

Approved: _____

Date

Jan 25, 1993

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson William Bryant at 3:30 p.m. on January 20, 1993 in Room 527-S of the Capitol.

All members were present except:

Committee staff present: William Wolff, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

William Wolff, Legislative Research, presented background of HB's 2001 and 2511 and SB 561 to the Committee. This legislation was a product of a committee whose purpose was to study the health care of indigents and the how to provide insurance for small groups. Prior to HB 2001, insurance companies could have waivers and exclusions in the provision for insurance in small groups which made eligibility portable and allowed rating classifications within a group based on medical conditions. This legislation forced the providing companies to take the entire group or none at all. Many companies left Kansas as they preferred to take none of the small groups rather than be forced to take those of a higher risk group.

In SB 561 association groups with only three members will be eligible to secure group health insurance. Companies will be required to sell to requesting small groups without regard of their health status or claims experience.

HB 2511 required the establishment of a mechanism to make basic health insurance coverage available to persons unable to obtain such coverage in the normal market. Mandated mental health, drug, alcohol, and substance abuse benefits will be an option available within the offered packages.

Dick Brock, Insurance Department, added more detailed information on this legislation (Attachment 1). He reviewed the time line of events for the implementation of HB 2511 and SB 561. Standard programs will be in place by April or May of this year.

Representative King moved for the adoption of the minutes of January 14, 1993. Representative Correll seconded the motion. Motion carried.

The meeting adjourned at 4:30 p.m.

The next meeting will be held on Monday, January 25, 1993.

GUEST LIST

COMMITTEE: House FI & I

DATE: 1/20/93

[illegible]



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KANSAS INSURANCE DEPARTMENT

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RON TODD
Commissioner

BULLETIN 1991-16 (ADDENDUM)

TO: All Insurers, Nonprofit Medical and Hospital Service Corporations, Municipal Group-Funded Pools, Small Employer Health Benefit Plans, Health Maintenance Organizations and Captive Insurance Companies Authorized to Write Accident and Sickness Coverage.

FROM: Ron Todd
Commissioner of Insurance

SUBJECT: 1991 Kansas House Bill No. 2001
~~1991 Kansas House Bill No. 2202~~
Addendum to Bulletin 1991-16, Dated June 11, 1991

DATE: June 26, 1991

Item 8, page 5 of original Bulletin 1991-16 dated June 11, 1991 indicated that the rate classification restriction contained in 1991 House Bill No. 2001 would be further clarified. This addendum is intended to provide such clarification and, in addition, address other questions or concerns that have subsequently been raised.

1. As stated in the original Bulletin, House Bill No. 2001 prohibits the establishment or use of rating classifications within a group based on medical conditions. The term "group" as used in this restriction means the totality of the persons covered by the group policy as issued to the employer, association, trust or other entity described in paragraphs (1) through (6) of section 1(A). If units within the group i.e., employers, association members, etc. are subject to rating criteria independent from the group as a whole e.g. age and geographic area, such treatment is permitted by House Bill No. 2001 except past, present or projected medical conditions of any such group, unit or covered person may not be used. The past loss experience of employer or member units within the group may be used subject to the limitation noted in the following paragraph.
2. The 75% rate increase limitation, as stated in section 2(e)(1) of House Bill No. 2001 is applicable to the group as a whole if separate rates and/or rating criteria are not applied to employer or member units within the group.

If rates and/or rating criteria vary between individual employer or member units, the 75% rate increase limitation applies to each such unit.

Attachment 1
Financial Institutions
and Insurance
January 20, 1993

3. For out-of-state groups, House Bill No. 2001 does not attempt to extend our jurisdiction over the development of rates charged to insureds in other states. The intent is simply to apply the provisions enumerated in House Bill No. 2001 including the underwriting restrictions and 75% rate increase limitation to certificateholders residing in Kansas.
4. As a result of further review of House Bill No. 2001, Item 4 on page 5 of Bulletin 1991-16 is being replaced in its entirety with the following: Failure to enroll at one's initial eligibility may not allow an insurer to rider such person at other times for medical reasons or other reasons or impose a waiting period exceeding one year for benefits for conditions, including related conditions, for which diagnosis, treatment or advice was sought or received in the ninety (90) days prior to the effective date of coverage. Please be advised that any waiting period cannot exceed ninety (90) days prior to the effective date of coverage.
5. Group sickness and accident policies insuring individuals under a trust or association contract must be in compliance with House Bill No. 2001 no later than the master contract's first renewal date, or the first annual anniversary date on or after July 1, 1991.

For your information, the following examples have been developed which will hopefully clarify how certain situations which may arise are to be handled.

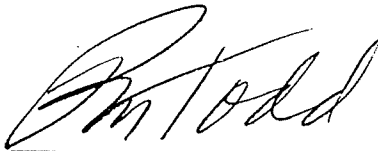
1. No later than the first renewal date, or the policy's first annual anniversary date on or after July 1, 1991, the insurer shall waive a waiting period to the extent the employee, member, individual dependent or family member was covered by a group sickness and accident policy prior to the effective date of coverage with no gap in coverage. This shall apply to an employee, member, individual dependent or family member in the following situations:
 - a. Employer A's group insurance once provided by Carrier X is being replaced by Carrier Y.
 - b. An employee, covered under Employer A's group insurance, terminates his employment with Employer A to work for Employer B. The employee enrolls into Employer B's group insurance plan within the required time period after the employee's date of initial eligibility.
 - c. An employee enrolled into Employer A's group insurance which is provided by Carrier X on May 1, 1991, and begins his one year waiting period; however two months later, he terminates his employment to work for Employer B. The employee who has continued his insurance with Carrier X enrolls into employer B's group insurance which is provided by Carrier Y on

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August 1, 1991, the annual anniversary date for Employers B's group policy. Carrier Y who requires a 240 day waiting period must waive the three months already served with Carrier X.

