

Approved: 2/22/94
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Keith Roe at 9:00 a.m. on February 16, 1994 in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
Tom Severn, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Bill Edds, Revisor of Statutes Office
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Representative Joann Freeborn
Representative Susan Wagle
Keith Christensen - Board of Trustees, Cloud County Community College
Dr. James Ihrig - President, Cloud County Community College
Chip Wheelen - Kansas Medical Society
Paul Fleenor - Kansas Farm Bureau
Terry Leatherman - Kansas Chamber of Commerce and Industry

Others attending: See attached list

The minutes of February 15, 1994, were approved as read.

The Chair directed the Committee to turn to HB 3011.

HB 3011 - taxation of omitted real property on the tax rolls.

A motion was made by Representative Empson, seconded by Representative Mollenkamp, to report favorably HB 3011. The motion carried.

A motion was made by Representative Adkins, seconded by Representative Wilk, to introduce a bill concerning the distribution of interest attributable to delinquent special assessments levied by a city. The motion carried.

Chairperson Roe opened the hearing on HB 2796.

HB 2796 - community college sales tax.

Representative Joan Freeborn testified in support of HB 2796, stating some community college taxing districts are taxed over 30 mills to fund their educational institution. She also said it is her belief that it is important to move away from a reliance upon property tax as a primary funding source. Representative Freeborn proposed the bill be amended to clarify the original legislative intent which would be a buy down of the mill levy the first year that it is implemented and future growth of the community college budget would be dependent on economic growth (Attachment 1).

Keith Christensen, Chairperson, Board of Trustees, Cloud County Community College, testified in support of HB 2796. Mr. Christensen said that community colleges must have access to a tax base that will at least keep pace with inflation (Attachment 2).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on February 16, 1994.

Dr. James Ihrig, President, Cloud County Community College, testified in support of HB 2796. He stated that the community colleges of Kansas are too heavily dependent upon local district funds for their support. Dr. Ihrig requested clarifying language as shown on (Attachment 3) regarding reduction in ad valorem taxes.

Chairperson Roe concluded the hearing on HB 2796.

The Chair opened the hearings on HB 2933 and HR 6008.

HB 2933 - individual medical accounts.

HR 6008 - urging Congress to provide federal income tax credits for the costs of individually purchased health care insurance.

Representative Susan Wagle testified in support of HB 2933. She said that passage of this bill would decrease dependence on State funds for long-term care expenses and provide the people of Kansas with one more option and management system to assist them in financing long-term care (Attachment 4).

Representative Wagle also testified in support of HR 6008 and said that this resolution would urge Congress to enact tax credits for low income families who have to provide their own health care insurance.

Representative Wagle distributed other information in support of HB 2933 and HR 6008 from:

Wichita Independent Business Association on HB 2933 (Attachment 5)

National Association for the Self-Employed on HB 2933 (Attachment 6)

Kansas Taxpayers Network on HB 2933 and HR 6008 (Attachment 7)

National Association for the Self-Employed on HR 6008 (Attachment 8)

Chip Wheelen, Kansas Medical Society, testified that they support of HB 2933 because it would provide an incentive for patients to utilize health care services more efficiently. Mr. Wheelen said that this bill would restore much needed consumer participation in cost considerations (Attachment 9).

Paul Fleenor, Kansas Farm Bureau, testified in support of HB 2933. Mr. Fleenor said that the members of the Kansas Farm Bureau think it is appropriate to have a tax structure that provides for the establishment of a medical savings account (Attachment 10).

Terry Leatherman, Kansas Chamber of Commerce and Industry, testified that KCCI supports the concept of the legislation presented in HB 2933. Mr. Leatherman reviewed a recent KCCI survey which indicates that business support in Kansas exists for medical savings accounts (Attachment 11).

Chairperson Roe concluded the hearings on HB 2933 and HR 6008.

The Chair directed the Committee to turn to HB 2888.

HB 2888 - taxation of motor vehicles, recreational vehicles, and motorized bikes.

A motion was made by Representative Glasscock, seconded by Representative Wagon, to amend HB 2888 by removing pull trailers from the bill. The motion carried.

A motion was made by Representative Wiard, seconded by Representative Glasscock, to amend HB 2888 by striking the penalty provision language in Section (b) on pages 10 and 11. The motion carried.

A motion was made by Representative Lahti, seconded by Representative Welshimer, to report HB 2888 favorable as amended for passage.

A substitute motion was made by Representative Larkin, seconded by Representative Grotewiel, to amend HB 2888 by inserting the provisions of HB 2793. The substitute motion failed.

The Chair directed the Committee to return to the original motion by Representative Lahti.

A substitute motion was made by Representative Krehbiel, seconded by Representative Wagon, to amend HB 2888 by splitting class "E" on page 6 of the bill. The motion to amend failed with a vote count of 8 ayes and 12 nays.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on February 16, 1994.

The Chair directed the Committee to return to the original motion by Representative Lahti.

A substitute motion was made by Representative Larkin, seconded by Wiard, to table HB 2888. The substitute motion failed.

The Chair directed the Committee to return to the original motion by Representative Lahti.

A substitute motion was made by Representative Adkins, seconded by Representative Welshimer, to amend HB 2888 by raising all the minimum values to \$24.00. The substitute motion failed with a vote count of 6 ayes and 14 nays.

The meeting adjourned at 11:00 a.m.

The next meeting is scheduled for February 17, 1994.

HOUSE TAXATION COMMITTEE

DATE 2/16/94

NAME

ADDRESS

REPRESENTING

HAROLD C. PITTIS	TOPEKA	AARP-CCTF
Rep/Jan F. Fenton	Concordia	Leg.
Kath's & Chris Leman	"	Cloud County Comm. Col.
Jim Shug	Concordia	Cl. Cty Comm College
Bill Wanger	Concordia	Cloud County Comm College
Merle Hlee	Topeka	KACC
Vic Brader	Topeka	KACC
Katharine Clark	Wichita	CRWA
COURTNEY CLARK MD	"	KMS
Christy Young	Topeka	Topeka Chamber of Comm
Jacquie Dakes	"	KIADA
Paul Sherer	Mullenville	USD 424
Joe Furgasie	Topeka	KCA
Don Taylor	"	KATA
Larry Muehly	Coffeyville	Coffeyville Leadership
Bernice Lancia	Coffeyville	Leadership Coffeyville
Carol Mangan	Coffeyville	Leadership Coffeyville
Robert Grady	Coffeyville	Leadership Coffeyville
Bret Dume	Wichita	KAAVTS
BEV BRADLEY	Topeka	KS Assoc of Counties
Susan Chase	Topeka	KNEA
Pam Souernille	TOPEKA	KS Auto Dtrs Assn
Gena M. Farland	OP	OP Chamber of

HOUSE TAXATION COMMITTEE

DATE 2/16/94

NAME

ADDRESS

REPRESENTING

Alice Devine	Topeka	KLA
Josephine	Topeka	Dept of Admin
Bill Tansell	Wichita	Boeing
Bernie Koch	Wichita	Wichita Chamber of Commerce
Carol Wehmeyer	Coffeyville	Leadership Coffeyville
Ann Bury	Coffeyville	Leadership Coffeyville
Greg Weber	Coffeyville	Leadership Coffeyville
Carl J. Bley	"	"
Mark Adams	"	"
Vicky Fortwood	"	"
Jeff Smith	"	"
Michelle Peterson	Topeka	Ks. Gov. Consulting
Peri Hartzell	Coffeyville	Leadership Coffeyville
RICHARD BODEWALD	EUDORA	TAXPAYERS
Dave DeLuc	Topeka	Council on VOCED
Sheryl Taboe	TOPEKA	KS. MENTAL HEALTH COALITION
Jack Snyder	Johnson Co.	J. C. Community College
Willard Jones	Prairie Village	Senior Citizens
Pat Woodward	Overland Park	" "
Harold Gersh	O.P.K.S.	" "
Mary L. Lang	Overland Park, Ks.	Older Kansans Group
Arlene Coleman	Overland Park, Ks.	Older Kansans Group

