

Approved: March 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 24, 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.

The Committee took final action on HB 2431: Regulation of credit unions. This deals with the revision of regulations regarding the expulsion, handling of confidentiality, and the credit union council. The bill was requested by the Administrator of the Credit Union Department. Representative Cornfield moved to pass the bill out favorably. The motion was seconded by Representative Neufeld. Motion carried.

HB 2465: Computation of finance charges in consumer credit is a bill which would forbid lenders to use pre-computed finance contracts after January 1, 1994. They would be required to use the actuarial method which has been adopted by many other states and reduces the interest costs in case of large prepayment. Representative Minor moved to amend the bill by striking lines 14-18 on Page 16, change the effective date to January 1, 1994, and instruct the Revisor to make any technical changes necessary. Representative Correll seconded the motion. Motion carried. Representative Correll moved to pass the bill favorably as amended. Representative Neufeld seconded the motion. The motion carried.

HB 2139: Kansas Healthy Kids program act, exemption from insurance laws was discussed again by the Committee. Dick Brock of the Insurance Department presented copies of a balloon amendment which would narrow the pre-exemption considerably (See Attachment 1). The amendments would exempt the Kansas Healthy Kids Corporation from requiring only licensed insurance agents to explain the program, enable the corporation to have a separate bank account, and would exempt the Corporation from state purchasing statutes.

Representative Helgerson moved to adopt the proposed amendments to the bill. Representative Allen seconded the motion. The motion carried.

Representative Cornfield expressed concern that the Legislature may be setting a precedent in that the Healthy Kids Corporation was created by the Legislature and now it is exempting it from regulations which it makes all other corporations or entities abide by. Public corporations are expected to operate within the confines of the law and this proposal is bad public policy. She spoke in opposition to the Corporation in that there is currently a private corporation called the Caring Program which has had success and is now going state-wide. The creation of the Healthy Kids Corporation may undercut that successful program rather than enhancing it.

Representative Helgerson moved that the bill be passed favorably as amended. Representative Allen seconded the motion. The motion carried with Representative Cornfield requesting that her "no" vote be recorded.

HB 2117: Freedom of choice of pharmacy under health care insurance was reviewed by Dr. Wolff. Representative Neufeld moved for an amendment which would allow any registered pharmacy or licensed pharmacist which has not entered into a provider agreement shall pay an administrative fee not to exceed 2% of the amount reimbursed for services provided (Attachment 2). Representative Cornfield seconded the motion. The motion failed.

Representative Bruns stated that the intent of the bill was to allow any pharmacists who wished to be allowed to enter into contracts. Committee members were concerned that the amendment would create a paperwork nightmare for both the pharmacist and the insurance carrier.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
Room 527-S Statehouse, at 3:30 p.m. on February 24, 1993.

Representative King moved that the bill be tabled at this time because the Committee was facing making a long-term policy decision in which health care providers would have the right to penalize those businesses who do not contract with them. He recommended that the bill be placed in an interim study. Representative Cornfield seconded the motion. The motion failed with 6 yes votes and 11 no votes.

The Committee conducted lengthy discussion regarding health care cost containment vs. the destruction and demise of small pharmacies. The possibility of deferring action until next year until the federal health plan can be enacted was explored. Question was called for by Representative Watson.

Representative Cox moved to pass the bill favorably out of committee. Representative Correll seconded the motion. The motion carried.

The revised fiscal note for HB 2096 was dispersed to Committee members (Attachment 3). This bill would completely eliminate ability to contract as there would be no exclusive assignment of benefits to the health care provider. However, the bill would not void the three-year contract between Blue Cross/Blue Shield and Wesley Hospital in Wichita. The passage of the bill would likely raise health care costs within the state or it might level the playing field. It was determined by the Chair that the bill should be sent to the 403 Commission and/or the Joint Committee on Health Care Decisions for the 90's for further study.

The meeting was adjourned at 4:40 p.m. The next meeting is scheduled for March 8, 1993.