2. A spouse is insured under group Contract A and employee is insured under group Contract B. Spouse, who could have been enrolled previously under contract B on a family plan but wasn't, loses coverage under Contract A. The employee changes from single to family under Contract B in order to cover the spouse. There is no gap in coverage. The insurer has the option to:
 - a. Reject the spouse.
 - b. Impose a waiting period, not to exceed one year for benefits for pre-existing conditions, for which diagnosis, treatment or advice was sought or received in the 90 days prior to the effective date of coverage. However, the waiting period shall be waived to the extent the spouse was covered by the group sickness and accident policy prior to the effective date of the spouse's current coverage.
3. An Employee enrolled in his/her employer's group insurance on September 1, 1991, which was within the required time period after his/her date of initial eligibility. Due to the fact that the group policy's annual anniversary date is on January 1, 1992, the insurer does not have to waive the time served under the employee's previous group policy although there was no gap in coverage. However, on January 1, 1992, the insurer must now comply with the provisions of House Bill No. 2001. Specifically, the insurer can have no longer than a one year waiting period for pre-existing conditions. The insurer should also credit any time period served by the employee under the current employers contract prior to January 1, 1992. For Example, if the employer's new contract effective January 1, 1992 has a one year waiting period, the insurer must credit the four months, from September to January, which the employee has served.

We hope this clarification is of assistance to you. If you have any questions, please do not hesitate to contact us.



Ron Todd
Commissioner of Insurance

RT:jlh
2908rb

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Commissioner

Bulletin 1991-16

TO: All Insurers, Nonprofit Medical and Hospital Service Corporations, Municipal Group Funded Pools, Small Employer Health Benefit Plans, Health Maintenance Organizations and Captive Insurance Companies Authorized to Write Accident and Sickness Coverage

FROM: Ron Todd
Commissioner of Insurance

SUBJECT: 1991 Kansas House Bill No. 2001
~~1991 Kansas House Bill No. 2202~~

DATE: June 11, 1991

Please read the following bulletin in its entirety. You must acknowledge receipt of this bulletin by return mail. If the requirements of this subject legislation do not pertain to your company, please so indicate in an acknowledgement of your receipt of this bulletin.

The purpose of this bulletin is to provide information relative to the captioned legislation. These bills were enacted by the 1991 Kansas Legislature to become effective July 1, 1991.

1991 Kansas House Bill No. 2001

Section 1 of House Bill No. 2001, amending K.S.A. 1990 Supp. 40-2209, requires insurance companies issuing or renewing group accident and sickness insurance policies which provide hospital, medical or surgical expense benefits within this state or outside this state covering Kansas residents to comply with the following conditions:

1. An individual employee, insured group member, individual dependent or family member may not be unwillingly excluded from eligibility or coverage with respect to policies issued or renewed within this state or policies issued or renewed outside the state covering persons residing in this state, except employees or members enrolling in a group policy after the close of an open enrollment opportunity.

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2. An open enrollment period is defined as a period beginning on the employee's or member's date of initial eligibility and ending no sooner than 31 days thereafter.
3. A group policy issued or renewed within this state or issued or renewed outside the state covering residents within the state shall not limit or exclude benefits for specific conditions existing at or prior to the effective date of coverage thereunder.
4. Such policy may impose a waiting period, not to exceed one year for conditions, including related conditions for which diagnosis, treatment or advice was sought or received in the 90 days prior to the effective date of coverage. However, the waiting period shall be waived to the extent the employee, member, individual dependent or family member was covered by a group sickness and accident policy prior to the effective date of coverage with no gap in coverage. With respect to the above waiting period, no policy or certificate shall contain a provision which is less favorable than that set forth in Section 1(A) of House Bill No. 2001 as it relates to coverage for pre-existing conditions.
5. Any group policy may impose participation requirements, define full-time employees or members for the purpose of determining eligibility for coverage.
6. The requirements of House Bill No. 2001 apply not only to group contracts issued on or after the July 1, 1991 effective date but to existing contracts as well. Existing contracts must be brought into compliance no later than the first renewal date or the first policy annual anniversary date on or after July 1, 1991. For example, any existing riders excluding specific conditions would be considered void as of the first renewal date or the first policy annual anniversary date on or after July 1, 1991, whichever is later. In addition, existing contracts must comply with the other stipulations enumerated in Section 1 of House Bill No. 2001 no later than the first renewal date or the first policy annual anniversary date on or after July 1, 1991.

For your information, renewal constitutes any date on or after July 1, 1991 when a premium payment must be made to continue coverage under a policy beyond the last premium payment period.

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In addition to the current filing requirements for individual, group and blanket forms, House Bill No. 2001, as stated in Section 2(b), adds the following requirements in regard to group or blanket policies or certificates of insurance which provide hospital, medical or surgical expense benefits:

1. Certificates of insurance issued or delivered in this state which reflect coverage provided by group policies issued outside this state as well as the risk classifications and premium rates or rating formulae and all modifications thereof, for such coverage, shall be filed prior to use. This requirement is also applicable to certificates of insurance which were issued for such policies prior to July 1, 1991.
2. Insurers must file all risk classifications and premium rates or rating formulae and all modifications thereof applicable to Kansas residents which reflect coverage issued on and after July 1, 1991.. With respect to coverage in effect prior to July 1, 1991, the carrier must comply with the rating provisions, set forth in Section 2 of House Bill No. 2001, no later than the first renewal date or the first policy annual anniversary date on or after July 1, 1991. Furthermore, please be advised the provisions in House Bill No. 2001 do not require rates to be approved prior to use, however, rates must be filed prior to implementation. In lieu of specific premium rates, it is permissible to submit rating formulae which are used to determine the rates for such coverage except, with respect to groups or classes whose rates increase by more than 75%.