JOANN LEE FREEBORN
 REPRESENTATIVE, 107TH DISTRICT
 CLOUD, OTTAWA COUNTIES
 AND PART OF CLAY AND DICKINSON COUNTIES
 RR 3, BOX 307
 CONCORDIA, KANSAS 66901-9105

STATE CAPITOL
 TOPEKA, KS 66612-1504
 913-296-7692
 1-800-432-3924



TOPEKA

HOUSE OF
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS
 MEMBER: AGRICULTURE
 PUBLIC HEALTH AND WELFARE
 ENERGY AND NATURAL RESOURCES
 JOINT COMMITTEE ON CHILDREN AND FAMILIES

Testimony for House Taxation Committee, House Bill 2796

February 16, 1994

Chairperson Roe, Vice-chairperson Glasscock and ranking minority member Wagnon, I thank you and your committee for your consideration of House Bill 2796. Community college trustees are presently limited by statute to the use of a property tax for their local budget funding stream. House Bill 2796 enables the trustees to place on the taxing district ballot, an option for the patrons to select a sales tax to reduce the mill levy. The key words here are enables and option. It is a permissive piece of legislation that gives the local community college district the power to choose the best taxing mechanism for their district.

Some community college taxing districts are taxed over 30 mills to fund their educational institution. These districts especially need a potential for a combined taxing mechanism to provide a broader base for funding. The opportunity for the local community college district to make this decision for a tax structure that is tied to the growth in their local economy is a formula for funding that would offer some relief for the high mill levy taxing districts. The voters are given local authority, which I feel is a part of good public policy.

It has long been my belief that it is important to move away from a reliance upon property tax as a primary funding source. I appreciate the efforts of a previous legislative body to fund the elementary educational programs with a mixed funding strategy. It would be beneficial to give a community college board of trustees the ability to proceed with the development of a mixed funding strategy for the local budget if it is viewed as a more equitable arrangement for their taxing district.

The ultimate solution for the funding of community colleges lies in the State of Kansas taking the financial responsibility with minimal local funding obligations. In the Kansas Economic Development Policy Issues developed by Kansas Inc. and

*2/16/94
 House Taxation Cmte
 Attachment 1*

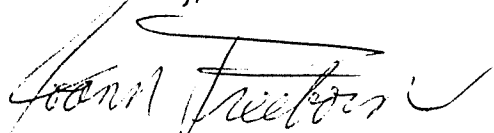
published in *A KANSAS VISION* in December of 1993, we read on page 5 the recommended Initiative Number three (3): "Insure a coordinated, seamless system of secondary and post-secondary education that guides the development of strong work place skills and competencies,," and to " Support the restructuring of community colleges and area vocational technical institutions by encouraging merger of the two types of institutions and consolidation of the 32 schools into a statewide system of colleges of technology and insist that **increased state funding** be contingent on the establishment of a reorganized system." Until the state is willing to take this politically unpopular step, the local taxing unit must bear the increasing burden. It is for this reason that I believe House Bill 2796 is good public policy.

The continued pressure from the Board of Regents to enact qualified admissions, and thereby encourage students that need academic remediation to attend the (2) two year community college to begin their post secondary work, is another reason that funding should be addressed for the community colleges so they can meet these growing budget demands. Though House Bill 2796 does not bring the much needed state reform, it is an excellent adjustment for the interim.

This permissive piece of legislation would be a buy down of the mill levy the first year that it is implemented and future growth of the community college budget would be dependent on economic growth (increased retail sales tax revenue). When you work the bill I will propose an amendment to clarify this original legislative intent.

Thank you for your attention . I will be glad to stand for questions at the decision of the chair.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joann Freeborn", with a large, sweeping flourish at the end.

Joann Freeborn
107th District Representative

REMARKS

TO: Honorable Keith Roe, Chairperson, and Members, House Committee on Taxation

FROM: Keith Christensen, Chairperson, Cloud County Community College Board of Trustees, Concordia, Kansas

RE: House Bill 2796, Community College Retail Sales Tax

DATE: February 16, 1994

Mister Chairman, Members of the Committee. My name is Keith Christensen. I am Chairperson of the Board of Trustees of Cloud County Community College in Concordia. I am here today to speak in favor of House Bill 2796.

As I stand here today I wear four hats--a farm property owner, a home owner, an independent business owner with 16 employees, and a community college trustee, entrusted by the citizens of Cloud County to protect and foster their investment.

I also carry a responsibility for the students, to insure that they are properly prepared for their place in a productive society.

In Cloud County as in some other counties supporting community colleges, the assessed valuation has continually eroded, thus throwing a greater tax burden upon the remaining properties; even as this has happened, our taxing district has experienced retail sales growth, in part, due to the presence of the college, yet the college Board of Trustees is unable to access that growth.

If community college trustees throughout Kansas are to continue to protect local taxpayer investments and the educational interest of the state of Kansas, and if they are to continue to prepare the work force of Kansas for tomorrow and thereafter, they must have access to a tax base that will at least keep pace with inflation.

The first year, as I read the bill, is a trade off or buy down of local property tax, but succeeding years of retail sales growth would help provide those funds needed to meet the educational needs of our students while easing the overburden on property taxes within the taxing district.

Each year the community colleges come to you, the legislators, with their palms up asking for help to accomplish the mission set before them. The local sales tax option may provide dollars in those budgets that you may have had to provide.

A carpenter builds a house using many tools to insure its soundness of investment, accessibility, and its usefulness; so must community college trustees have more tools to help fulfill the mission before them.

Chairman Roe, Committee Members, I ask you to strongly consider the local option that retail sales tax provides in House Bill 2796 by Representative Freeborn.

I thank you Chairman Roe and Committee Members for this opportunity to share these brief thoughts with you. If you have any questions of me, I would respond at this time.

2/16/94
House Taxation Cmte
Attachment 2

REMARKS

TO: Hon. Keith Roe, Chairperson, and Members, House
Committee on Taxation

FROM: Dr. James Ihrig, President, Cloud County Community
College, Concordia, Kansas

RE: House Bill 2796, Community College Retail Sales Tax

DATE: February 16, 1994

Mister Chairman, Members of the Committee. My name is James Ihrig. I am president of Cloud County Community College, Concordia, Kansas. I came today to speak in support of House Bill 2796.

House Bill 2796 is a bill that would make it possible for a community college district to levy sales tax for the purpose of "... providing revenue in order to reduce the reliance upon revenue received from property taxation for the maintenance and operation of a community college." This bill has the potential of doing this--reducing the reliance of community colleges upon property tax as the source of local district support. This is a very good feature of this bill.

It has been argued at other times, and I believe with some merit, that the community colleges of Kansas are too heavily dependent upon local district funds for their support. Regardless of one's opinion regarding this assertion, it does seem to me that if the community colleges are to continue to depend upon local district funds, the community colleges should have the ability to participate in the economic growth of the community. Attached to these remarks are one chart and one graph. This information is provided to you to demonstrate that at least in our instance, the community college does not have opportunity to participate in the economic growth of the community. The base of sales tax revenues, i.e., taxable retail sales, has increased over the past six years; the base of property tax revenues, i.e., the assessed valuation, has decreased over that same period.

This is permissive legislation. The Board of Trustees of a community college would be required to pass a resolution establishing the sales tax levy and then the people of the community college district would vote to determine if the resolution is to be implemented.

