

Approved: February 8, 1993  
Date

## 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 February 3, 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:

Dick Brock, Insurance Department  
Dr. Azzie Young, Bureau of Family Health, KDHE  
Mr. Mike Scanlon, Financial Officer, City of Merriam  
The Honorable Irene French, Mayor, City of Merriam

Others attending: See attached list

### Hearing on HB 2139 - Exempting the Kansas Healthy Kids program from certain insurance laws:

Dick Brock of the Insurance Department stated that the bill had been introduced at the request of the Kansas Healthy Kids Corporation (Attachment 1). This bill would exempt the Corporation from existing insurance laws that might become an obstacle to the development and implementation of desirable initiatives developed by the Corporation, or otherwise interfere with the Corporation's ability to achieve the objectives envisioned by the legislation. Neither the Healthy Kids program, the Corporation, nor the Board of Directors are or are intended to be insurance entities in and of themselves. The bill would allow insurance companies, HMOs, etc., authorized to do business in Kansas to enter into or administer contracts with the Healthy Kids Corporation without the approval of the Insurance Department.

An amendment would exempt the Kansas Healthy Kids Corporation from the state purchasing statutes. Ample oversight exists to preclude improper purchases. The Board needs to have complete latitude to negotiate innovative insurance contracts with carriers and administrators in order to fulfill its statutory obligations. The second amendment would permit the Corporation to establish a separate account in a bank or savings and loan association. This account would be used as a depository for private funds received by the Corporation from gifts, grants, donations, and other sources.

Dr. Azzie Young, Bureau of Family Health, KDHE, emphasized the Department's strong support for the bill. This amendment to the original Act will provide the emerging program with sufficient flexibility to enroll a greater number of Kansas children. (Attachment 2).

Committee members expressed concern that this program might be a duplication of the Caring Program already in place which is sponsored by Blue Cross/Blue Shield, the Kansas Medical Society, and the Kansas Hospital Association and relies on private funding and discounted services. The Caring Program has now gone statewide after achieving success in a three county pilot project. It was also suggested that the Kansas Healthy Kids Corporation join forces with the existing program, making both programs much stronger and effectual. Gubernatorial appointments to the Board of the Healthy Kids Corporation did not include the Director of the Caring Program even though the Director had indicated an interest in serving on the Board. Startup costs for the Corporation are \$90,000 and include the hiring of an Executive Director and staff. It is anticipated there will be federal funding and grants available for the continuation of the program. The purpose of the Healthy Kids program is to be a stop-gap program for as many as 90,000 children without health insurance in Kansas. Its main target would be the working poor. A benefit package has not been developed at this time although three pilot projects must be in place in July of 1993 according to existing legislation. Fiscal information will not be available on this project until the package can be developed. Concern was also expressed by Committee members over exempting any corporation from existing state laws.

## CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,  
Room 527-S Statehouse, at 3:30 p.m. on February 3, 1993.

Hearing on HB 2138 - Concerning the reorganization of group-fund workers compensation pools and providing for the transfer of assets, liabilities and fund balances.

The Honorable Irene French, Mayor of Merriam, Kansas, spoke on behalf of KERIT (Kansas Eastern Region Insurance Trust) which is a workers compensation insurance pool made up of 14 municipalities who were having difficulty securing coverage. KERIT was created under Chapter 44 of the Kansas Statutes because no state law existed for the establishment of such pools. Chapter 44 is primarily used for private business groups. A state law, Chapter 12, was later established concerning municipal self-funded pools and KERIT would like to transfer their existing liabilities and assets to Chapter 12 without maintaining both a Chapter 44 and 12 pool until all the liabilities are exhausted under Chapter 44. The funds in Chapter 44 might last as long as eight years (Attachment 3).

Mike Scanlon, Financial Officer of the City of Merriam and chairman of the board of directors of KERIT, stated that KERIT was the only group of municipalities to organize and operate under Chapter 44. The change to Chapter 12 is requested because KERIT's interests are more closely aligned with municipal self-funded workers compensation law. Without HB 2138, there is no mechanism to transfer the existing liabilities and assets from Chapter 44 to 12 (Attachment 4).

Chairman Bryant adjourned the meeting at 4:30 p.m. The next meeting is scheduled for February 8, 1993.

