

COMMENTS
ON
HB 2306— AN ACT RELATING TO
ADULT CARE HOMES

February 18, 2004

Mr. Chairman and Members of the Committee:

In 2000 we began to see signs that the general/professional liability market for adult care homes was eroding. Various agents and adult care homes expressed concern to the department with regard the use of inspection reports as a pricing or underwriting mechanism. The department reviewed the filed rates of the carriers providing the coverage in Kansas and could not find that the department approved a specific rate or schedule based on inspection report ratings for such carriers; however, we determined that it was likely that the inspection report ratings were given consideration within their schedule rating plans. Under K.A.R. 40-3-12, companies are allowed to give up to a 25% credit/debit based on the individual risk's variations in hazard and characteristics of the risk not reflected in its experience. It was also at this time we became aware that adult care homes were beginning to receive non-renewal notices. Apparently the carriers were reviewing the individual adult care home ratings and were using this information as an underwriting tool to determine whether to renew or non-renew current business and to evaluate prospective business.

The Department was advised by carrier agents that adult care homes were being non-renewed due to poor inspection report ratings and, therefore, were forced to find coverage in the non-admitted market were the department does not have authority. Since the non-admitted market is not required to file their rates with the department, we must assume that the non-admitted carriers use inspection report ratings in determining premium. We feel this is a highly likely assumption.

In 1999 there were approximately 13 admitted carriers providing general/professional liability coverage to adult care home facilities. They started to

exit the market in late 2001 early 2002. Currently there is only one admitted carrier providing such coverage in Kansas and only to not-for-profit facilities. Prior to this time the carrier provided coverage to both for and not-for-profit facilities; however, they withdrew from the for-profit portion of their business in July of 2001. The following is a schedule reflecting this carrier's past per bed rate and recent increase in per bed rate:

7/1/00	7/1/01	7/1/03
\$110 per bed	\$160 per bed 45% increase	\$310 per bed 95% increase

Those facilities that do not have coverage with this carrier either have their coverage with a non-admitted carrier or have chosen to go "bare."

The following is a schedule of a range of per bed rates that were available in 2000 in the admitted market:

	For Profit	Not-For-Profit
Intermediate Care Facility	\$85-\$385 per bed	\$76-\$345 per bed
Skilled Care Facility	\$103-476 per bed	\$99-476 per bed

The non-admitted per bed rates reported to the department ranged from \$500 to \$1,000. This is range is also reflective of current per bed rates being charged in the non-admitted market.

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