

SESSION OF 2010

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2682

As Amended by House Committee on
Taxation

Brief*

HB 2682, as amended, would allow small employers who do not offer a group health insurance plan to contribute to the premium of an eligible employee's individually underwritten health insurance plan. The bill also would allow employees to retain their individually underwritten plan even if they are eligible to enroll in a small employer's group health plan. A small employer who has a group plan could establish a health reimbursement plan that contributes to the premium of employees who have an individually underwritten health insurance policy. Any contribution to a health reimbursement plan for individually underwritten health insurance policies would have to equal the same amount the employer would have contributed had the employee elected to participate in the small employer's group plan.

Starting with the 2010 open enrollment period, the bill would require an administering carrier to offer eligible employees the option of health care coverage through a high deductible health plan and the establishment of a health savings account, which could be offered through a cafeteria plan as authorized under 26 U.S.C. Section 125. The bill would define "carrier" as any insurance company, nonprofit medical and hospital service corporation, nonprofit optometric, dental and pharmacy service corporations, municipal group-funded pool, fraternal benefit society or health maintenance organization. The bill also would allow a taxpayer to deduct amounts paid, from their federal adjusted gross income, for health insurance premiums for any individually underwritten

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

privately purchased health insurance policy providing health care coverage for the taxpayer, taxpayer's spouse or dependents.

Background

Representative Arlen Siegfried, Representative Milack Talia, Topeka Independent Business Association, HSA Benefits Consulting, and the National Federation of Independent Business-Kansas testified in support of HB 2682. Proponents stated that under current law an employer cannot contribute to the premium of an employee who has an individually underwritten and privately purchased health insurance policy. They stated that many small businesses do not qualify for a small group plan, thus forcing the employees to either privately purchase an individually underwritten health benefit plan or go uninsured. The proponents believe that allowing small businesses to contribute to individually underwritten and privately purchased health insurance plans would reduce the number of uninsured Kansans.

The Kansas Department of Revenue and Kansas Insurance Department testified in opposition to HB 2682. A representative from the Department of Revenue contended that the negative \$27.2 million fiscal implication is beyond what the state can afford. The Insurance Department stated that employers who currently provide group insurance for their employees could terminate that group coverage in favor of contributing to the cost of individual coverage for their employees. The Insurance Department further contended that some of those employees who previously had coverage under the group plan would be unable to obtain individual coverage for the amount contributed by the employer, or at any price, depending on their age or health status, or both.

The House Taxation Committee amended the bill by removing the word "individual" from Section 6 Subsection (xxi) and replacing it with "individually underwritten, privately purchased health."

The fiscal note prepared by the Division of the Budget indicates that the bill would reduce FY 2011 state general fund revenues by about \$27.2 million.