# GUEST LIST

COMMITTEE: Financial Institutions Insurance DATE: Feb. 3, 1993

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Joe FURJANIC	TOPEKA	K. CA
Rich McKee	Topeka	KS Livestock Assoc.
Tom Statterg	Top	AGC of Ks
Aziz Young	Topeka	KDHE
Ken Boh	"	KAHA
John Spain	"	Ks Ins Dept
Bill Curtis	Topeka	Ks Assoc. of School Bds
David Hanzlick	Topeka	Ks Dental Assn
LARRY MAGILL	"	PIIAK
<del>Donna Taylor</del>	<del>Topeka</del>	<del>PIIAK</del>
Rick Liby	Topeka	Rehrt & Roberts
Kevin McFarland	Topeka	Ks Homes for Aging
DONALD ANDERSON	OLATHE	KERIT
DAVID A. ROSS	TOPEKA	Ks. ASSN of LIFE UNDERWRITERS
Doug Bowman	"	Corporation for Change
Chuck Stones	"	KB A
Michael Santon	MERRIAM	KERIT
IRENE B. FRENCH	MERRIAM	MAYOR, City of Merriam
Mary Patterson		Whiting, Ks.
Mary Eberhardt	Topeka	

Testimony on  
House Bill No. 2139

by

Dick Brock

Kansas Insurance Department

House Bill No. 2139 amends the provisions of Article 44, Chapter 40 of the Kansas statutes enacted by the 1992 legislature which created the Kansas Healthy Kids Program. The stated legislative intent of this program is to "... bring preventive and primary care health care services to children, if necessary through the use of school facilities ... and to provide health insurance coverage to such children."

The program is to be implemented and administered by a Kansas Healthy Kids Corporation established by the legislation which is governed by a board of directors the members of which are appointed by the Governor and specified members of legislative leadership. In addition, the Secretaries of Social and Rehabilitation Services and Health and Environment and the Commissioners of Insurance and Education are nonvoting members of the board. Attached to my testimony is a copy of the board's first report to the Governor and legislature which summarizes its activities to this point in time.

Since the report provides the basic background information, I will simply defer to any questions you have in this area and move to an explanation of the actual amendments proposed by House Bill No. 2139. In so doing, I will draw your attention to the balloon amendment that is also attached to my testimony. Before discussing that proposed amendment, however, the original proposed amendment appears in lines 25 through 35 of the bill. This amendment is intended to prevent a situation where the insurance laws -- and consequently, the Insurance Department -- would become an obstacle to the development and implementation of innovative or desirable initiatives developed by the Healthy Kids Corporation or otherwise interfere with the Corporation's ability to achieve the objectives envisioned by the legislation.

*Financial Institutions  
+ Insurance*

*Feb. 3, 1993*

*Attachment 1*

There are 2 fairly simple and obvious examples where this could occur. One involves the agents licensing laws. Under current law, it is quite likely the Executive Director of the Corporation would have to be licensed as an insurance agent the minute she begins talking or otherwise providing information to schools, parents and others regarding insurance programs that might be available through the efforts and facilities of the Corporation. This would involve completion of the agent's qualifying examination, payment of fees, compliance with continuing education requirements and being subject to other requirements imposed on insurance agents. Another example, involves the use of schools as a potential base for group accident and sickness insurance. Under the current statutory definitions of a group, there is a real question as to whether a school sponsored plan covering only certain students could even qualify. I'm sure there are other, perhaps even better, examples of the kinds of problems this amendment seeks to avoid.

Having said that, it should be noted, however, that the preemptive language suggested is not as broad as it might appear. At first glance, the initial phrase, "No law affecting insurance shall apply ..." seems to be quite inclusive. Therefore, it is important to recognize that such preemption applies only to the Kansas Healthy Kids Program, Corporation and board, none of which are or are intended to be insurance entities in and of themselves. The second part of the preemption appears in lines 27 through the period on line 32 and simply allows insurance companies, HMOs and so forth to enter into or administer contracts with the Healthy Kids Corporation that may or may not have been approved by our office and may or may not be available to the general public. It is also significant that this applies only to entities authorized to do business in Kansas. Consequently, regulatory jurisdiction still exists with regard to the insurance carrier and it is only the contractual relationship that is affected by this part of the proposal. Finally, Article 24 of Chapter 40 of the Kansas statutes continues to apply. These statutory provisions embody the so-called Unfair Trade Practices Act which governs misrepresentation, false advertising, unfair claim settlement practices and other marketplace conduct. These provisions continue to apply so the

ability of the Commissioner to address actual consumer issues would be unaffected by House Bill 2139.

