

Approved: January 24, 2011

Date

MINUTES OF THE HOUSE INSURANCE COMMITTEE

The meeting was called to order by Chairman Clark Shultz at 3:35 p.m. on January 19, 2011, in Room 152-S of the Capitol.

All members were present except
Representative O'Hara - Excused

Committee staff present:

David Wiese, Office of the Revisor of Statutes
Ken Wilke, Office of the Revisor of Statutes
Melissa Calderwood, Kansas Legislative Research Department
Cindy Lash, Kansas Legislative Research Department
Sue Fowler, Committee Assistant

Conferees appearing before the Committee:

Sandy Praeger, Kansas Insurance Department

Others attending:

See attached list.

Representative Shultz introduced Committee Members and Staff

Commissioner Sandy Praeger, Kansas Insurance Department, (Attachment 1), presented an update on the Health Insurance Reform and Implementation.

Introduction of Bills:

Commissioner Sandy Praeger, Kansas Insurance Department, (Attachment 2), requested the following four bill introductions:

Trade Secrets

The bill exempts trade secrets and copyrighted material from disclosure in open record requests. This is in response to an AG opinion indicating all records are open. All records are open at this time.

Municipal Group Funded Pools

The bill increases the time to review Pool applications from 30 to 60 days. This is consistent with language for Group-funded people. This also amends the municipal pools increasing the time for pools to file their audited statements from 90-150 days.

Work Comp Pool Audited Financial Statements

This bill would provide for increasing the time for group funded pools to file their audited statements from 90-150 days. This is consistent with language for Group-funded people. This also amends the municipal pools increasing the time for pools to file their audited statements from 90-150 days.

Fraudulent Insurance Act

The bill extends the confidentiality under KSA 40-2,118 or the Fraudulent Insurance Act. This bill extends the sunset of the anti-fraud plans, which expires on 7/1/11 for an additional 5 years.

Representative Hermanson made a motion to introduce the four bills presented by Insurance Commissioner Praeger. Seconded by Representative Grant. Motion adopted.

Representative Hermanson made a motion to introduce a bill regarding escrow auditing requirements of title insurance companies. Seconded by Representative Grant. Motion adopted.

Next meeting is scheduled for Monday, January 24, 2011, 3:30 P.M. in Room 152-S in Capitol.

Meeting adjourned at 5:45 p.m.

House Insurance Committee Guest Sign In Sheet Wednesday, January 19, 2011

[illegible]

Kansas Insurance Department

House Insurance
Date: 1-19-11
Attachment # 1



Presentation to the House Insurance Committee

January 19, 2011

Kansas Statistics

Introduction

- **Kansas Population: 2.85 million (US Census Bureau, 2010)**

Health
Insurance
Reform
Overview

- **Approximately 340,000 people in Kansas do not have health coverage, ~ 12% of the population (national statistic is 50 million, 16.2%)**

Exchanges

- **13.8% of Kansans have Medicare**

Questions?





Introduction

Health
Insurance
Reform
Overview

Exchanges

Questions?

Kansas Statistics

•In Kansas, health insurance coverage, not including Medicare, breaks down this way:

Ages 19 – 64 (2007-2008):

- 65.8% of Kansans have employer-based coverage (Nationally, 63%)
- 8.0% have individual coverage
- 5.7% have Medicaid
- 4.6% have other public insurance (Tri-Care, etc.)
- 16% are uninsured

Sources: Averages from Kansas Health Institute,
Kaiser Family Foundation



Health Care Reform Enacted

Introduction

Health
Insurance
Reform
Overview

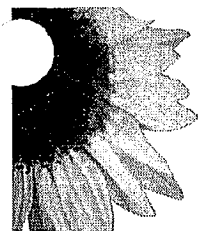
Exchanges

Questions?

On March 23, 2010, President Obama signed the Patient Protection and Affordable Care Act of 2010 (H.R. 3590)

On March 30, 2010, President Obama signed the Reconciliation Act of 2010 (H.R. 4872)





Introduction

Health
Insurance
Reform
Overview

Exchanges

Questions?

Key Reforms – Early Implementation

- **High Risk Pool Grants** (\$5 billion – 2010-2013)

- Kansas received \$36 million

- For individuals who currently do not have coverage and have a pre-existing condition

- Operational as of July 29. Coverage began Sept. 1. Separate from existing KS pool – new pool has only federal dollars, different cost to consumers. Continual enrollment.

- Currently 122 enrollees.