It is my understanding that if the sales tax were to be implemented, a couple of important conditions are built into House Bill 2796. One is that it must be administered by the

House Taxation Cmttee

*2/16/94
Attachment 3*

Department of Revenue. Application of and exemptions to the proposed tax are identical to the existing Kansas retailers' sales tax. A second condition that I understand applies is that the revenue received would be treated the same as the revenue currently being received through the ad valorem tax. This means that the currently existing tax lid would apply to the combination of ad valorem tax and sales tax. This is an important facet because it sustains the limitation put upon tax levies that is currently in place.

There is, however, one aspect of the proposed legislation that is not clear to us. This is an important aspect and one that we would request that the committee consider and if necessary make amendments to the bill.

The present language of the bill could be interpreted to mean that if a sales tax were to be adopted, then each year the requested ad valorem tax revenues would be reduced by the amount of anticipated sales tax. This would be acceptable for the first year that sales tax would be a part of the budget. However, in subsequent years this could be a limitation on college revenues that would be too severe. The effect of this, it appears, is to limit the growth of revenue to the growth in the sales tax. In addition, this is an unnecessary restriction because the tax revenues of the college are already restricted by the existing tax lid.

Mr. Chairman, as I began, we are here today in support of the concepts embodied in House Bill 2796. We would ask that you give favorable consideration to House Bill 2796 and that you give consideration to some clarifying amendments. We would be happy to have the opportunity to work with whomever you would choose to develop these clarifying amendments.

Thank you for the opportunity to make these remarks. I would also like to thank Representative Freeborn for her work in developing this bill. I would be happy to respond to questions.

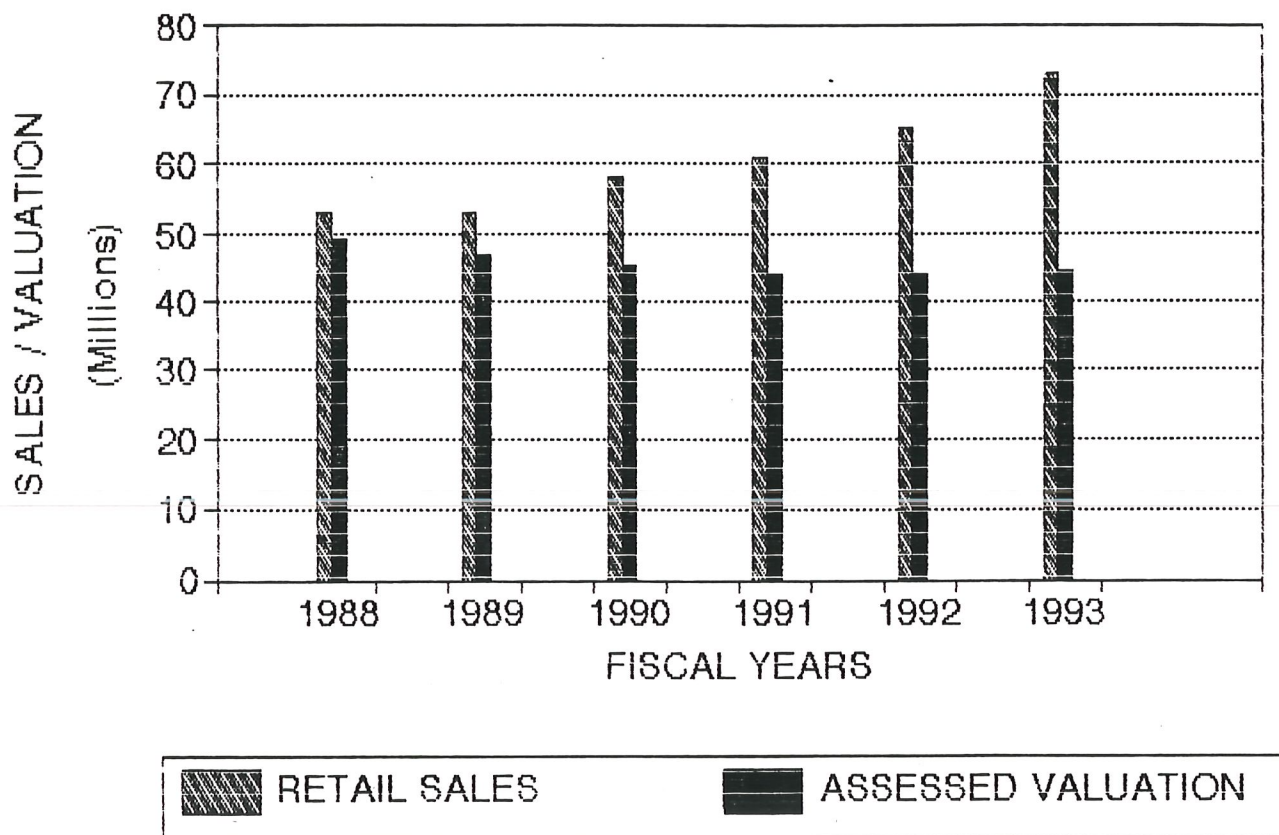
CLOUD COUNTY COMMUNITY COLLEGE
SALES TAX AND
ASSESSED VALUATION
RECAP

2/09/94

FISCAL YEAR	RETAIL SALES \$'S	ASSESSED VALUATION
1988	53,179,600	49,165,461
1989	53,083,059	46,771,989
1990	58,178,306	45,021,756
1991	60,932,353	44,130,884
1992	64,956,471	43,777,597
1993	72,907,980	44,433,553
DOLLAR CHANGE - 6 YR.	19,728,380	(4,731,908)
PERCENT CHANGE - 6 YR.	37.10%	-9.62%
AVERAGE CHANGE - PER YR.	6.18%	-1.60%

CLOUD COUNTY

RETAIL SALES VS. VALUATION



SUSAN WAGLE
99TH DISTRICT
BUTLER/SEDGWICK COUNTIES
14 SANDALWOOD
WICHITA, KANSAS 67230



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
VICE-CHAIR: PUBLIC HEALTH AND WELFARE
MEMBER: FINANCIAL INSTITUTIONS &
INSURANCE
TAXATION

Testimony

H.B. 2933

H.B. 2933 is a bill that would allow the people of Kansas to establish Individual Medical Savings Accounts and use the funds to purchase catastrophic health insurance for medical, dental, and long-term care; or to pay actual expenses for these items. With annual deposits of only \$2,000. a family could save as much as \$99,400. after 20 years assuming 8% interest.

Although medical savings accounts are obviously designed to assist individuals in covering long term care expenses, this bill would also have the short term social benefit of encouraging working age people to be responsible for their own long-term care. As the Vice-chair of Public Health and Welfare, I have learned first hand how long term care and medical expenses are growing astronomically and are to the point where we realistically as a state legislature cannot continue the same level of services without a tax increase. I believe that the passage of H.B. 2933 that allows tax free deposits would provide the incentive we need now to encourage individuals and families to begin to save for their future health care expenditures.

Specifically, H.B. 2933 would do the following:

- 1.) Allow individuals to deposit funds into a tax exempt account in the amount of \$2,000. per account holder and \$1,000. per dependent child.
- 2.) Under this program trustees would be allowed to purchase major medical coverage for each Individual Medical Account holder to cover

2/16/94
House Repatriation Cmte
Attachment 4

medical, dental and long-term care expenses in excess of \$10,000. or to utilize the trust assets solely for the purpose of paying medical, dental, and long-term care expenses of the account holder.

3.) Interest earned on the account would be exempt from state income taxation.