Because of the length of the statutes being amended, the actual amendments on the balloon appear on the attachment to that document. The first amends K.S.A. 1992 Supp. 40-4405 to exempt the Kansas Healthy Kids Corporation from the state purchasing statutes. This provision was taken from K.S.A. 1992 Supp. 74-8005 which establishes the administrative arm of Kansas Inc., a corporate body created by statute that is very similar to the Kansas Healthy Kids Corporation except its purpose relates to economic development activities instead of health care for Kansas kids. Both are governed by a board of directors drawn primarily from the private sector but also includes legislators and representatives from the executive branch of state government. Therefore, despite the exemption from the purchasing laws, ample oversight exists to preclude improper purchases and we have already discovered that the time required to obtain essential furniture, equipment and so forth more than offsets any cost savings that result from the bidding process. As a matter of fact, the Executive Director of the Corporation has discovered that some items can easily be purchased for less than similar items available under state contracts. However, a more important reason for the exemption is the need for the Corporation's board to have complete latitude to negotiate innovative insurance contracts with carriers and administrators authorized to do business in Kansas that will permit the Kansas Healthy Kids Corporation to fulfill its statutory obligations. Adherence to the purchasing statutes would make this task extremely difficult, if not impossible, and would almost certainly result in a less satisfactory program than can otherwise be achieved.

The second proposed statutory change would amend K.S.A. 1992 Supp. 40-4406 to permit the Corporation to establish a separate account in a bank or savings and loan association. This account would be used as a depository for private funds received by the Corporation from gifts, grants, donations and other sources. Initially the Corporation's board of directors was advised by representatives of the Division of Accounts and Reports that this was already provided for in the 1992 legislation.

We have since been advised otherwise. Therefore, the proposed amendment would simply incorporate in the Kansas Healthy Kids Program Act the same ability to establish a separate account for private funds that now exists for Kansas Inc., the Corporation for Change and probably most, if not all, other similar bodies. Not only would this amendment remove some reluctance on the part of some potential contributors to donate or otherwise provide funds to the Corporation that would be deposited in the State Treasury but it would also permit the Corporation to expedite the receipt and expenditure of private funds.

All of the amendments proposed by House Bill No. 2139 and the proposed balloon were specifically authorized and approved by the Corporation's board of directors at its January 27, 1993 meeting.

## HOUSE BILL No. 2139

By Committee on Financial Institutions and Insurance

1-27

8 AN ACT relating to the Kansas healthy kids program act; exempting  
9 from insurance laws; amending K.S.A. 1992 Supp. 40-4403 and , 40-4405 and 40-4406  
10 repealing the existing section.

11  
12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. K.S.A. 1992 Supp. 40-4403 is hereby amended to read  
14 as follows: 40-4403. (a) There is hereby created a body politic and  
15 corporate to be known as the Kansas healthy kids corporation. The  
16 Kansas healthy kids corporation is hereby constituted a public in-  
17 strumentality and the exercise of the authority and powers conferred  
18 by this act shall be deemed and held to be the performance of an  
19 essential governmental function. The corporation shall be governed  
20 by a board of directors who shall be residents of this state.

21 (b) The Kansas healthy kids corporation board of directors shall:

22 (1) Develop a program which will provide, based on ability to  
23 pay, health insurance benefits, including preventive and primary care  
24 services and basic dental care to all Kansas school aged children who  
25 are not otherwise covered by public or private insurance programs,  
26 grades kindergarten through 12, and their nonschool siblings younger  
27 than 18 years of age, such program to have children enrolled and  
28 be providing services in at least three pilot school districts on or  
29 before July 1, 1994, and subsequent to the establishment of such  
30 pilot programs provide for the expansion of the program to other  
31 school districts as appropriate;

32 (2) establish, with consultation from experts, appropriate profes-  
33 sional organizations and others, a list of benefits appropriate to chil-  
34 dren which will be included in the insurance program and, except  
35 as provided in this act, such insurance program shall not be subject  
36 to any law requiring the coverage or the offer of coverage of a health  
37 care service or benefit;

38 (3) establish eligibility criteria which children and their families  
39 must meet in order to participate in the program;

40 (4) develop and implement a plan to publicize the Kansas healthy  
41 kids program, the eligibility requirements of the program and the  
42 procedures for enrollment in the program;