Introduction

Health
Insurance
Reform
Overview

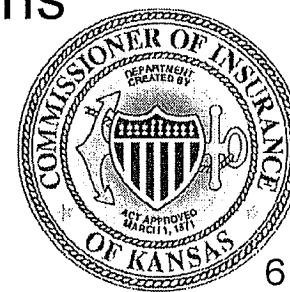
Exchanges

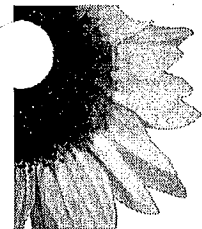
Questions?

Key Reforms – Early Implementation

•Health Plan Reforms (as of September 23, 2010)

- No lifetime limits; First-dollar coverage for preventive services
- No rescissions; Appeals process
- Dependent coverage up to 26 years of age
- No Pre-existing Condition Exclusions for Children





Introduction

Health
Insurance
Reform
Overview

Exchanges

Questions?

Key Reforms – Early Implementation

- **Grants to States for:**
 - **Consumer Assistance - to enhance consumer education and outreach**
 - **Rate Review – to enhance rate review process and procedures**
 - **Exchange Planning**



Key Reforms – Early Implementation

Introduction

Health
Insurance
Reform
Overview

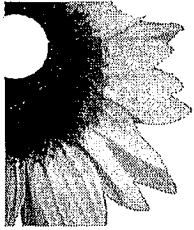
Exchanges

Questions?

- **Early Retiree Reinsurance Program - 49 Kansas employers participating as of 12/20/2010**

- **Medical Loss Ratios – 80% for individual and small group market; 85% for large group market; Rebate program begins for 2011 plan year**





Introduction

Health
Insurance
Reform
Overview

Exchanges

Questions?

Small Business Tax Credit

- **Businesses with 25 or fewer employees.**
- **Average wages less than \$50,000.**
- **Contribute at least 50% of premium.**
- **Phases out as size and wages of business increase.**
- **2010-2013: Up to 35% of total employer contribution.**
- **2014 and later: Up to 50% of contribution.**





Introduction

Health
Insurance
Reform
Overview

Exchanges

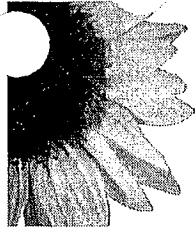
Questions?

Key Reforms – 2014 Implementation

- **Market Reforms:**

- Guarantee Issue and no Pre-existing Condition Exclusions in all markets
- Rating Reforms limiting factors to age (3:1),⁽¹⁾ geography,⁽²⁾ tobacco use and family composition⁽³⁾
- No annual limits





2014 Key Reforms (continued)

Introduction

- **Individual Mandate** to ensure consumers do not wait until they are sick to seek coverage.

Health Insurance Reform Overview

• **Penalties for no coverage (whichever is greater):**

- 2014 - \$95 or 1% of household income.
- 2015 - \$325 or 2% of household income.
- 2016 - \$695 or 2.5% of household income.
- Annual increases after 2016.

Exchanges

Questions?





Introduction

Health
Insurance
Reform
Overview

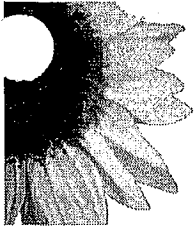
Exchanges

Questions?

Large Employer Responsibility (50 or more FTEs)

- If employer **fails** to offer minimum coverage and one of its employees receives a subsidy through the Exchange, the employer will be subject to a penalty of \$2,000 per employee.
- If an employer **offers** coverage but an employee receives a subsidy through the Exchange, the employer will be subject to a penalty of \$3,000 per employee receiving a subsidy.





Introduction

Health
Insurance
Reform
Overview

Exchanges

Questions?

KID and NAIC Working Groups

•Kansas Insurance Department Health Reform Working Group

- Grant applications
- Rate and form filing review
- High risk pool
- Consumer Ombudsman work
- Exchange Planning/Coordination
- Data collection
- IT architecture

•**NAIC – 14 working groups**, including standardized definitions, uniform explanation of coverage.



KID Response Initiatives

Introduction

- Regular updates on implementation – consumer/business information posted-

Health
Insurance
Reform
Overview

- www.ksinsurance.org – special section on health reform with links to other sites

- www.healthcare.gov - national web portal

Exchanges

Questions?





Introduction

Health
Insurance
Reform
Overview

Exchanges

Questions?

Kansas Insurance Department goal in federal health reform:

*Work for the best possible outcomes
for Kansas consumers,
Kansas agents
and Kansas companies
by keeping reforms at the state level.*





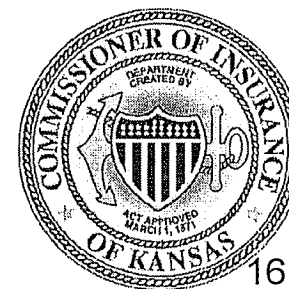
Introduction

**Health
Insurance
Reform
Overview**

Exchanges

Questions?