With respect to a group or risk classification whose rates increase by more than 75%, the insuring entity shall submit:

- a. the name of the insured group;
- b. a brief description of the insured group, i.e., association, single employer, multiple employer trust, etc.;
- c. a listing of the premium rates for each classification for the new rating period and the immediate preceding rating period;
- d. a description of the specific changes in the risk characteristics of the group believed to warrant an increase of greater than 75%; and,
- e. an explanation of the specific benefit changes and their impact on the premium rate increase, if any.

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Companies submitting rate filings pursuant to this act should state in a cover letter their applicability as well as be accompanied by an actuarial certification or other written statement signed by a company official that the filing complies with all requirements of 1991 Kansas House Bill No. 2001.

Furthermore, risk classifications and premium rates or rating formulae which are required to be filed shall not discriminate against any individuals eligible for participation in a group or establish rating classifications within a group that are based on medical conditions. On or after July 1, 1991, rates may not increase by more than 75% during any annual period except for an increase in benefits unless the insurer can clearly document a material and significant change in the risk characteristics of the group. Rates for accident and sickness insurance providing hospital, medical or surgical expense benefits shall give consideration to past and prospective loss experience and expenses, adequate contingency reserves and all other relevant factors both within and outside the state. These provisions, however, do not apply to Medicare supplement policies, long term care insurance, specified disease, specified accident or accident only coverage, credit insurance, hospital confinement indemnity or disability income protection policies.

Violations of the rate filing requirements and rate-making standards shall be treated as violations of the Unfair Trade Practices Act subject to the penalties as set out by K.S.A. 40-2407 and 40-2411 and amendments thereto.

Please be advised that the Commissioner may disapprove any individual group or blanket form within 30 days after the filing of the form if it contains a provision which is unjust, unfair, inequitable, misleading, deceptive or encourage misrepresentation of such policy.

Pursuant to House Bill No. 2001, the provisions of K.S.A. 40-2209 and 40-2215 shall apply to all Insurers, Nonprofit Medical and Hospital Service Corporations, Municipal Group Funded Pools, Small Employer Health Benefit Plans, Health Maintenance Organizations and Captive Insurance Companies authorized to write coverage subject to the provisions of the bill.

In anticipation of questions you may have regarding House Bill No. 2001, please note the following:

1. A renewing carrier providing comparable benefits may not increase rates by more than 75% unless there is a material and significant change in the risk characteristics of the group. Rate submissions to the department should specifically note rate increases exceeding 75% along with appropriate documentation specifically identifying the "...material and significant change in the risk characteristics of the group."

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2. A replacing carrier is obligated to allow all persons within the group to enroll, including those who may previously have been excluded from coverage. A waiting period not exceeding one year could be applied to such persons.
3. No later than the first renewal date or the first policy annual anniversary date on or after July 1, 1991, a carrier is obligated to insure persons previously rejected by the carrier because of medical conditions including specific medical conditions previously excluded by riders, however, a waiting period for pre-existing conditions not exceeding one year may be applied.
4. Failure to enroll at one's initial eligibility may allow an insurer to reject or rider such person at other times for medical reasons or other reasons. Note the above is subject to the group's open enrollment opportunities.
5. The provisions in House Bill No. 2001 relating to open enrollment opportunities do not restrict coverage becoming effective sooner than an employee's or member's initial date of eligibility if the contract states that eligibility may start sooner by paying a specified premium.
6. Please be advised that House Bill No. 2001 does not restrict the group's determination of "initial eligibility" beyond 31 days, therefore, if a group has traditionally imposed, for example, a 60 day waiting period for new employees or members, it may continue to do so. Furthermore, a new employee or member is allowed to rely on continuation rights under COBRA or Kansas continuation law to avoid a gap in coverage.
7. A replacing carrier must provide coverage for a person who is presently employed, although not actively at work, even if the replacing carrier's eligibility rules require active employment, provided such person was previously covered at the time of replacement.
8. House Bill No. 2001 prohibits rate classification based on an individual's previous medical conditions within any group. It is anticipated that this provision will be the subject of further clarification. However, until an Addendum to this bulletin is distributed, affected entities are expected to make a good faith effort to comply with its spirit and intent.

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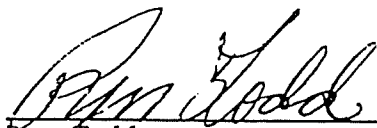
9. A replacing carrier need not waive any waiting period or any portion thereof for a newly insured person previously covered under a self-funded health care program.

1991 Kansas House Bill No. 2202

House Bill No. 2202 amends K.S.A. 1990 Supp. 40-2,103 by including K.S.A. 40-2,105 as a statute having extra-territorial jurisdiction. Specifically, K.S.A. 40-2,105 shall now apply to all insurance policies, subscriber contracts or certificates of insurance delivered, renewed or issued for delivery within or outside of this state or used within this state by or for an individual who resides or is employed in this state. In the event the group policy is renewed in another state and the certificateholder is either a resident or is employed within this state, companies will be expected to comply with House Bill No. 2202 no later than the first renewal date or the first policy annual anniversary date on or after July 1, 1991. With respect to such issuance, it will be necessary for companies to provide certificateholders new certificates or amendatory forms if the provisions therein do not comply with this bill. However, if such coverage does not contain any provisions which conflict with the requirements of this bill, the attachment of an amendatory form will not be necessary.