43 (5) accept and receive grants, loans, gifts or donations from any



1 public or private entity in support of the Kansas healthy kids  
2 program;

3 (6) develop funding sources for the Kansas healthy kids program;

4 (7) employ staff necessary to administer the Kansas healthy kids  
5 program;

6 (8) establish the administrative and accounting procedures for the  
7 operation of the corporation;

8 (9) enter into contracts as may be necessary under the Kansas  
9 healthy kids program act including contracts, as the board deems  
10 appropriate, with corporations or other entities for administrative  
11 and other services for the corporation;

12 (10) coordinate the development of the Kansas healthy kids pro-  
13 gram with other public or private initiatives in order to promote  
14 efficiency and coordination and to avoid duplication of effort; and

15 (11) report on its activities to the governor and to the legislature  
16 on or before February 1 each year.

17 (c) In establishing the program under subsection (b), the cor-  
18 poration shall construct the program so that coverage is secondary  
19 to any other available coverage, and the corporation may establish  
20 procedures for coordinating benefits under this program with benefits  
21 under other public and private coverage. The insurance benefits part  
22 of the program under subsection (b) and the location of the three  
23 pilot school districts shall be established by the board of directors  
24 on or before July 1, 1993.

25 (d) *No law affecting insurance shall apply to the Kansas healthy*  
26 *kids program, the Kansas healthy kids corporation or its board of*  
27 *directors and no such law shall be construed to prevent or restrict*  
28 *the ability of any insurance company, health maintenance organi-*  
29 *zation, nonprofit medical and hospital service corporation or other*  
30 *nonprofit service corporation authorized to do business in Kansas*  
31 *from entering into or administering any contract of or with the*  
32 *Kansas healthy kids corporation. Notwithstanding the foregoing, the*  
33 *provisions of article 24 of chapter 40 of the Kansas Statutes An-*  
34 *notated shall continue to apply to the extent they are not inconsistent*  
35 *with the intent of the Kansas healthy kids program act.*

Section 2 and Section 3 see attached sheet.

36 Sec. ~~2~~. K.S.A. 1992 Supp. 40-4403 is hereby repealed. 4

37 Sec. ~~3~~. This act shall take effect and be in force from and after 5  
38 its publication in the Kansas register.

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Sec. 2. K.S.A. 1992 Supp. 40-4405 is hereby amended to read as follows: 40-4405. (a) All employees of Kansas healthy kids corporation shall be considered to be state employees and Kansas healthy kids corporation shall be considered to be a state agency for purposes of the laws and procedures governing the payroll accounting system for state agencies under K.S.A. 75-5501 et seq., the deferred compensation plan developed and approved for state employees under K.S.A. 75-5521 through 75-5529 and amendments thereto, the Kansas public employees retirement system, the employment security law, the workmen's compensation act, including the state workmen's compensation self-insurance fund as provided in K.S.A. 44-575 through 44-580 and amendments thereto, the state health care benefits program and remittances pursuant to the federal social security act, federal insurance compensation act and the federal internal revenue code. All employees of Kansas healthy kids corporation shall be considered to be state employees and Kansas healthy kids corporation shall be considered to be a state agency only for the purposes specified in this subsection.

(b) The provisions of article 32 of chapter 75 of the Kansas Statutes Annotated, any acts amendatory thereof or supplemental thereto, and any rules and regulations adopted thereunder, shall not apply to officers or employees of Kansas healthy kids corporation. Subject to policies established by Kansas healthy kids corporation, the chairperson of the board or the chairperson's designee shall approve all travel and travel expenses of such officers and employees.

(c) Nothing in this act or the act of which it is amendatory shall be construed as placing any officer or employee of Kansas healthy kids corporation in the classified service or unclassified service under the Kansas civil service act.

(d) The Kansas healthy kids corporation is not subject to state purchasing laws.

Sec. 3. K.S.A. 1992 Supp. 40-4406 is hereby amended to read as follows: 40-4406. (a) There is hereby established in the state treasury the healthy kids trust fund. There shall be deposited in such fund all appropriations, ~~gifts, grants, contributions, matching funds and participant payments~~. All expenditures from the healthy kids trust fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the chairperson of the board of directors or a person designated by the chairperson.