GUEST LIST

COMMITTEE: _____

House FTVI

DATE: _____

2/24

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Joe Fungaric	Topeka	KCA
Bill Salsed	TOPEKA	NEHA
BOB NYQUIST	WICHITA	KPHA
ED BOYD	WICHITA	KPHA
Charles Buzard	WICHITA	KPHA
Keith Atleson	Wichita	KPHA
David A. Ross	TOPEKA	Ks. Assn. of Life Underwriters
BRAD SMOOT	"	BCBS
BILL HENRY	"	St Francis Region / Med Center
George Barber	"	K A Financial Ser.
PETER STERN	"	Presl. N.Y.N.L. of Ks.
GARY COLEMAN	TOPEKA	KPHA
John Ensley	Topeka	Medco
Beth Williams	Topeka	Ks. Pharmacist Assoc
Trix Niernberger	Topeka	Ks Health Kids Corp.
Rebecca Rice	Topeka	KPHA
Chuck Stones	"	KBA
Michael J. Nelson	WATHENA	KPHA
Dick Brock	Topeka	Ins. Dex
DAVE CHARAY	Topeka	HCC
Mary Whitley	Lawrence	KPHA
Lee W. Gerber	Wichita	KPHA
John R. Hudson	Wichita	KPA
Danielle Noe	Topeka	Delta Dental / CCG
Dore Romney	W. Eagle	

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

House File D
Attachment 1
2-24-93

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.~~

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

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

THIRX:

This plus the deleted language is
what has not yet been presented to the
committee.

requiring licensure as an insurance agent or
imposing certification, continuing education, or
other requirements on insurance agents as defined
in K.S.A. 1992 Supp. 40-239

, its employees,

or its authorized representatives

Section 2 and Section 3 see attached sheet.

4

5

182

HOUSE BILL No. 2117

By Representative Bruns

1-26

8 AN ACT concerning pharmacies and pharmacists; freedom of choice.

9

10 *Be it enacted by the Legislature of the State of Kansas:*

11 Section 1. No policy of group health insurance providing benefits
12 for hospital and medical expenses delivered in this state that is
13 offered by an accident and health insurance company, by a nonprofit
14 medical and surgical plan corporation, by a nonprofit hospital service
15 plan corporation, by a health maintenance organization, by a pre-
16 ferred provider organization, by an individual practice association or
17 by a similar mechanism may:

18 (1) Deny an registered pharmacy or licensed pharmacist as de-
19 fined in K.S.A. 65-1626 and amendments thereto the right to par-
20 ticipate as a provider for any policy or plan on the same terms and
21 conditions as are offered to any other provider of pharmacy services
22 under the policy or plan;

23 (2) prevent any person who is a party to or beneficiary of any
24 health insurance policy from selecting a registered pharmacy to fur-
25 nish the pharmaceutical services offered under any policy or plan,
26 if the pharmacy is a provider under the same terms and conditions
27 of the policy or plan as those offered to any other provider of phar-
28 macy services; or

29 (3) permit or mandate any difference in coverage for or impose
30 any different conditions, including copayment fees, whether the pre-
31 scription benefits are provided through direct contact with a phar-
32 macy or by use of an out-of-state mail order service so long as the
33 provider selected is a participant in the plan involved.

34 Sec. 2. All health benefit programs, as defined in section 1, shall
35 provide an annual period of enrollment of at least 30 days during
36 which period any pharmacy registered under article 16 of chapter
37 65 of Kansas Statutes Annotated may elect to participate in the plan
38 under the terms and conditions then offered unless the pharmacy
39 has lost its status as a provider due to its failure to comply with the
40 terms and conditions of its provider agreement. Health benefit pro-
41 grams are not required to provide actual notice of the period of
42 open enrollment to the pharmacy.

43 Sec. 3. Any provision in an accident and health insurance policy

, except that any registered pharmacy or
licensed pharmacist which has not entered
into a provider agreement shall pay an
administrative fee not to exceed 2% of the
amount reimbursed for services provided.

House of Representatives
Attachment 2
2-24-93

STATE OF KANSAS



DIVISION OF THE BUDGET

Room 152-E

State Capitol Building

Topeka, Kansas 66612-1504

(913) 296-2436

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Joan Finney
Governor

Gloria M. Timmer
Director

February 23, 1993

CORRECTED

The Honorable William Bryant, Chairperson
Committee on Financial Institutions and Insurance
Statehouse, Room 112-S
Topeka, Kansas 66612

Dear Representative Bryant:

SUBJECT: Corrected Fiscal Note for HB 2096 by House
Committee on Financial Institutions and Insurance

In accordance with KSA 75-3715a, the following corrected
fiscal note concerning HB 2096 is respectfully submitted to your
committee.

HB 2096, as introduced, would delete language in the statute
that currently allows any corporation currently or previously
organized under KSA 40-19c06 to make direct payment of benefits
only to contracting health care providers. The bill would not
allow such corporations to refuse to pay the charges of health care
providers not under contract, meaning that direct payment of
benefits also would have to be made to non-contracting providers.
The only corporation affected by this bill is Blue Cross and Blue
Shield of Kansas.