Please be advised that in accordance with K.S.A. 40-2,105, the 30-day inpatient coverage requirement shall apply when an insured is confined in a medical care facility licensed under Kansas statutes to perform such treatment. In addition, the required levels of outpatient coverage under K.S.A. 40-2,105 are minimum levels of coverage. For example, the minimum benefit levels would apply for outpatient treatment whether or not such treatment was received through any required preferred provider network.

Copies of the captioned legislation are enclosed. Companies for which these changes apply should begin implementation procedures as soon as possible to be in compliance with the captioned legislation as of July 1, 1991.



Ron Todd
Commissioner of Insurance

RT:llah
Enclosure
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Testimony by
Dick Brock, Kansas Insurance Department
January 20, 1993
Substitute for House Bill No. 2511

Substitute for House Bill No. 2511, which was enacted by the 1992 Kansas legislature and became effective July 1, 1992, is the Kansas Uninsurable Health Insurance Plan Act. This bill requires the establishment of a mechanism to make basic health insurance coverage available to persons unable to obtain such coverage in the normal market.

Time Line of Events

June 5, 1992 On June 5, 1992, this department developed Bulletin 1992-9 which was issued to all accident and health insurance carriers advising them of the enactment of Substitute for House Bill No. 2511 and Senate Bill No. 561. In addition, this bulletin included a questionnaire form to be completed by the companies for the purpose of determining nominees for service on the board of directors required by both bills.

July 17, 1992 On July 17, 1992, this department developed Bulletin 1992-12 and issued it to all current members of the Kansas Health Insurance Association, advising them of the organizational meeting and the election of the initial board of directors held on August 12, 1992 at the department.

August 12, 1992 The organizational meeting took place at the department and consisted of the election of the initial board of directors for the Kansas Health Insurance Association. In addition, the board of directors for the Small Employer Health Reinsurance Program was elected. Following the elections of the boards, guest speakers with interest in the field of mental health, alcohol and drug treatment conveyed their suggestions with respect to the inclusion of benefits in the plans for such conditions.

September 15, 1992 The first meeting of the board of directors of the Kansas Health Insurance Association was held on September 15 at HMO Kansas in Topeka. The first order of business was the election of officers. The following were nominated and elected unanimously:

Patrick Carmody - Chairman
United of Omaha Life Insurance Company

John Holmgren - Vice-Chairman
Catholic Health Association of Kansas

Keith Hawkins - Secretary
The Pyramid Life Insurance Company

The Chairman appointed members to a Legal Committee, Actuarial Committee, as well as, a committee to develop the benefit plan and rates. The board discussed and agreed to a target date of January 1, 1993, as the date applications for coverage would be available.

October 13, 1992

The second meeting was held October 13, 1992 at BMA in Kansas City. At such meeting, the board discussed the process for selecting an insurer or a third-party administrator to administer the plan. The board requested the department to distribute a bulletin to all accident and health carriers and third-party administrators advising them of the business opportunity to administer the Kansas Uninsurable Health Insurance Plan.

The first draft of the benefit plan was also discussed for suggested revisions.

October 15, 1992

Bulletin 1992-15 was developed by the department and was distributed to all accident and health carriers and third-party administrators requesting that all interested parties who wanted to receive an invitation to bid on the contract to administer the Kansas Uninsurable Health Insurance Plan from the board to contact the department by November 1, 1992. As a result of that Bulletin, we received 34 responses from interested parties which were ultimately given to the chairman of the board for the Kansas Health Insurance Association.

October 21, 1992

November 2, 1992

November 17, 1992

December 15, 1992

The board of directors discussed the benefit plan at each of these meetings working towards a consensus on the benefit structure and contractual wording. Areas which required continuous review included:

A) Cost containment factors;

B) Benefits for nervous and mental disorders

The board requested the actuarial committee to review the costs associated with the optional benefits proposed for the treatment of certain nervous and mental disorders.

January 11, 1993

The board of directors are currently working on the 6th draft of the benefit plan which has been submitted for the department's review.

A meeting had been scheduled for January 13, 1993, but due to weather conditions it has been rescheduled for February 4, 1993. The board intends

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to discuss the plan of operation and development of the Request For Proposal for the purpose of selecting an Administering Carrier.

RB:llah/5156

Testimony by
Dick Brock, Kansas Insurance Department
January 20, 1993
Senate Bill No. 561

Senate Bill No. 561, which was enacted by the 1992 Kansas legislature and became effective July 1, 1992, is intended to (a) promote the availability of health insurance coverage to small employers regardless of their health status or claims experience; (b) facilitate the provision of basic and standard health benefit plans through a reinsurance mechanism that fairly shares the program's costs; and (c) improve the efficiency and fairness of the small group health insurance marketplace.

Time Line of Events

June 5, 1992	Bulletin 1992-9, which was developed by the department, was issued to all accident and health carriers on June 5, 1992 advising them of the enactment of Senate Bill No. 561 and Substitute for House Bill No. 2511. In addition, the bulletin included a questionnaire form to be completed by the companies for the purposes of determining nominees for service on the board of directors required by both bills.
July 17, 1992	Bulletin 1992-12 was developed by the department and issued to current members of the Kansas Small Employer Health Reinsurance Program on July 17, 1992, advising them of the organizational meeting and the election of the initial board of directors held on August 12, 1992 at the department.
August 12, 1992	The organizational meeting took place at the department and consisted of the election of the initial board of directors for the Kansas Small Employer Health Reinsurance Program. In addition, the board of directors for the Kansas Health Insurance Association was elected.
Sept. 15, 1992	The first meeting of the board of directors of the Kansas Small Employer Health Reinsurance Program was held on September 15 at HMO Kansas in Topeka. The first order of business was the election of officers. The following were nominated and elected unanimously:

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David Gates - Chairman
Business Men's Assurance Company of America

Deb Newby - Vice-Chairman
Principal Mutual Life Insurance Company

James Petrich - Secretary
Willis Corroon of Kansas, Inc.