All moneys received by the Kansas healthy kids corporation from gifts, donations, grants or any other source outside the state treasury may be placed in the state treasury or may be maintained in interest-bearing accounts in Kansas banks or Kansas savings and loan associations until expended or otherwise disposed of pursuant to the Kansas healthy kids program act. No budget estimates shall be required pursuant to K.S.A. 75-3717 and amendments thereto for moneys maintained in such banks or savings and loan associations outside the state treasury.

(b) On the 10th of each month, the director of accounts and reports shall transfer from the state general fund to the healthy kids trust fund, the amount of money certified by the pooled money investment board in accordance with this subsection. Prior to the 10th of each month, the pooled money investment board shall certify to the director of accounts and reports the amount of money equal to the proportionate amount of all the interest credited to the state general fund for the preceding period of time specified under this subsection, pursuant to K.S.A. 75-4210a and amendments thereto that is attributable to money in the healthy kids trust fund. Such amount of money shall be determined by the pooled money investment board based on:

(1) The average daily balance of moneys in the healthy kids trust fund during the period of time specified under this subsection as certified to the board by the director of accounts and reports; and

(2) the average interest rate on repurchase agreements of less than 30 days duration entered into by the pooled money investment board for that period of time. On or before the fifth day of the month for the preceding month, the director of accounts and reports shall certify to the pooled money investment board the average daily balance of moneys in the healthy kids trust fund for the period of time specified under this subsection.

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## KANSAS HEALTHY KIDS CORPORATION

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### REPORT TO GOVERNOR JOAN FINNEY AND THE KANSAS LEGISLATURE

Submitted by the Board of Directors of the  
Kansas Healthy Kids Corporation  
February 1, 1993

The Board of Directors of the Kansas Healthy Kids Corporation is pleased to present our first report to Governor Joan Finney and the Kansas Legislature, as required by Chapter 168 of the 1992 Session Laws of Kansas. We approved this report by action in our meeting of January 27, 1993.

The goal of the Kansas Healthy Kids Corporation is to implement programs which will provide comprehensive health insurance benefits to all Kansas school age children who are not insured, as well as their non-school siblings. We will be testing the programs in three school districts and plan to choose the pilot sites by July 1, 1993. We will also be selecting insurance benefits for the pilot sites by that same date.

The responsibility for implementing the goals of the Kansas Healthy Kids Corporation rests with the Board of Directors. The Board is committed to involving the financial and human resources of the private and public sectors, including businesses, foundations and the federal government, in order to execute our goals.

Our Board of Directors is composed of 21 members, which includes four non-voting members. Seventeen of the board members are appointed by the Governor and legislative leaders. These appointments have been made, with the exception of one appointment by the Governor.

The first meeting of the Board of Directors was convened at the direction of Governor Finney on September 18, 1992. At that meeting, we elected officers who are: Gary Sherrer from Wichita as Chairperson, Representative Barbara Allen from Prairie Village as Vice-Chairperson, Patricia Hurley from Topeka as Secretary, and Michael Keating from Marysville as Treasurer. In this first meeting, we also agreed on qualifications and a hiring process for staff; extended

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authority to Board officers to locate office space, and made arrangements for working with the State budget division.

The Executive Committee of the Board quickly began the search process for the executive director of the Corporation. The position was advertised throughout the State. In the Board meeting of November 5, 1992, we authorized the hiring of Trix Niernberger as executive director for the corporation. Trix has extensive health and non-profit management expertise, as well as experience working in the Kansas budget division.

The Board met on December 2, 1992, in an extended session to discuss an agency mission statement and goals, formulate action steps and identify operational or structural issues.

Both Trix Niernberger and Lisa Morris, administrative assistant, began employment with Kansas Healthy Kids Corporation on January 4, 1993. They have spent the last few weeks establishing an office in accordance with state procedures, as well as beginning to implement the programmatic functions of the corporation.

Five committees of the Board have been established which include the Executive Committee, a committee to study elements of The Caring Program For Children to better able us to plan and coordinate our efforts, a committee to define the benefits to be offered under the Healthy Kids Program, a committee to determine the criteria for pilot site selection, and a committee to study and learn from other states' efforts in health insurance reform for children. All committees met on January 27, 1993 and have begun their work.

With less than half of our fiscal year remaining, we are well within our budget in all budget categories. We plan to carry forward some of this year's appropriation to continue our work into next fiscal year.