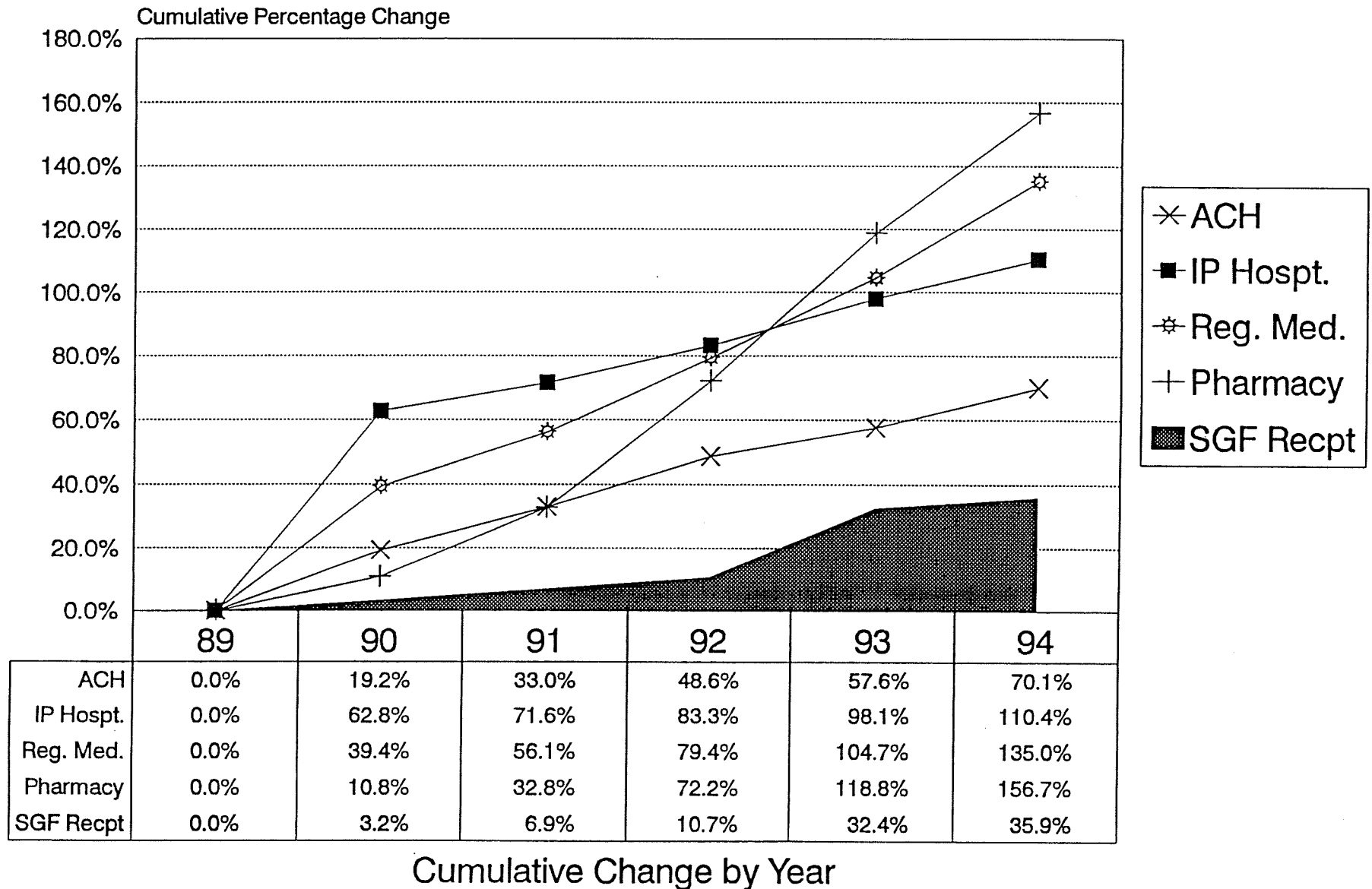
4.) Individual Medical Account funds could be withdrawn and withdrawals would be treated as income for tax purposes.

5.) After the age of 60, funds for medical expenses could be withdrawn and spent without penalty.

I personally believe that Kansas is a very progressive state when it comes to insurance and health care reform. We have proven our ability to confront problems and provide innovative solutions by passing legislative proposals such as the Kansas Uninsurable Health Insurance Plan and the Small Employer Health Benefit Act. I would encourage the members of this committee take further progressive action and pass favorably H.B. 2933 to decrease dependence on State funds for long term care expenses and to provide the people of Kansas with one more option and management system that will assist them in financing long-term care.

4-3

Comparison of Percentage Changes In Medicaid Costs With State General Fund Receipts



Kansas Medicaid Expenditures
Fiscal Year 1989 - Fiscal Year 1994

<u>Medical Assistance</u>	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94 Est.</u>
Regular Medical Assist						
Inpatient Hospital	\$78,046,890	\$127,054,506	\$133,933,091	\$143,059,055	\$154,589,646	\$164,195,839
Outpatient Hospital	\$6,392,225	\$8,537,570	\$10,264,078	\$12,468,031	\$14,804,998	\$17,081,000
Lab & X-Ray	\$2,691,462	\$3,342,663	\$3,838,878	\$4,400,920	\$4,747,759	\$5,395,035
Prescribed Drugs	\$26,780,884	\$29,684,713	\$35,562,450	\$46,120,116	\$58,588,151	\$68,746,415
Physician	\$29,828,483	\$36,123,967	\$41,150,030	\$53,624,765	\$61,967,361	\$71,222,057
Dental	\$3,749,707	\$4,218,282	\$4,719,202	\$5,649,714	\$7,033,120	\$2,957,354
Community MH Center	\$8,586,097	\$10,139,556	\$12,255,594	\$13,653,443	\$13,973,839	\$16,044,510
Supplies	\$1,965,946	\$2,931,180	\$3,311,827	\$3,831,915	\$4,767,638	\$5,773,358
Medicare Buy-In	\$8,115,411	\$9,634,167	\$9,960,700	\$11,258,032	\$12,970,412	\$15,525,373
Other Services	\$12,595,480	\$17,539,527	\$19,015,196	\$23,537,500	\$29,017,767	\$50,788,641
Claims & Adjustments	<u>(\$909,396)</u>	<u>(\$1,296,977)</u>	<u>\$3,665,852</u>	<u>\$1,411,627</u>	<u>\$1,565,266</u>	<u>\$250,000</u>
Subtotal Reg Med Assist	\$177,843,189	\$247,909,154	\$277,676,898	\$319,015,118	\$364,025,957	\$417,979,582
Adult Care Home						
NF	\$111,303,303	\$129,254,521	\$148,327,207	\$166,283,624	\$179,383,383	\$195,895,191
SNF	\$1,951,454	\$2,613,960		no longer applicable		
NF-MH	\$4,945,693	\$5,089,668	\$5,352,052	\$7,046,079	\$4,419,411	\$6,001,877
ICF-MR	\$19,134,074	\$26,066,357	\$32,343,811	\$33,390,170	\$35,910,596	\$35,310,593
Audit Adjustments	\$1,739,617	\$754,554	\$0	\$0	\$0	\$0
Other Adjustments	<u>\$1,353,512</u>	<u>\$3,663,482</u>	<u>\$775,272</u>	<u>\$2,005,678</u>	<u>\$1,628,153</u>	<u>\$1,615,633</u>
Subtotal Adult Care Home	\$140,427,653	\$167,442,542	\$186,798,342	\$208,725,551	\$221,341,543	\$238,823,294
Community Based Services						
HCBS	\$3,503,656	\$4,906,708	\$7,582,514	\$14,959,315	\$25,654,241	\$46,564,080
PreScreening	<u>\$0</u>	<u>\$18,440</u>	<u>\$190,447</u>	<u>\$122,690</u>	<u>\$50,199</u>	<u>\$0</u>
Subtotal Comm Based Svcs	\$3,503,656	\$4,925,148	\$7,772,961	\$15,082,005	\$25,704,440	\$46,564,080
Total Medical Assistance	<u>\$321,774,498</u>	<u>\$420,276,844</u>	<u>\$472,248,201</u>	<u>\$542,822,674</u>	<u>\$611,071,940</u>	<u>\$703,366,955</u>