The board of directors voted on which members would serve a three-year term, a two-year term and a one-year term on the Board, in which to comply with Section 11 of Senate Bill No. 561.

October 13, 1992 The second meeting was held October 13, 1992 at Business Men's Assurance Company of America in Kansas City. The board discussed the plan of operation and a December target date in which to submit the Plan for the department's review.

October 21, 1992 The third meeting was held October 21, 1992 at HMO Kansas in Topeka. The board discussed the basic and standard plans and it was suggested that the North Carolina, Florida and Oregon plans be used for models.

November 2, 1992 The fourth board meeting was held November 2, 1992 at the office of Business Men's Assurance Company of America in Kansas City, Missouri. The plan of operation was reviewed page by page. Considerable discussion occurred regarding what would be the scope of operations of the "Administering Carrier" and the Plan (specifically, what authority will they be given to operate the Plan). Administering carrier capabilities, promotion requirements, 800 telephone number, brochures, policing power were all items of discussion. It was mentioned that the Administering Carrier Request For Proposal would be started shortly thereafter by an appointed Nomination Committee and reviewed in detail at a later meeting. A Benefit Plan Development Committee

was assigned and the elements of the Benefit Plan was scheduled to be discussed at the next meeting.

November 17, 1992

December 15, 1992

The board of directors at these two meetings discussed the plan of operation page by page. It was suggested that annual financial statements for insurance carriers separate business for small group insurance from large group business. The board requested input from the department regarding Section 12(k) and (l) concerning if affiliated companies should be treated as one carrier. The board further discussed agent appointments and commissions.

December 31, 1992

The board of directors submitted the Plan of Operation for the Kansas Small Employer Health Reinsurance Program for the department's review. The department is currently reviewing the Plan of Operation.

A meeting had been scheduled for January 13, 1993 but due to weather conditions has been rescheduled for February 4, 1993 to discuss the basic and standard health care plans.



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RON TODD
Commissioner

BULLETIN 1992-9

IMPORTANT - IMMEDIATE RESPONSE REQUIRED

TO: Addressee Company, Organization or Individual

FROM: Ron Todd
Commissioner of Insurance

SUBJECT: 1992 Senate Bill No. 561 and
Substitute for House Bill No. 2511

DATE: June 5, 1992

Enactment of enclosed Senate Bill No. 561 and Substitute for House Bill No. 2511 by the 1992 Kansas legislature will, if properly implemented and administered, demonstrate the ability of the private health insurance industry to respond to some of the challenges presented by the increasing cost and use of health care services.

Senate Bill No. 561 was developed by a task force I created following adjournment of the 1991 Kansas legislature and is basically a combination of small employer group health reform proposals developed by the Health Insurance Association of America and the National Association of Insurance Commissioners. This bill, when fully implemented no later than May 1, 1993, will require carriers including health maintenance organizations who provide health benefit plans to small employers -- employers with 3 to 25 employees -- to offer 2 specific health benefit plans called a basic plan and a standard plan to small employers. The insurer must then provide coverage under whichever plan the employer selects. These plans will be developed by a board of directors created by the legislation but, essentially, the aim is to create plans that will meet the primary needs of small employers and their employees in the most affordable and cost effective way. Because of the guaranteed issue mechanism, the legislation also provides for the creation of a reinsurance pool in order that the exposure presented by small employer groups an insurer would otherwise not write may be distributed among other insurers. The final major component of Senate Bill No. 561 is the inclusion of the rating restrictions adopted by the NAIC and incorporated in its Small Employer Health Insurance Availability Model Act.

Substitute for House Bill No. 2511 is the Kansas Uninsurable Health Insurance Plan Act. This bill requires the establishment of a mechanism to make basic health insurance coverage available to persons unable to obtain such coverage in the normal market.

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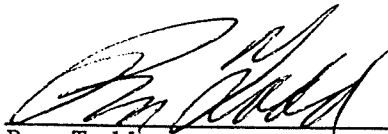
Each of these bills will become effective July 1, 1992; however, the operative date of the rating restrictions and disclosure requirements contained in sections 6, 7, 8 and 9 of Senate Bill No. 561 is specifically deferred until January 1, 1993. In addition, the "guaranteed issue" requirement is to be operative "No later than May 1, 1993, and the commissioner's approval of the small employer health care plans ..." Finally, with respect to Substitute for House Bill No. 2511, the law specifies no operative date although it does contain stated time frames for selection of the board of directors, development of the plan of operation and so forth. Nevertheless, a target implementation date of January 1, 1993 has been selected.

Implementation of these 1992 legislative measures will involve numerous details and decisions but one of the first and most important activities is the identification of the insurance companies, health maintenance organizations, nonprofit hospital and medical service corporations, and group funded pools to which the respective bills apply.

Another immediate need with respect to those entities affected is determining nominees for service on the board of directors required by Senate Bill No. 561 and/or Substitute for House Bill No. 2511.