We have carefully and deliberately reviewed the law which created the Kansas Healthy Kids Corporation to ensure that it will meet our future needs. Although the initial legislation provides the framework for the Kansas Healthy Kids Corporation, we are requesting technical amendments this session to enhance our public/private partnership and to ensure the success of our pilot projects. These amendments will allow us to establish a bank or savings account for non-state revenue, exempt our corporation and our contracts from Kansas insurance laws other than the unfair trade practices act provisions, and exempt the corporation from state purchasing laws as are other quasi-public corporations which have been developed by the State such as Kansas, Inc.

The members of the Board of Directors are aware of our 11 duties under the law. We plan to fulfill our responsibilities in an effective and efficient manner. These requirements are:

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- (1) Develop a program which will provide, based on ability to pay, health insurance benefits including preventive and primary care services and basic dental care to all Kansas school aged children who are not otherwise covered by public or private insurance programs, grades kindergarten through 12, and their non-school siblings younger than 18 years of age, such program to have children enrolled and be providing services in at least three pilot school districts on or before July 1, 1994, and subsequent to the establishment of such pilot programs provide for the expansion of the program to other school districts as appropriate.
- (2) Establish, with consultation from experts, appropriate professional organizations and others, a list of benefits appropriate to children which will be included in the insurance program.
- (3) Establish eligibility criteria which children and their families must meet in order to participate in the program.
- (4) Develop and implement a plan to publicize the Kansas healthy kids program, the eligibility requirements of the program and the procedures for enrollment in the program.
- (5) Accept and receive grants, loans, gifts or donations from any public or private entity.
- (6) Develop funding sources.
- (7) Employ staff necessary to administer the program.
- (8) Establish administrative and accounting procedures for the operation of the corporation.
- (9) Enter into contracts as may be necessary for administrative and other services.
- (10) Coordinate the development of the Kansas healthy kids program with other public or private initiatives in order to promote efficiency and coordination and to avoid duplication of effort.
- (11) Report on activities to the Governor and to the Legislature on or before February 1 each year.

We are pleased with our progress to date and are looking forward to a very productive next few months as we plan the insurance program and choose the pilot sites. We are excited about our challenges and the opportunity you have given us. Please call any member of our Board or our executive director, Trix Niernberger, at 296-7200, if you have questions or would like to discuss our work. A list of our Board of Directors is attached. We look forward to hearing from you, as we design health insurance programs which will benefit the uninsured children of our State.

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# KANSAS HEALTHY KIDS CORPORATION

## BOARD OF DIRECTORS

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Mr. Billy McCray  
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Sen. Sandy Praeger  
State House, Rm 128-S  
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Rep. Carol Sader  
State House, Rm 284-W  
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Commissioner Ron Todd  
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(913) 296-3071

Ms. Mary Turkington  
P.O. Box 1673  
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Topeka, KS 66612  
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Ms. Azzie Young  
900 SW Jackson, LSOB Rm 901  
Topeka, KS 66612  
(913) 296-1300

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Department of Health and Environment

Robert C. Harder, Secretary

Reply to:

Testimony presented to  
House Financial Institutions and Insurance

by

The Kansas Department of Health and Environment

House Bill 2139

The Kansas Department of Health and Environment strongly supports comprehensive strategies to improve and expand health care services for children.

Currently, lack of health insurance for infants and young children has reached crisis proportions in Kansas and elsewhere in the nation. Increasing numbers of families with children cannot afford to pay for visits to physicians and health care is a low priority for many families--except for accidents and emergencies.

We need to support efforts such as the Healthy Kids Corporation with its emphasis on preventive and primary care for children. We need to expand the capacity of our insurance system to meet the needs of all Kansas children. We need to use existing legislation and financing sources more creatively in order to accomplish these ends.

It is our understanding that this amendment to the Kansas Healthy Kids Corporation Act, HB 2139, will provide this emerging program with sufficient flexibility to enroll greater number of Kansas children.

Recommendation:

KDHE strongly supports HB 2139 and all other efforts to ensure that greater numbers of Kansas children receive basic preventive and primary care services.

