

To: Kansas House Committee on Insurance
From: Secretary Adam C. Proffitt, Department of Administration
Date: February 10th, 2025
Subject: Opposition Testimony to House Bill 2245

Dear Chairman Sutton and Members of the Committee:

Thank you for allowing me the opportunity to provide testimony in opposition to HB 2245.

As with last year, the Department of Administration (DofA) is once again opposed to the potential relocation of the State Employee Health Plan Division (SEHP) to the Kansas Insurance Department (KID).

Efficiency

As the legislature seeks to make government operations more efficient, I can say with confidence that there will be no efficiencies gained from this move. Taxpayers will not save money, the state's health plan will not save money, and the people who depend on the State Employee Health Plan will not see their premiums go down. The SEHP Division is simply the administrative arm of the overall health plan. The Health Care Commission (HCC) is responsible for setting policy, designing the health plan, and managing the cost of the plan. The insurance companies with whom we contract are responsible for administering the benefits, interfacing with providers, paying claims, and managing direct contact with members.

In fact, it was an attempt to gain efficiency that prompted the move of the SEHP to the DofA several years ago. The portion of the Alvarez and Marsal statewide efficiency study dealing with the SEHP is included in our testimony.

It was this efficiency study that prompted Executive Reorganization Order number 45, which was received by both chambers on January 30, 2020. The Legislature recognized and agreed with the importance of ERO 45, as is evidenced by committees in both chambers recommending approval of the ERO within weeks of its introduction.

The House Committee on General Government Budget made this recommendation on February 14, 2020, and the Senate Committee on Ways and Means made this recommendation on February 24, 2020. The full body in both chambers accepted such recommendation, thus agreeing with the merits of placing SEHP within DofA.

Mission Alignment

The mission of DofA is "to provide excellent customer service, every time, and to lead the enterprise by modeling teamwork and **cost-effective business practices**" (emphasis added). We serve state employees, agencies and the taxpayers of Kansas. Our customers include members of the State Employee Health plan, including legislators. We are the State's central service organization, and our sole purpose is to provide administrative services for the State. The SEHP team has a natural alignment with the other divisions within DofA, specifically as it relates to benefits management for state employees.

The mission of KID is to "Regulate. Educate. Advocate." There is no service delivery component of the mission of the KID, and this bill would create an entirely new facet of the mission of the KID that would be at odds with their current mission.

If the functions of SEHP were moved to the KID, there would appear to be a very real and clear conflict of interest at play. A key component of KID's mission is to serve as the regulatory agency for insurance companies across Kansas. If enacted, the agency responsible for regulating and issuing licenses would now be negotiating pricing and terms of procurement from the very companies that they are regulating.

HIPAA issues would also need to be addressed between the functions of the SEHP and the rest of the KID. In a practical sense, there would be no ability for the two sides of the KID to work together—thus negating any possibility of gaining efficiency of sharing resources with the rest of the KID office.

Simply put, there is no compelling reason why this move is being sought, or what the legislature hopes to accomplish with this move. There is ample reason to leave the SEHP within DofA. Moving the SEHP outside of DofA into any other state agency would run counter to the Legislature's efforts to operate government more efficiently.

I would be happy to stand for any questions.