To acquire this information, we have prepared the attached questionnaire for your completion. It is mandatory that you or your designated representative complete and return the questionnaire as soon as possible but no later than June 15, 1992. Failure to do so will constitute a violation of K.S.A. 40-226 the penalty for which is a \$500 monetary penalty and an additional \$500 for every month thereafter until the information is received.

Finally, it is important to note that a response is required from all insurance companies, health maintenance organizations, nonprofit service corporations and group funded pools whether or not such entity is a "carrier" pursuant to Section 3(f) of Senate Bill No. 561 or an "insurer" or "insurance arrangement" pursuant to Section 2(g) and (h) of Substitute for House Bill No. 2511. Please direct your response to the Accident and Health Division of the Kansas Insurance Department.



Ron Todd
Commissioner of Insurance

Questionnaire

1. _____

Name, address and telephone number of company or organization.

2. The organization named above is:
____ Insurance company _____ Health maintenance organization
____ Nonprofit service corporation _____ Group funded pool
3. Senate Bill No. 561:
The organization named above:
(a) Offers "health benefit plans" (as defined in Sec. 3(n)) to
"small employers"* (as defined in Sec. 3(z)) covering "eligible
employees" (as defined in Sec. 3(1)). Yes ___ No ___
- *The definition of "small employer" is supplemented by Sec. 4(b) of
Senate Bill No. 561 which, in effect, limits eligibility to employee
or member units of 3 or more.
- (b) Intends to continue to offer such coverage to small employers
when the guaranteed issue requirement becomes operational.
Yes ___ No ___

NOTE: A question has been raised regarding compliance with the
provisions of Sec. 5(c)(6) in the event participation in the small
employer group market is not continued particularly with respect to
when the one year notice of cancellation must be given to avoid
application of the guaranteed issue requirement.

This question seems to be answered by the language in the initial
provisions of Sec. 5(c) which sets forth the three characteristics
that trigger the mandatory renewability. First, the coverage must be
a health benefit plan; second, it must be issued, delivered or
renewed in Kansas; and, third, the health benefit plan must be
subject to the provisions of Senate Bill 561. All three of these
characteristics seem to be self-explanatory. "Health benefit plan"
is a defined term. The phrase "issued, delivered or renewed within
this state" clearly means the renewability requirement applies to

health benefit plan contracts when they originate and to existing health benefit plans when some action by or on behalf of the policyholder is necessary to renew or continue the plan. And, the health benefit plan must be subject to the provisions of Senate Bill 561. This latter characteristic is less clear but it would serve little purpose to contend that a health benefit plan is subject to the provisions of Senate Bill 561 prior to implementation of the guaranteed issue requirement. To attempt to apply Sec. 5(c) in advance of this time would require the companies, organizations, and plans affected to make small employer group marketing decisions without being aware of the plan of operation, the structure and content of the basic and standard health benefit plans to be offered and other factors that should be considered when making the decision. Consequently, affected entities that are not now certain whether or not they will remain in the small employer group market in Kansas should be aware of the fact that the provisions of Sec. 5(c)(6)(A), (B), and (C) will become operable concurrent with implementation of Sec. 10(e). Therefore, the notice required by subparagraph (6)(A) of Sec. 5 would not need to be submitted until May 1, 1993 or the date of the Commissioner's approval of the basic and standard health benefit plans whichever occurs first.

4. Substitute for House Bill No. 2511:
The organization named above:
(a) Provides "health insurance" (as defined in Sec. 2(e) of Substitute for House Bill No. 2511).
Yes ☐ No ☐
5. Representation on the board of directors of both plans will be selected by the respective members in the following manner:

Following receipt of the information required by this questionnaire, a bulletin providing a notice of the organizational meetings required by Sec. 11 of Senate Bill 561 and Sec. 3 of Substitute for House Bill 2511 will be distributed to all members. Accompanying these notices will be a list of companies and organizations who have been nominated to serve on one or both boards as well as a proxy for those organizations who wish to vote but do not plan to attend the organizational meeting. Members will subsequently be notified of the results as the plans of operation and other implementation elements evolve.

Please type the name of your organization or such other nominees to either or both boards as you wish to offer in the space provided on the following page. If a named nominee is an individual, please identify his or her professional capacity i.e. attorney, accountant, underwriter, etc.

Senate Bill No. 561
Kansas Small Employer
Health Reinsurance Program

Sub. House Bill No. 2511
Kansas Health Insurance Assn.

*6. (a) Please indicate the total amount of health benefit plan premium written in calendar year 1991 on small employer groups as defined in Sec. 3(n) of Senate Bill No. 561. (Include premium written on employee associations and trust arrangements.) (Do not include ASO business.) \$ _____

(b) Please indicate the total amount of health benefit plan premium written in calendar year 1991 on all other employer groups. (Include premium written on employee associations and trust arrangements.) (Do not include ASO business.) \$ _____

*If data is not specifically available for employer groups, you may use the total group accident and health written premium excluding credit, disability income or other products excluded from the definition of "health benefit plan" and estimate the portion thereof applicable to "small employer" and "all other employer" groups. This information will be used in identification of board members that must be selected on the basis of premium volume.

