
23 than 31 days after termination of the group coverage and shall be-
24 come effective the day following the termination of insurance under
25 the group subscription agreement. In addition, the converted sub-
26 scription agreement shall be subject to the provisions contained in
27 paragraphs (2), (3), (4), (5), (6), (7), (8), (9), (13), (14), (15), (16), (18),
28 (19), (20) and (21) of subsection (D) of K.S.A. 40-2209, and amend-
29 ments thereto.

30 Sec. 2. K.S.A. 1990 Supp. 40-2209 is hereby amended to read
31 as follows: 40-2209. (A) Group sickness and accident insurance is
32 declared to be that form of sickness and accident insurance covering
33 groups of persons, with or without one or more members of their
34 families or one or more dependents, or one or more members of
35 their families or one or more dependents, and issued upon the
36 following basis:

37 (1) Under a policy issued to an employer or trustees of a fund
38 established by an employer, who is the policyholder, insuring at
39 least five employees of such employer, for the benefit of persons
40 other than the employer. The term "employees" shall include the
41 officers, managers, employees and retired employees of the em-
42 ployer, the partners, if the employer is a partnership, the proprietor,
43 if the employer is an individual proprietorship, the officers, managers

Delete
Delete
issue

2-13-92
Sue Carter
Attorney General