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4-4



WICHITA INDEPENDENT BUSINESS ASSOCIATION

Riverview Plaza Suite 103 • 2604 W. 9th St. N. • Wichita, Kansas 67203-4794
(316) 943-2565 FAX (316) 943-7631 1-800-279-WIBA or 1-800-279-9422

1994 WIBA OFFICERS

Pat Finn
President
Finn & Associates
Gary Ackerman
1st Vice President
Mid-America Building Maintenance
Ron Emmons
2nd Vice President
Moh-Craft I.M.B.
Bert Denny
Treasurer
Regier Carr & Monroe, CPA's
Walt Rogers
Secretary
Agin-Rogers Consulting

1994 WIBA BOARD OF DIRECTORS

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Mid-America Building Maintenance
Jeri Baker
Investment
Charles Bartlett
Kansas Counselors, Inc.
Lynne Bird
Wichita Pump & Seal, Inc.
Roger Bowles
Thermal Trade, Inc.
Ronald L. Christie
Alright Studio
Yale Cook
Yale's Handmade Cards & Gifts
Spencer Delamater
Delamater Engineers
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Riverside Health Services, Inc.
Ron Emmons
Moh-Craft I.M.B.
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DKA Dental of Kansas, Inc.
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Commercial Insurers, Inc.
Lennie Hephner
Hephner TV and Electronics
Ray Hinderliter
Power Chemicals, Inc.
Patricia Hobson
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Professional Software, Inc.
Patricia Koshier
J. R. Custom Metal
Products, Inc.
Vern Koester
North Star Consulting
Cleo Livingston
Lho, Inc.
Leon Lungwitz
Stable Deals, Inc.
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Chaveto Caring Care Corp.
Richard Miller
West Side Mattress
Howard Redburn
Central Detroit Diesel-Alison
Walt Rogers
Agin-Rogers Consulting
Charles Schaefer
United Warehouse Co.
Jacob Shaffer
McCormick Armstrong Co., Inc.
Ken Shannon
Metal-Fab, Inc.
Richard Stumpf
Financial Benefits
Planning Group
Willard Walpole
Wilco, Inc.
James Whitton
Insurance Professional
Dan Wenzel
Wend-Wood, Inc.
Barry Wessel
Empire Bank
Ron Yarnow
Dulaney, Johnston & Priest

ROLAND E. SMITH, Executive Director

February 15, 1994

MEMO TO: Representative Susan Wagle
FROM: Roland Smith, Executive Director
SUBJECT: Medical Savings Account Legislation

Based on discussions in recent weeks with members of the WIBA Board of Directors and several members of WIBA regarding Medical Savings Account Legislation on the national level, I believe they would look favorably on the concept and support it on the state level.

WIBA has not officially reviewed the specific legislation you have introduced, however, I believe many in the business community would welcome the concept and support it.

"The MISSION of the Wichita Independent Business Association is to be the leading resource for the success and growth of independent business."

2/16/94
House Taperation Ante
Attachment 5



National Association for the Self-Employed

Headquarters • 1023-15th St., NW • Suite 1200 • Washington, DC 20005-2600 • 202-466-2100 • 202-466-2123 (fax)

ISSUE BRIEF

Position in Support of Medical Care Savings Accounts

"Financing Employees' Health Care and Long-Term Care Needs"

Background:

In these tough economic times, employers are finding it more difficult to pay for health care benefits -- if they provide any at all to their employees. Current figures show that the smaller the business, the less likely the employer provides health insurance. The high cost of health insurance is the main reason. This can be attributed to the fact that small businesses are more than likely to have very small payrolls. A recent NASE survey revealed that nearly half of the NASE members have an average revenue of under \$50,000 annually, and nearly half (45%) of those with employees have an average annual payroll of under \$12,000. Many small businesses simply cannot afford the high cost of health insurance.

The current third-party payor system has contributed to uncontrolled increases in health care spending, because people are isolated from their health care costs. In essence, once people reach a small deductible, they are "spending someone else's money," they have no incentive to shop wisely. In addition, many of these small companies cannot afford a pension plan or profit-sharing program for their employees. Small employers who cannot afford health care benefits or a pension plan find it more difficult to attract and maintain quality employees.

Position:

The National Association for the Self-Employed, which represents more than 320,000 small business people nationwide, supports legislation that would encourage the establishment of Medical Savings Accounts (MSA's).

In a recent member survey, 73 percent of the NASE's members supported a program in which each person would be "allowed to set aside some money, tax free, to pay for medical expenses, like the way retirement accounts work today."

We believe that MSA's addresses two of society's most pressing problems:

- 1). Controlling runaway health care costs, and
- 2). Financing long-term care.

*2/16/94
House Taxation Committee
Attachment 6*

"Serving the Needs of Small-Business America"

NASE Issue Brief

Page 2

Reasons:

1. **MSA's would provide incentives for people to shop wisely for health care.** MSA's would help companies contain their health care costs by providing incentives for employees to shop wisely for their health care. Under the current third-party payor system, people have no incentive to contain costs. For the most part, they are spending someone else's money. MSA's would empower consumers by putting their health care dollars in their hands. What is not spent is theirs to keep for the future.
2. **MSA's would save employers money on purchasing health insurance.** Under a MSA program, employers would allocate the money already spent on health care benefits but purchase a high deductible plan. In most cases, the employer would save enough money on the health insurance to fully fund the deductible.
3. **MSA's would enable more employers to purchase health insurance for employees.** Health insurance plans are typically too cost prohibitive for small employers. Because high-deductible health insurance policies are less expensive, more small employers would be able to afford to buy health insurance. More workers employed by small business would at least have a catastrophic plan to protect themselves and their families from financial devastation. Employers and workers together could set aside money to fund the deductible.
4. **MSA's would enable more people to save for long-term care.** Currently when an employer purchases insurance for their employees, all the money goes directly to the insurance company -- the employees see none of it. In return, employees get an insurance policy with a \$250 to \$500 deductible. If employees are health-conscious and do not utilize their policy throughout the course of the year, they receive nothing. The insurance company keeps all the money.

Under MSA's, if employees stay healthy and do not utilize money from their account, the money is theirs to keep for future medical care. After many years of continued good health, employees would have substantial savings for other uses such as long-term care.

The National Association for the Self-Employed is a non-profit, 501 (c)(6), trade association representing small businesses and self-employed individuals nationwide. More than 85 percent of our members employ fewer than 5 employees. Many are self-employed as our name indicates. Through our "strength-in-number" purchasing power, we are able to provide our members more than 120 different benefits including discounts on office equipment, financial services, travel packages, and association-endorsed health insurance.

6-2

KANSAS TAXPAYERS NETWORK

P.O. Box 20050
Wichita, KS 67208
(316) 684-0082

Written Testimony on HB 2933 and HR 6008
By Karl Peterjohn

It is a pleasure to testify in favor of these two proposals, particularly in light of the fact that KTN has been forced to be in opposition during most of our previous testimony before this committee on other legislation.

KTN's mission statement states, in part, "...A free market environment must be created to provide prosperity in Kansas." A free market in providing health care must be established and government regulation and bureaucracy kept to a minimum. Health care is a major issue today due to previous and continuing government involvement in this area. There is now a crisis in providing health insurance and these two proposals are an important part of any solution.

Attached to this testimony is a chart from "Health Care Solutions for America," which shows how employed persons under an employer plan pay significantly less for health care than a self-employed individual or worker without employer health coverage. This unequal treatment is caused by our tax system.

Medical accounts for individuals is an attempt to provide catastrophic coverage which is portable, which provides real incentives to avoid excessive use of health services, which allows health consumer's control, does not establish a huge new bureaucracy, creates incentives to reduce costs, allows patient choice of physician, and cuts paperwork.