7. Name of person completing this questionnaire: _____

Telephone number: _____ Fax number: _____

Signature: _____



STATE OF KANSAS

KANSAS INSURANCE DEPARTMENT

420 S.W. 9th
Topeka 66612-1678 913-296-3071

1-800-432-2484
Consumer Assistance
Division calls only

RON TODD
Commissioner

Bulletin 1992-15

TO: All Accident and Health Insurers, Nonprofit Medical and
Hospital Service Corporations, Health Maintenance
Organizations and Third Party Administrators

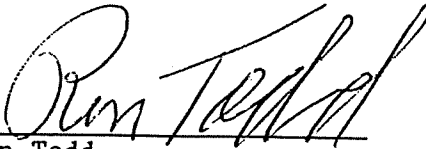
FROM: Ron Todd
Commissioner of Insurance

SUBJECT: Administrator for the Kansas Uninsurable Health
Insurance Plan

DATE: October 15, 1992

The 1992 Session of the Kansas Legislature enacted Substitute for House Bill No. 2511. This act provides for the creation and operation of the Kansas Health Insurance Association. Section 4(a) of this bill states that the Board of Directors of the Kansas Health Insurance Association shall select an insurer or third party administrator to administer the plan in accordance with the provisions of said act. The Board is preparing to begin the selection process and has asked the Insurance Department to inform insurers and third party administrators about this business opportunity.

If an interested party would like to receive an invitation to bid on the contract to administer the Kansas Uninsurable health plan from the Board, they should contact the department in writing by November 1, 1992. Such acknowledgement shall be directed to the attention of the Accident and Health Division, Kansas Insurance Department, 420 S.W. 9th Street, Topeka, Kansas 66612.


Ron Todd
Commissioner of Insurance

RT:stah
3810rgh

2181



STATE OF KANSAS

KANSAS INSURANCE DEPARTMENT

420 S.W. 9th
Topeka 66612-1678 913-296-3071

1-800-432-2484
Consumer Assistance
Division calls only

RON TODD
Commissioner

BULLETIN 1992-12

TO: Current Members of Kansas Small Employer Health Reinsurance Program and/or Kansas Health Insurance Association

FROM: Ron Todd
Commissioner of Insurance

SUBJECT: Notice of Organizational Meetings and Election of Initial Boards of Directors

DATE: July 17, 1992

Pursuant to section 11, subsection (b) of 1992 Senate Bill No. 561 and section 3, subsection (b) of Substitute for House Bill No. 2511, notice is hereby given that the organizational meetings required by these statutory provisions will be held August 12, 1992 in the third floor conference room of the Kansas Insurance Department, 420 S.W. 9th Street, Topeka, Kansas.

The organizational meeting of the Kansas Small Employer Health Reinsurance Program (S.B. 561) will convene at 1:30 p.m. on the date and at the location specified above.

The organizational meeting of the Kansas Health Insurance Association (Sub. for H.B. 2511) will convene at 2:30 p.m. or immediately upon conclusion of the S.B. 561 meeting whichever is later.

Business to be conducted at the organizational meetings will consist of an effort to elect the initial board of directors for both the small employer program and health risk pool association respectively. To facilitate these elections, a ballot for each board of directors is enclosed. All members or carriers may complete and return the appropriate ballot(s). Ballots received on or before the close of business on August 11, 1992, will be included in the count conducted at the organizational meeting.

Carriers answering "yes" to item number 3(a) on the questionnaire distributed by Kansas Insurance Department Bulletin 1992-9 dated June 5, 1992, are eligible to vote for candidates listed on the ballot for the Kansas Small Employer Health Reinsurance Program or vote for a "write-in" candidate of their choice.

Similarly, all insurers and insurance arrangements as defined in section 2(g) and (h) of Substitute for House Bill No. 2511 who answered "yes" to item number 4(a) on the questionnaire referenced above are eligible to vote for candidates listed on the ballot for the Kansas Health Insurance Association or vote for a write-in candidate of their choice.

A number of organizations will be members of both plans and are therefore eligible to cast both ballots.

Senate Bill No. 561 provides that, if the initial board of directors is not selected at the organizational meeting, the Commissioner shall appoint the initial board within 30 days of such meeting.

Substitute for House Bill No. 2511 provides that if the board of directors is not selected within 60 days of the organizational meeting, the Commissioner shall appoint the initial board.

Completed ballots shall be directed to the attention of Richard Huncker, Supervisor, Accident and Health Division, Kansas Insurance Department, 420 S.W. 9th Street, Topeka, Kansas 66612-1678.



Ron Todd

Commissioner of Insurance

Attachments

BALLOT
Kansas Health Insurance Association
Board of Directors*

- | | |
|----------------------------------|------------------|
| 1. Director - Position No. 1 - | 1st Choice _____ |
| | 2nd Choice _____ |
| 2. Director - Position No. 2 - | 1st Choice _____ |
| | 2nd Choice _____ |
| 3. Director - Position No. 3 - | 1st Choice _____ |
| | 2nd Choice _____ |
| 4. Director - Position No. 4 - | 1st Choice _____ |
| | 2nd Choice _____ |
| 5. Director - Position No. 5 - | 1st Choice _____ |
| | 2nd Choice _____ |
| 6. Director - Position No. 6 - | 1st Choice _____ |
| | 2nd Choice _____ |
| 7. Director - Position No. 7 - | 1st Choice _____ |
| | 2nd Choice _____ |
| 8. Director - Position No. 8 - | 1st Choice _____ |
| | 2nd Choice _____ |
| 9. Director - Position No. 9 - | 1st Choice _____ |
| | 2nd Choice _____ |
| 10. Director - Position No. 10 - | 1st Choice _____ |
| | 2nd Choice _____ |
| 11. Director - Position No. 11 - | 1st Choice _____ |
| | 2nd Choice _____ |

Candidates: Aetna Life Insurance Company
 Benchmark Insurance Company
 Blue Cross and Blue Shield of Kansas, Inc.
 Connecticut General Life Insurance Company
 Continental Life and Accident Company
 Fortis Benefits Insurance Company
 Home State Life Insurance Company
 Missouri Valley Life and Health Insurance Company
 Mutual of Omaha Insurance Company
 National Foundation Life Insurance Company
 Principal Mutual Life Insurance Company
 Prudential Insurance Company of America (The)
 Pyramid Life Insurance Company (The)
 United of Omaha Life Insurance Company
 United World Life Insurance Company
 Universal Life Insurance Company
 Western Fidelity Insurance Company

Blue Cross and Blue Shield of Kansas City

MARCIT

South Central Kansas Health Insurance Group
Southwest Plains Regional Service Center
#626-Health Insurance Group

Good Health HMO, Inc., d/b/a Blue-Care
Healthcare America Plans, Inc.
HMO Kansas, Inc.
Kaiser Permanente
Total Health Care

James Petrich, Vice President, Group Operations
Willis Corroon of Kansas, Inc.