HB 2096 would have a fiscal impact on state government, local
governments, and the private sector. Although information was
available only on the impact to the state and some local
governments, many private sector organizations are increasingly
using managed care contracts to provide health care to their

House FSD
Attachment 3

2-24-93

employees and would likely experience increased costs as a result of HB 2096. Such cost increases would probably result in increases in premiums paid by employees. The following fiscal note describes the impact on state and local governments.

Impact on Health Insurance Costs for State Employees

The fiscal effect of HB 2096, as introduced, for FY 1994 would increase expenditures from the State General Fund by approximately \$4.3 million and expenditures from all funding sources by approximately \$9.0 million above the amounts included in the FY 1994 Governor's Budget Report. The effect in FY 1995 would be approximately \$9.0 million from the State General Fund and \$18.7 million from all funding sources.

The above estimates are based on claims utilization data from Blue Cross and Blue Shield of Kansas that indicate its participating providers in 1992 wrote off approximately \$14.6 million. In 1991, \$10.8 million in charges which exceeded Blue Cross's allowances were written off. It is anticipated that with the hospital contracts signed in Wichita, Blue Cross will increase its claims utilization savings in 1993.

Because the bill's impact is to remove the current encouragement for health care providers to negotiate for payment rates, it is assumed that HB 2096 would require that amounts currently being written off would have to be paid. This means that the State would have to pay more for its contract to insure state employees. Since the incentive to negotiate would be removed, it is assumed that providers would no longer negotiate; therefore, payment for services would equal amounts charged. Further, it is assumed that current deductibles and copayments for state employees would remain the same, meaning that the State Employee Health Plan would have to pay the difference.

The long range effect of this bill would be that the State would most likely have to pay higher premiums for health coverage. The inability to implement managed care programs could cause the State's health care costs to increase more rapidly than they already are. (Since 1990, the cost of health insurance for state employees has risen an average of 12 percent each year.) The number of physicians and hospitals willing to participate in managed care networks could decrease since insurance providers would have no leverage to either encourage or discourage them. The impact would be especially felt in smaller communities where the absence of managed care networks would allow these providers to charge fees higher than allowable maximums.

Impact on Local Units of Government

Because many local units of government contract with Blue Cross and Blue Shield of Kansas for employee health care, significant fiscal impact from HB 2096 is anticipated. Counties, cities, and school districts across the state could experience higher health care costs in the form of increased premiums and copayments by employees. The following table shows a few of the affected jurisdictions and the estimated annual increase in health care costs expected from HB 2096.

Table 1: Estimated Increase in Employee Health Care Costs in FY 1994 Caused by HB 2096.

<u>Jurisdiction</u>	<u>Rate</u>	<u>Amount</u>
Sedgwick County	16.8%	\$876,264
Shawnee County	19.4	222,654
Saline County	14.6	84,006
City of Wichita	16.6	812,712
City of Topeka	19.6	748,209
City of Salina	12.7	111,945
City of Lawrence	9.3	126,996
USD 501 - Topeka	17.1	642,282
USD 259 - Wichita	15.9	2,433,321
USD 497 - Lawrence	5.8	117,389
USD 253 - Emporia	9.1	44,771

The above jurisdictions are examples of some of the local units of government that could experience a fiscal impact from HB 2096. The amounts are estimates compiled by the Division of the Budget based on data from 1991 and 1992 provided by Blue Cross.

Impact on State Premium Tax Revenue

The bill would likely increase the cost of health insurance provided by Blue Cross to many of its 670,000 clients in Kansas. Any increase in rates would likely increase the amount of premium tax collected and deposited into the State General Fund. Unfortunately, no reliable method exists for determining the amount of any such increase in state premium tax collections.

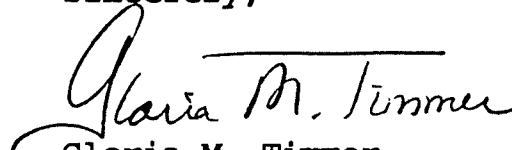
Impact on State Operating Budgets

HB 2096 would require Blue Cross and Blue Shield of Kansas to file revised policy forms and possibly rates with the Insurance Department to reflect the acceptance of an assignment of benefits. This additional workload would be absorbed by existing personnel

The Honorable William Bryant, Chairperson
February 23, 1993
Page 4

and would not otherwise affect the department's operating budget. In addition, no impact is anticipated on the operating budget of the Health Benefits Administration.

Sincerely,


Gloria M. Timmer
Director of the Budget

cc: Dave Charay, Health Care Commission
Dick Brock, Insurance Department

2096.fn