Coverage of this sort will allow the healthier and generally younger part of the population to accumulate capital for catastrophic coverage while building a nest egg which will not only protect them in the event of accidents but prevent "job lock" from forcing a person to retain a position due to insurance coverage problems on pre-existing conditions.

Small business would be assisted by this legislation, particularly the home based operation which is becoming increasingly common today. The self employed pay much more for health insurance than a comparably employed person working for a firm of over 100 people (see attached chart).

If the state and federal government will go down the road of providing the appropriate tax incentives the coverage problems which exist can be addressed regarding portability and job lock. HB 2933 and HR 6008 are important in addressing these issues. The Kansas Taxpayers Network urges this committee to support both proposals.

2/16/94
House Taxation Committee
Attachment 7

**Table 4-2. Effective Cost of a \$4,000 Health Insurance Policy
for Family with Adjusted Gross Income of \$35,000**

	100% Tax-Free Covered Policy^a	25% Tax Deductible Self-Employed Policy^b	100% Taxed Individually Purchased Policy^c
Additional Earnings Needed to Purchase a \$4,000 Health Insurance Policy	\$3,716	\$7,075	\$8,214
Less 28% Marginal Federal Tax Rate	\$ 0	-\$1,701	-\$2,300
Less 8% Marginal State Income Tax Rate	\$ 0	-\$ 486	-\$ 657
Less Payroll Taxes	+\$ 284	+\$ 888	-\$1,257
Policy Value	\$4,000	\$4,000	\$4,000

^a Funds used to purchase health insurance by an employer are exempt from federal, state, and local income taxes as well as Social Security taxes.

^b Self-employed workers can deduct 25 percent of their health insurance costs from federal and state taxable income.

^c Employees who purchase health insurance on their own must pay for their health insurance with after-tax dollars.

Source: Health Care Solutions for America, *Federal Tax Policy and the Uninsured*, January 1992, page 6.

600



National Association for the Self-Employed

Headquarters • 1023-15th St., NW • Suite 1200 • Washington, DC 20005-2600 • 202-466-2100 • 202-466-2123 (fax)

Statement in Support of Resolution 6008

On behalf of the its more than 300,000 members, including more than 4,000 members in Kansas, the National Association for the Self-Employed endorses House Resolution 6008, which would urge the U. S. Congress to provide federal income tax credits for the costs of individually-purchased health care insurance.

House Resolution 6008 directs Congress' attention to a major inequity in health care today: full, generous tax benefits are available to those who get their health insurance through their employers yet most individuals who buy their own health insurance must do so primarily with hard-earned after-tax dollars. Especially hard-hit are the self-employed, sole proprietors and the very small businesses. Ironically, these are people with the some of the smallest disposable incomes of any groups in the country.

Every survey of the uninsured in recent years has turned up the same finding far and away. The #1 reason people without insurance don't have it is cost. House Resolution 6008 would address that issue squarely, by making insurance more affordable for those who are now struggling the hardest to pay for it. We urge the Kansas legislature to approve House Resolution 6008.

*2/16/94
House Repation Cmte
Attachment 8*

"Serving the Needs of Small-Business America"



KANSAS MEDICAL SOCIETY

623 SW 10th Ave. • Topeka, Kansas 66612 • (913) 235-2383
WATS 800-332-0156 FAX 913-235-5114

February 16, 1994

To: House Committee on Taxation
From: Chip Wheeler, KMS Director of Public Affairs
Subject: House Bill 2933; Individual Medical Accounts

The Kansas Medical Society supports HB2933 because it would provide an incentive for patients to utilize health care services more efficiently. It would restore much needed consumer participation in cost considerations.

In 1992 the Kansas Medical Society adopted a statement of "Health Care Access Objectives." Among the many issues addressed in our concise statement of objectives is to "encourage cost-conscious utilization of services by patients and physicians." We believe that if enacted, HB2933 would improve patient awareness of their financial stake in health care decisions. This would motivate them to consult with their physicians regarding treatment options and decide together whether lower cost alternatives may be acceptable.

The existing system of financing health care no longer consists of insurance in a traditional sense. In the past, we purchased accident and sickness insurance to indemnify against catastrophic episodes that might require hospitalization and costly treatment. For a variety of reasons, most health insurance products today are instead pre-paid health care. This removes or at least insulates the patient from the impact of cost.

Even when the patient is required to participate financially in the form of a copayment, oftentimes there is a tendency to request that the physician spare no expense because, after all, the diagnostic tests and prescribed treatments are for the most part covered by insurance. Physicians inform us that some patients insist on receiving the newest treatment modalities simply because they have read or heard about the new, expensive technology.

House Bill 2933 is not the panacea to address all of the problems in our system of health care finance. It is, however, a meaningful way of addressing one of the significant flaws; lack of cost consciousness among consumers of health care services.

Thank you for the opportunity to comment. We respectfully request that you recommend passage of HB2933.

2/16/94
House Taxation Cmte
attachment 9



PUBLIC POLICY STATEMENT

HOUSE TAXATION COMMITTEE

RE: H.B. 2933 - Relating To Individual Medical Accounts

February 16, 1994

Topeka, Kansas

Presented by:

Paul E. Fleener, Director

Public Affairs Division

Kansas Farm Bureau

Chairman Roe and members of the committee:

We welcome the opportunity to make brief comments in support of H.B. 2933.

For the record, my name is Paul E. Fleener. I am the Director of Public Affairs for Kansas Farm Bureau. Our members, not unlike citizens throughout the country, have been looking at the health care delivery system for some period of time. Some reforms need to be made. Individuals must take a greater responsibility in developing and maintaining healthy lifestyles. And there is an appropriate role for government to create a climate of opportunity and, when necessary, provide some outright assistance in the health care area.

Our policy position, adopted by Voting Delegates from the 105 counties at the KFB Annual Meeting in Wichita, November 18-20, 1993 is a comprehensive Rural Health Care policy. You will see that attached to our brief statement.

*2/16/94
House Taxation Cmte
Attachment 10*

In keeping with our Kansas position on rural health care ... health care access and availability, we think it is appropriate to have a tax structure that provides for the establishment of a medical savings account or, as H.B. 2933 calls it, an individual medical account. We support the concept. We believe it is appropriate for people to put something away for payment of health care costs. We are pleased to be here today as a proponent of this measure. We thank you for the opportunity to make these brief comments.

**This resolution was adopted by the Voting Delegates at the
1993 Annual Meeting of Kansas Farm Bureau, November 18-20.**

Rural Health Care

PHW-4

Access to high quality and affordable health care is essential to all Kansans. Access and affordability will not be achieved by mandating employers to pay health insurance costs for employees, nor by enacting a single-payer, government-based health care plan.

Health care is primarily the responsibility of the individual. Health care policy changes should endorse the following principles:

1. Promotion of personal wellness, fitness and preventive care as basic health goals;
2. Minimal government intervention in decisions between providers and receivers of health care; and
3. Federal tax policies that encourage individuals to prepare for future health care needs.

We support the following measures which will assist in preserving this vital service to rural Kansas:

1. Reduce the shortage of rural health care professionals by encouraging students to enter the health care professions, serve residencies in rural areas, establish and maintain practice in rural areas. Providers in urban areas should be encouraged and given incentives to participate in respite, locum tenens and sabbatical programs for rural physicians;
2. Create and/or maintain state scholarship programs for all health care professionals, require scholarship recipient graduates to provide some service in underserved areas, and create a strong disincentive for any scholarship recipient "buying out" of that required service;
3. Encourage the Legislature and Congress to expedite visas for foreign doctors who are qualified, willing to work in rural areas, and sponsored by a rural hospital or clinic;
4. Programs which implement joint use and cooperation between and among health care facilities, school districts, municipal and county governments to enhance health education, preventive health care, and efficiency of health care delivery;

5. Establish innovative managed care programs through incentives for government, providers and private insurers where medical services are offered through a network of physicians and hospitals at discounted costs; and

6. Authorization and support by the Kansas Board of Regents for Kansas State University/University of Kansas School of Medicine (Kansas City and Wichita) for the joint effort underway to develop the Rural Health Dynamics Program.