Exchanges



Statutory Timelines

Introduction

Health
Insurance
Reform
Overview

Exchanges

Questions?

- **Each state shall establish an American Health Benefit Exchange by January 1, 2014.**

- Includes individual market and small group market Exchanges – these may be combined.

- **Small Group defined as 1-100 employees:**

- State may elect to define as 1-50 until January 1, 2016.

- State may elect to combine individual and small group markets.



Statutory Timelines

Introduction

The Secretary of HHS must certify by January 1, 2013, that a state will be able to operate a qualified Exchange.

Health
Insurance
Reform
Overview

If a state does not, the federal government will operate it.

Exchanges

Questions?





Introduction

Health
Insurance
Reform
Overview

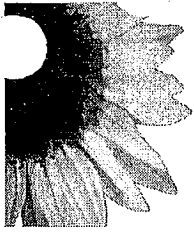
Exchanges

Questions?

Federal Exchange Grants

- **Initial Planning Grants** - \$1 million to 48 states + District of Columbia.
 - For research and planning:
 - Market analysis
 - Development of governance and operational framework
 - IT assessment
 - Stakeholder outreach
 - Staffing
 - Funding Requirements
- **Early Innovator – Submitted 12/22/2010**
- **Establishment Grants:** Details to be announced in Spring 2011.





Exchanges

Introduction

- The Exchange must be operated by a governmental agency or nonprofit entity established by a state.

Health
Insurance
Reform
Overview

- Legislature must enact laws for creation and implementation of Exchange.

Exchanges

Questions?





Key Decision Points

Introduction

Health
Insurance
Reform
Overview

Exchanges

Questions?

- ☐ Governance
- ☐ Additional Functions of the Exchange
- ☐ Additional Information for Consumers
- ☐ Regulation of the Outside Market
- ☐ Mandated Benefits
- ☐ Funding of Operations
- ☐ Role of Agents



Role of Agents

Introduction

Health
Insurance
Reform
Overview

Exchanges

Questions?

- **States may allow agents and brokers to:**
 - Assist individuals and employers to enroll in qualified health plans in the Exchange.
 - Assist individuals in applying for premium tax credits and cost sharing reductions for plans in the Exchange.
- **States will establish compensation structure for agents and brokers.**





Role of State Agencies

Introduction

Health
Insurance
Reform
Overview

Exchanges

Questions?

- **Department of Insurance:**

- Licensure
- Certification
- Market conduct
- Enforcement

- **Medicaid and CHIP (Children's Health Insurance Program):**

- Medicaid & CHIP eligibility determinations and enrollment





Introduction

Health Insurance Reform Overview

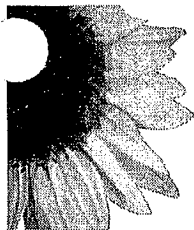
Exchanges

Questions?

Individual & Small Group Exchanges

- **Individuals may enroll in any qualified health plan offered in state Exchange.**
- **Employees have choice of carrier:**
 - Employer may choose coverage level.
 - Employees choose from carriers offering at that level.
 - Employees individually rated (limited to four allowed rating factors).










Introduction

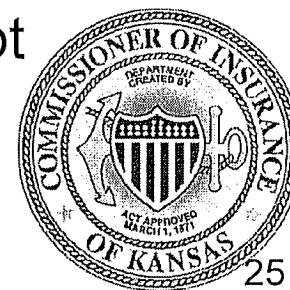
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Reform
Overview

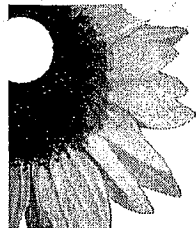
Exchanges

Questions?

Levels of Coverage

-  **Bronze** – covers 60% of actuarial value of benefits.
-  **Silver** – covers 70% of actuarial value of benefits.
-  **Gold** – covers 80% of actuarial value of benefits.
-  **Platinum** – covers 90% of actuarial value of benefits.
-  **Catastrophic** – high-deductible plan for young (under age 30) and those exempt from individual mandate.