Testimony presented by: Azzie Young, PhD  
Director  
Bureau of Family Health  
February 3, 1993

*Financial Institutions  
& Insurance  
Feb. 3, 1993*

*Attachment 2*



TESTIMONY OF THE HONORABLE MAYOR IRENE B. FRENCH  
MAYOR OF THE CITY OF MERRIAM  
REGARDING HOUSE BILL NO. 2138

BEFORE

THE FINANCIAL INSTITUTION AND INSURANCE COMMITTEE

FEBRUARY 3, 1993

My name is Irene French. I am the Mayor of Merriam, KS. Our City's Finance Officer, Mike Scanlon, asked me to speak on behalf of KERIT in support of House Bill No. 2138. For those of you not familiar with KERIT, KERIT stands for the Kansas Eastern Region Insurance Trust. KERIT is a Worker's Compensation Insurance Pool which was created when a number of municipalities were having a hard time getting Workers Compensation Insurance Coverage's. Today KERIT has fourteen municipalities -- and I do believe you have a list provided you -- that pool their resources to provide Worker's Compensation Insurance for their employees.

At the time KERIT was formed it was created under Chapter 44 of the Kansas State Statutes because no State Law existed for the establishment of municipal insurance pools. It was not until a year later that state law allowed the establishment of a municipal insurance pool.

KERIT is the only group of municipalities to organize and operate under Chapter 44. Chapter 44 is used primarily by private business groups. KERIT would like to change from a Chapter 44 self-funded pool to a Chapter 12 municipal self-funded pool. I believe KERIT's interests are more closely aligned with municipal self-funded workers' compensation law.

House Bill No. 2138 is necessary because, under present law, there is no mechanism to transfer the existing liabilities and assets under Chapter 44 to Chapter 12. If KERIT establishes a pool under the municipal self-funded provisions of Chapter 12, it would be required to maintain both a Chapter 44 and Chapter 12 pool until all of the liabilities for Chapter 44 are exhausted. This results in additional and, in our view, unnecessary expense and paperwork.

*Financial Institutions  
& Insurance  
Attachment 3  
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KERIT believes that the transfer of liabilities and assets from Chapter 44 to Chapter 12 will result in no material or substantive change for the KERIT municipalities or its employees. KERIT also believes that the financial and administrative requirements under Chapter 12 are at least as strict as those under Chapter 44.

I respectfully request your support of House Bill No. 2138.

TESTIMONY OF MICHAEL SCANLON,  
CHAIRMAN OF THE BOARD OF DIRECTORS,  
KANSAS EASTERN REGION INSURANCE TRUST (KERIT)  
REGARDING HOUSE BILL NO. 2138

BEFORE

THE FINANCIAL INSTITUTION AND INSURANCE COMMITTEE

February 3, 1993

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My name is Mike Scanlon. I am the financial officer for the City of Merriam, Kansas, and I am serving as chairman of the board of directors of the Kansas Eastern Region Insurance Trust (KERIT), a group of Kansas municipalities joined together to create a pool under Chapter 44 to self-insure workers' compensation losses. I appear today in support of House Bill No. 2138--legislation which KERIT requested be introduced.

At the time KERIT entered into the Chapter 44 pool, on November 1, 1986, there were no separate pooling statutes authorizing municipalities to self-insure their workers' compensation liabilities. It was not until May of 1987 that municipalities were permitted under Chapter 12, K.S.A. 12-2616, et seq., to establish self-funded municipal pools for the first time under a law limited to municipalities.

KERIT was the only group of municipalities to organize and operate under Chapter 44. Chapter 44 is used primarily by private business groups. KERIT would like to change from a Chapter 44 self-funded pool to a Chapter 12 municipal self-funded pool. We

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believe KERIT's interests are more closely aligned with municipal self-funded workers' compensation law.

House Bill No. 2138 is necessary because, under present law, there is no mechanism to transfer the existing liabilities and assets under Chapter 44 to Chapter 12. If KERIT establishes a pool under the municipal self-funded provisions of Chapter 12, it would be required to maintain both a Chapter 44 and a Chapter 12 pool until all of the liabilities for Chapter 44 are exhausted. This results in additional and, in our view, unnecessary expense and paperwork.

KERIT believes that the transfer of liabilities and assets from Chapter 44 to Chapter 12 will result in no material or substantive change for the KERIT municipalities or its employees. KERIT also believes that the financial and administrative requirements under Chapter 12 are at least as strict as those under Chapter 44.

We respectfully request your support of House Bill No. 2138.

KANSAS EASTERN REGION INSURANCE TRUST (KERIT) MUNICIPALITIES

Atchison County  
Gardner  
Lansing  
City of Leavenworth  
Leavenworth County  
Leawood  
Lenexa  
Merriam  
Olathe  
Shawnee  
Fairway  
Ottawa  
Junction City  
Chanute

ATTACHMENT "A"