In order to provide affordable health insurance coverage to all Kansans, we encourage consideration of the concept of "community based health insurance rates." If the insurance industry continues to use a review of health care utilization as a method of establishing rate increases in Kansas it should use a running average to establish rates.

We believe the financial stability of some hospitals is being threatened by the increasing number of non-paying patients. We will support the following:

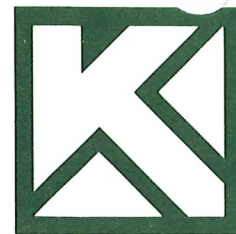
1. Amend state law to allow hospitals greater access to small claims courts so they may collect more debts from those who can pay;
2. Establish a statewide risk pool for those who cannot access health insurance due to pre-existing conditions; and
3. Change the health care coverage rules to make preventive care as well as emergency care available to the medically needy.

Denial of claims for pre-existing conditions, once an individual has been covered by insurance, changes jobs, or has filed a claim for such condition, should be prohibited.

For many of our elderly, nursing home care will be a necessity. For others, remaining in their own homes will be far preferable. We believe health care programs for senior citizens in Kansas should maximize the independence of the elderly for as long as possible. Development of local Home Health Care organizations would assist both affordability and availability of health care. The Kansas Legislature should provide more flexibility in the allocation of per diem rates for nursing staff.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



835 SW Topeka Blvd. Topeka, Kansas 66612-1671 (913) 357-6321 FAX (913) 357-4732

HB 2933

February 16, 1994

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Committee on Taxation

by

Terry Leatherman
Executive Director
Kansas Industrial Council

Mr. Chairman and members of the Committee:

My name is Terry Leatherman. I am the Executive Director of the Kansas Industrial Council, a division of the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to comment on HB 2933.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

*2/16/94
House Taxation Cmte
Attachment II*

In January 1993, the Board of Directors for the Kansas Chamber adopted a policy to direct KCCI in commenting on legislation to address reforms of health care. When developing this policy direction, the concept of medical savings accounts was not considered. However, KCCI's policy does speak to developing innovative health care purchasing techniques and promotion of market incentives to encourage employers to provide health insurance to employees. To the degree that HB 2933 strives towards those principles, KCCI is pleased to urge this Committee to consider the positive results Kansans could realize through this unique insurance arrangement.

A very recent survey by KCCI indicates that business support in Kansas exists for medical savings accounts. Last month, KCCI mailed its members a summary of six major health reform proposals being considered in Congress. In the report, KCCI requested members complete a survey on which of the reform proposals they supported, in five separate categories.

One of the categories reviewed how the six proposals would change health care insurance in the United States. Preliminary KCCI survey results show that 29% of our members chose Senator Phil Gramm's insurance reform concept, which has medical savings accounts at the heart of his reform. The second most popular proposal for KCCI members was Representative Bob Michel's plan, which also features a medical savings account concept. When the Gramm and Michel survey responses are combined, 50% of KCCI members supported their program of insurance reform through medical savings account arrangements. This result is especially striking when you consider that public knowledge of the Gramm and Michel plans pale in comparison with the other proposals reviewed in the KCCI Health Care Report.

Why are medical savings accounts popular? Here are a few possible reasons.

1. An insurance plan with a high deductible can be found at an affordable price, and the savings account component allows money to be set aside to meet the deductible challenge.
2. Medical savings accounts inject a much needed dose of consumer purchasing responsibility into health care. The savings account, coupled with the large deductible, will cause the health care consumer to make careful spending decisions.

Medical savings accounts are an innovative approach to the problems of health without new government bureaucracy. Government's principal mission in the proposal is the tax policy involved of medical savings accounts.

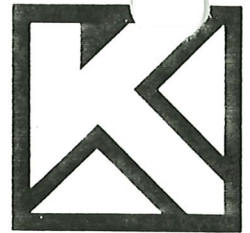
How successful would HB 2933 be in addressing today's health care challenges? If the goal is to solve the vexing problem of health insurance access to all Kansans, then HB 2933 will fall well short of achieving that measure of success. However, this proposal is presented as an innovative alternative which increases the potential insurance options for health insurance purchasers. Towards that measurement, the authors of HB 2933 should be applauded.

Once again, thank you for the chance to comment on HB 2933. I would be happy to answer any questions.

11-3



HEALTH CARE



Kansas Chamber of Commerce and Industry

835 SW Topeka Blvd. Topeka, Kansas 66612-1671 (913) 357-6321 FAX (913) 357-4732

January 1994

Health Care Report #2

KCCI Compares Major Health Care Plans

Who Has The Best Health Care Reform Plan? Maybe You Do.

Please share your views on health care reform by completing and returning the appropriate form in accordance with the instructions below.

KCCI must have this information to adequately represent you.

Please reply by January 31.

KCCI's Health Care Report #2 reviews the key issues in the six major health insurance reform proposals which will be considered by the United States Congress in 1994. You will see the contrast in these six reform proposals inside this report. In addition, a seventh column is included for **YOUR** views on how health care should be reformed. Review the bill comparisons and in the final column to select which plan you feel Congress should pursue. For example, criteria 'A' concerns the overall objectives of the plans. If you feel the Cooper Plan (3) is the best in this category, you would put '3' in the final 'A' column. After completing the final column, please detach that portion of the report and return it to KCCI.

KCCI plans to compile the responses from our members and share the information with our elected officials in Washington and Topeka. In order to assure this report truly reflects the feelings of the Kansas business community, make sure you complete and return your views to KCCI. You are also encouraged to include this report in your notebook of KCCI reports on health care.

After reviewing the inside pages of this report, please note that a "health care glossary" of terms being used by health care reformers is included on the back page. Our next report will review health care reform proposals which will be considered by the Kansas Legislature in 1994.

The six proposals are:

- ① **THE CLINTON PLAN** - The American Health Security Act, which was developed by First Lady Hillary Rodham Clinton's Health Care Reform Task Force and is being proposed by the Clinton Administration.
- ② **THE CHAFEE/DOLE PLAN** - The Republican Senate Alternative for health care reform. The principal author of the plan is Rhode Island Senator John Chafee.
- ③ **THE COOPER PLAN** - The author of the bill is Representative Jim Cooper, a Tennessee Democrat. This bill touts bi-partisan support.
- ④ **THE McDERMOTT PLAN** - The bill's author is Representative Jim McDermott, a Washington Democrat, and has 89 co-sponsors in the House. Similar legislation is proposed in the Senate. The bill calls for a government operated health care system.
- ⑤ **THE GRAMM PLAN** - The bill's author is Texas Republican Senator Phil Gramm. The major reform concept in this bill is promotion of Medical "IRAs."
- ⑥ **THE MICHEL PLAN** - The Republican House Alternative for health care reform. The principal sponsor is House Minority Leader, Illinois Representative Bob Michel.