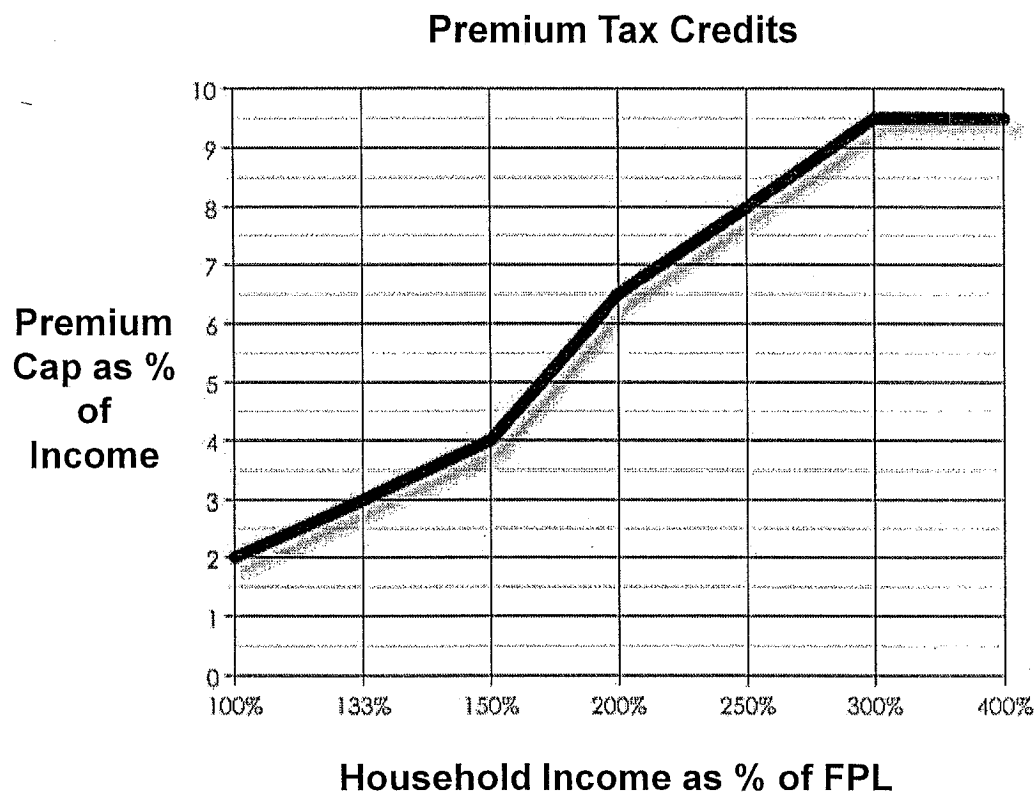
Introduction

Health Insurance Reform Overview

Exchanges

Questions?

Premium Tax Credits



- Available from 100% - 400% FPL.

- Covers the difference between premium for the second-lowest-cost Silver plan and a percentage of income.

- Advanced to insurer.





Introduction

Health
Insurance
Reform
Overview

Exchanges

Questions?

Exchange Functions

At a minimum, an Exchange must:

- Operate a toll-free hotline for consumer assistance.
- Maintain an Internet website with comparative information about available qualified plans.
- Certify qualified plans to be made available to individuals or employers. (dental plans can be included)





Introduction

Health
Insurance
Reform
Overview

Exchanges

Questions?

Exchange Functions

At a minimum, an Exchange must:

- Inform individuals of eligibility for Medicaid, and CHIP and enroll them in such programs.
- Make available a calculator to determine the actual cost of coverage after application of premium tax credits and cost sharing reductions.





Introduction

Health Insurance Reform Overview

Exchanges

Questions?

Exchange Functions

At a minimum, an Exchange must:

- Grant a certification attesting that the individual is not subject to the coverage mandate because:
 - there is no affordable health plan available, or
 - the individual is exempt from the mandate
- Transfer to the U.S. Treasury Department a list of exempt individuals and employees eligible for premium tax credit





Introduction

Health
Insurance
Reform
Overview

Exchanges

Questions?

Exchange Functions

At a minimum, an Exchange must:

- Establish a Navigator program
- Exchange will award grants to entities such as: trade/industry groups, professional associations, farming organizations, consumer nonprofit groups, and chambers of commerce who will educate consumers and assist with enrollment in qualified health plans.





Introduction

Health
Insurance
Reform
Overview

Exchanges

Questions?

Plans Available in Exchange

•Qualified Health Plans must:

- Be offered by a licensed insurance company.
- Insure a sufficient choice of medical providers.
- Provide information to the public regarding the quality of the plan.
- Provide Essential Benefits as defined by HHS.





Introduction

Health
Insurance
Reform
Overview

Exchanges

Questions?

Plans Available in Exchange

- **Qualified Health Plans must:**

- Agree to offer at least one Silver and one Gold plan.
- Agree to charge same price in and out of Exchange.
- Utilize standardized format for presenting plan options.