John H. Holmgren
Catholic Health Association

Each company has one vote per Director but may vote for the same candidate for more than one position. However, the law prohibits any person or entity from serving in more than one position on the board.

Date

Name of Person Completing the Ballot

Name of Voting Company or Organization

*Substitute for House Bill No. 2511 does not impose any restrictions or requirements regarding the number or composition of the board of directors of the Kansas Health Insurance Association. Therefore, for purposes of the initial board, all members will be elected on an "at-large" basis and will consist of 11 members.

BALLOT
Kansas Small Employer Health Reinsurance Program
Board of Directors*

1. Director - Position No. 1 - "The carrier writing the largest market share of group health insurance written premiums during the last 12 full calendar months immediately preceding selection."

Blue Cross and Blue Shield of KS, Inc.

2. Director - Position No. 2 "A carrier whose principal health insurance business is in the small employer market."

1st Choice _____
2nd Choice _____

Candidates: Aetna Life Insurance Company
Federated Mutual Insurance Company
Fortis Benefits Insurance Company
John Alden Life Insurance Company
Principal Mutual Life Insurance Company
Travelers Insurance Company (The)

3. Director - Position No. 3 - "A carrier whose principal health insurance business is in the large employer market."

1st Choice _____
2nd Choice _____

Candidates: American National Insurance Company
Benefit Trust Life Insurance Company
Connecticut General Life Insurance Company
Modern American Life Insurance Company
Prudential Insurance Company of America (The)
Western Fidelity Insurance Company

4. Director - Position No. 4 - "Nonprofit medical and hospital service corporation"

Blue Cross and Blue Shield of KC

5. Director - Position No. 5 - "A health maintenance organization"

1st Choice _____
2nd Choice _____

Candidates: Good Health HMO, Inc. d/b/a/ Blue-Care
Healthcare America Plans, Inc.
HMO Kansas, Inc.
Humana Health Plan, Inc.

Kaiser Foundation Health Plan of Kansas City, Inc.
Preferred Plus of Kansas, Inc.
Prime Health Kansas City, Inc.
Principal Health Care of Kansas City
Total Health Care

6. Director - Position No. 6 - "A licensed resident agent actively involved in the solicitation and sale of health benefit plans for small employers."

1st Choice _____
2nd Choice _____

Candidates: James Petrich, Vice President, Group Operations
Willis Corroon of Kansas, Inc.
J.D. ("Jim") Schumm, Barnham-Simpson-Colman-McMurray
and Hatten
Jerry W. Cole, CLU, RHU
Cole Consultants

7. Director - Position No. 7 - "A representative of small employers."

1st Choice _____
2nd Choice _____

Candidates: John H. Holmgren
Catholic Health Association
Dennis Marten, Ben Franklin Crafts
Kansas Chamber of Commerce and Industry

"AT LARGE" DIRECTOR POSITIONS:

8. Director - Position No. 8 - 1st Choice _____
2nd Choice _____

9. Director - Position No. 9 - 1st Choice _____
2nd Choice _____

10. Director - Position No. 10 - 1st Choice _____
2nd Choice _____

11. Director - Position No. 11 - 1st Choice _____
2nd Choice _____

Candidates: Aetna Life Insurance Company
Benchmark Insurance Company
Connecticut General Life Insurance Company
Continental Life and Accident Company
Home Life Financial Assurance Corporation

Home State Life Insurance Company
Missouri Valley Life and Health Insurance Company
Mutual of Omaha Insurance Company
National Foundation Life Insurance Company
Principal Mutual Life Insurance Company
Prudential Insurance Company of America (The)
Travelers Insurance Company (The)
United of Omaha Life Insurance Company
United World Life Insurance Company
Western Fidelity Insurance Company

MARCIT

South Central Kansas Health Insurance Group
Southwestern Plains Regional Service Center
#626-Health Insurance Group

Good Health HMO, Inc. d/b/a/ Blue-Care
Healthcare America Plans, Inc.
HMO Kansas, Inc.
Kaiser Foundation Health Plan of Kansas City, Inc.
Preferred Plus of Kansas, Inc.
Prime Health Kansas City, Inc.
Principal Health Care of Kansas City
Total Health Care

J.D. ("Jim") Schumm
Barnham-Simpson-Colman-McMurray & Hatten
James Petrich, Vice President, Group Operations
Willis Corroon of Kansas, Inc.
Jerry W. Cole, CLU, RHU
Cole Consultants
John H. Holmgren
Catholic Health Association

Each company has one vote per Director but may vote for the same candidate for more than one position. However, the law prohibits any person or entity from serving in more than one position on the board.

Date

Name of Person Completing the Ballot

Name of Voting Company or Organization

*Section 11 of Senate Bill No. 561 provides for a governing board comprised of 11 members. The board shall include representation as indicated above.

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