11-4

CRITERIA	① Clinton Administration Plan	② Chafee/Dole Senate GOP Alternative Plan	③ Cooper A Bi-partisan House Plan
A. WHAT IS THE OBJECTIVE OF THE HEALTH REFORM PLAN?	All Americans will have health insurance coverage by 1998. This is accomplished by mandating employers to provide health insurance to employees.	All Americans will have health insurance coverage by 2000. This is accomplished by requiring individuals to purchase health insurance.	Voluntarily expand the availability of health insurance through "managed competition."
B. HOW WILL HEALTH CARE INSURANCE BE CHANGED BY THE PLAN?	Health Alliances would be the link between citizens and health care providers. Employers would be required to purchase health plans through the Alliance. Employers of more than 5,000 could establish their own "Corporate Alliance." Insurance companies, HMOs and managed care groups would need an Alliance's approval to operate. Approval would require health plans to use "community rating," and not exclude people for health reasons.	Private Sector Purchasing Cooperatives would be formed for employers of less than 100. The Cooperatives would be owned by member businesses and would be formed in all states. Purchasing Cooperatives and Qualified Health Insurance Plans would use "community rating" and could not exclude people for health reasons.	Each state would form at least one Health Plan Purchasing Cooperative (HPPC). The HPPC would offer each enrollee a menu of accountable health plans (AHP), which are developed by insurance companies and health care providers. Each enrollee, not their employer, will choose their preferred AHP and may change plans annually. HPPCs will collect individual and employer-based premiums and pay AHPs. A 1% premium tax will pay for HPPC administration costs.
C. WHAT RESPONSIBILITIES DO EMPLOYERS HAVE IN THE REFORM PLAN?	Employers must pay a minimum of 80% of a full time employee's premium and a pro-rated percentage of a part time employee's premium. The employers premium participation is capped as low as 3.5% of payroll, or as much as 7.9% of payroll. The cap level is based on the business' number of employees and their wages.	Employers must offer their employees health insurance coverage, but are not mandated to pay a percentage of their premium. To assist individuals purchase insurance, there is a phased-in subsidy, which starts at 90% of poverty and increases to 240% of poverty by the year 2000.	Employers are not mandated to pay a percentage of their employee's health insurance premium. However, employers of less than 100 must join HPPCs. States would be given the flexibility to increase the employee threshold number, so long as no more than half of a state's employees are insured by the HPPC.
D. WHERE WILL THE DOLLARS FOR HEALTH CARE BE GENERATED?	Most health care dollars will come from employer/employee health care premiums. Insurance plans will also have co-payments and deductibles. "Corporate Alliances" will pay a 1% payroll tax. There will also be a tax increase on tobacco products.	Most health care dollars will come from insurance premiums, co-payments and deductibles. There will be a "tax cap" on how much insurance premium cost can be deducted from taxes.	Most health care dollars will come from insurance premiums, co-payments and deductibles. There would be a cap on tax deductibility of employer premium contributions.
E. WHAT HEALTH CARE COST CONTAINMENT FEATURES ARE CONTAINED IN THE PLAN?	There will be an overall limit on health care expenditures by placing "global budgets" on Health Alliances. Savings will be realized by streamlining claims administration process.	The plan proposes medical malpractice reforms, uniform claims processing, and antitrust reform to allow the sharing of resources.	The plan proposes medical malpractice reforms, uniform claims processing, a phase out of Medicare subsidy for upper-income beneficiaries and reduced growth in Medicare provider fee increases.

4 McDermott "Canadian Model" Plan	5 Gramm By Sen. Phil Gramm (R-Texas)	6 Michel House GOP Alt. "Incremental Reform"
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KCCI Member Plan

List the plan number in the boxes below to design your plan. Select one number only.

All Americans will have health care coverage by 1996. This will be accomplished by government becoming a "single payer" of health care.	Voluntarily expand the availability of insurance through insurance reform and "medical savings accounts."	Voluntarily expand the availability of insurance through insurance market reforms.
All Americans would be insured through the government program. Private insurance could only insure health needs that are outside the benefit package provided by the government program.	Current private insurance process would not be changed. The plan does produce a new insurance concept, the Medical Savings Account. Voluntary employer/employee contributions would purchase a \$3,000 deductible catastrophic insurance policy and fund a Medical Savings Account. Tax free withdrawals from the Account to pay out-of-pocket medical expenses which apply to deductible. Other Account withdrawals would be considered "income."	Insurers who sell small group health plans would be required to offer a Standard Health Plan, a Catastrophic Plan and a Medisave Plan to all businesses who employ two to 50 employees. Pre-existing condition restrictions would be limited, as would allowable premium increases. Group purchasing arrangements would also be encouraged by eliminating current IRS regulatory burdens.
Employers would have no role in the plan, except for paying taxes to pay for the health care program.	Employers would not be required to pay a percentage of an employee's insurance premium, but would be required to offer employees three health insurance alternatives. They are: 1) a standard health insurance plan, 2) an HMO-styled health care plan, and 3) a tax free Medical Savings Account.	Employers would be required to offer a health insurance program to their employees, but would not be mandated to pay a percentage of the employee's premium.
A series of taxes would pay for the plan: <ul style="list-style-type: none"> a 7.9% payroll tax on all employers a corporate income tax increase to 38% for businesses with more than \$75,000 profit income tax increases to 15/30/34%-38% income tax for families with more than \$200,000 annual income Medicare payroll tax hike to 6.45% 85% of Social Security benefits would be considered income 	The program is voluntary, placing all financial responsibility on individuals.	The program is voluntary, placing all financial responsibility on individuals.
Spending will be controlled by a national board which will establish a "global budget." Future budget increases will be limited to growth of the Gross National Product.	The plan proposes to remove antitrust barriers to cooperative efforts, medical malpractice reform, and greater price competition through expanded consumer choice.	The plan proposes to strengthen fraud penalties in health care services, remove antitrust barriers to forming joint ventures, standardized claims processing, and medical malpractice reform.

A.

B.

C.

D.

E.

Fill out reverse side and clip and return to KCCI

11-6

GLOSSARY ON HEALTH CARE REFORM

Name _____

Address _____

Company _____

City/State/Zip _____

Phone/FAX _____

Circle one of the following:

Manufacturing

Retail/Wholesale

Service

Finance

Other

Number of employees:

25 or less

25-100

101-499

500 or more

Return to: KCCI, 835 SW Topeka Blvd., Topeka, KS 66612 (913) 357-6321 - FAX (913) 357-4732

Administrative Streamlining - In order to reduce administrative costs, streamlining would simplify and decrease the amount of paperwork associated with paying providers and delivering care. Reform would include standardization of processes and the introduction of improved information management technologies.

Corporate Alliances - Same as "regional alliances," except operated by employers of more than 5,000 employees, rather than state government.

Employer Mandate - Requirement that all employers offer and pay for a portion of their workers' health insurance coverage.

Global Budget - The number of dollars which would be available to pay all health care costs.

Individual Mandate - Requirement that individuals assume responsibility for securing their own health insurance.

Insurance Market Reform - Changing the practices of insurance companies in selling health insurance to small businesses and individuals. The purpose is to eliminate competition among health insurance companies based on the selection of low risk customers. Reforms often include eliminating insurance companies' ability to deny health insurance or charge higher premiums on pre-existing conditions, require insurers to accept all who wish to enroll for coverage and guarantee their ability to renew coverage, and providing consumer information.

Managed Competition - A concept which calls for government action to cause "free market" competition. The goal of managed competition is cost containment by causing the health care market to lower costs in order to attract business.

Medical Savings Account - A special "IRA" in which individuals would deposit money for future out-of-pocket health care expenses. They would make contributions to the account on a pre-tax basis, up to specific amounts.

Purchasing Cooperatives - State established programs which band small businesses and individuals together into groups for the purpose of gaining a better ability to spread risk and gaining greater market leverage when purchasing health insurance.

Regional Alliances - Like "purchasing cooperatives," alliances are state established programs where businesses purchase health insurance. By banding employees together, alliances are able to spread risk and gain purchasing leverage. Alliances will collect health premiums, work within global budgets, and approve all health plans.

Tax Cap - For employers, the tax cap is the benefit level at which they can no longer deduct as a business expense the cost of health insurance in determining taxable income. No deduction can be taken on the portion or value of benefits that exceeds the specified level. For individuals, the tax cap is the benefit level beyond which any amounts would be treated as income to the employee. Beyond the specified level, individuals would be subject to income and payroll taxes, and employers would be liable for their share of payroll taxes.

Universal Coverage - Enrollment of all Americans in health insurance.

11-7