Questions?

Introduction

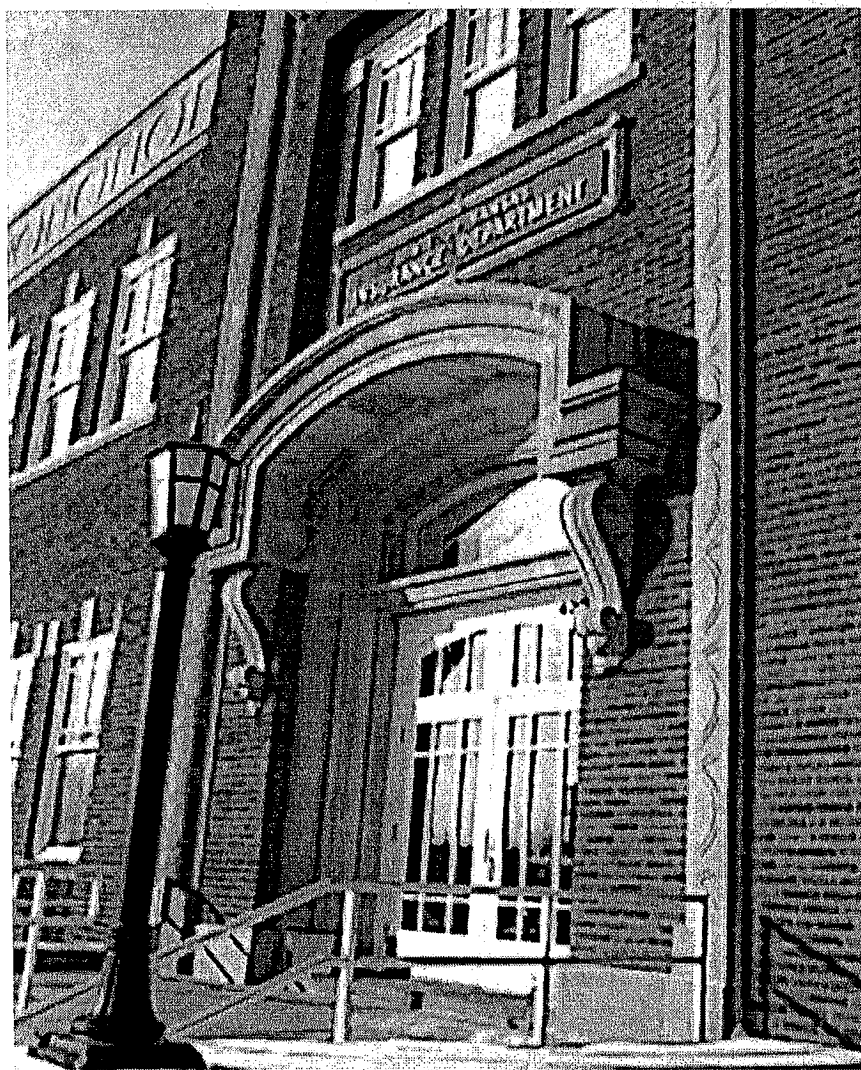
Health
Insurance
Reform
Overview

Exchanges

Questions?



Kansas Insurance Department



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Topeka, KS 66612

www.ksinsurance.org
commissioner@ksinsurance.org

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Consumer Assistance:
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Fax:
785-296-7805



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

Bill Introduction
To
House Insurance Committee

January 19, 2011

Chairman Shultz and committee members, thank you for the opportunity to request bill introductions. The Kansas Insurance Department respectfully requests the following bills:

1. Trade Secrets – the bill exempts trade secrets and copyrighted material from disclosure in open record requests. This is in response to an AG opinion indicating all records are open. All records are open at this time.
2. Municipal Group Funded Pools – the bill increases the time to review Pool applications from 30 to 60 days. This is consistent with language for Group-funded people. This also amends the municipal pools increasing the time for pools to file their audited statements from 90-150 days.
3. Work Comp Pool Audited Financial Statements – this bill would provide for increasing the time for group funded pools to file their audited statements from 90 to 150 days. This is consistent with the requirements on insurance companies. It will also reduce the number of extensions requested by carriers to the department.
4. Fraudulent Insurance Act – the bill extends the confidentiality under KSA 40-2,118 or the Fraudulent Insurance Act. This bill extends the sunset of the anti-fraud plans, which expires on 7/1/11 for an additional 5 years.

Thank you for your consideration of this request.

House Insurance
Date: 1-19-11
Attachment # 2