

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on March 6, 2007 in Room 234-N of the Capitol.

All members were present.

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Ken Wilke, Office of Revisor of Statutes
Bev Beam, Committee Secretary

Conferees appearing before the committee:

John Meetz, KID; Sandy Praeger, Insurance Commissioner; Brad Smoot, Wheatlands Administrative Services; Susan NeuPoth Cadoret, Department of Commerce; Joan Wagon, Department of Revenue; Christie Caldwell, Vice President, Chamber of Commerce

Others attending:

See attached list.

The Chair called the meeting to order.

Hearing on:

HB 2106- concerning insurance; pertaining to the preparation and filing of certain reports.

John Meetz, Government Affairs Liaison, Kansas Insurance Department, testified in support of HB 2106. He stated that this bill would amend four statutes pertaining to the payment of taxes and fees by insurance companies admitted in Kansas. It would strike inconsistent language among these statutes which provides for company tax and fee filings with the Insurance Commissioner “verified by affidavits,” “verified by oath,” and “under oath.” The bill would require the filings to be generated by or at the direction of company officers under penalty of K.S.A. 21-3711. (Attachment 1)

Hearing on:

HB 2274 - relating to credits against premium taxes for investments in qualified business facilities.

Kansas Insurance Commissioner, Sandy Praeger, testified that the Insurance Department supports HB 2274 because it means jobs. Passage of HB 2274 will help Wheatlands, a Blue Cross and Blue Shield of Kansas subsidiary, secure a new federal contract for administration of Medicare in a four-state region. The competition for this contract involves other states and is very intense, she said. If Wheatland lands the new contract, hundreds of current jobs will be saved and hundreds of new jobs created in Kansas. If Wheatlands does not secure the new contract, all of those jobs will be lost to another state. (Attachment 2)

Brad Smoot testified on behalf of Wheatlands Administrative Services in favor of HB 2274. Wheatlands Administrative Services is a wholly owned subsidiary of Blue Cross and Blue Shield. It was formed in 2006 for the purpose of bidding on this Medicare business. As of January 1, 2007, all persons directly involved in Medicare administration became employees of Wheatlands, controlled by its own board of directors. Wheatlands submitted a bid on this contract in November, 2006. The impact of this bid on the economy of Topeka and Kansas would be significant. If the contract is awarded to Wheatlands, it would add about 280 jobs, but if it loses the contract, the current 340 jobs will go away. This bill, as all tax credit bills, is intended to enhance the economy of Kansas. This bill has the support of the Kansas Medical Society, the Kansas Hospital Association, the Kansas Medical Group Managers Association, the Metropolitan Medical Society of Kansas City, the Nebraska Medical Society, the Nebraska Hospital Association, the entire Kansas congressional delegation, the Kansas Insurance Commissioner, and the Governor. The Secretary of Revenue has also expressed her support, as has the Topeka Chamber of Commerce. (Attachment 3)

Susan NeuPoth Cadoret, business field representative for the Kansas Department of Commerce, testified in support of HB 2274. Ms. Cadoret provided information derived from a cost-benefit analysis run by the Kansas Department of Commerce to identify the economic impact and return of a project of this type. She

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on March 6, 2007 in Room 234-N of the Capitol.

said the cost-benefit model currently in use across the state to supply information mandated by the state's requirement for a cost-benefit analysis of each project that seeks tax abatement through the prescribed statutory abatement process was used for this exercise. (Attachment 4)

Joan Wagon, Secretary of the Department of Revenue, testified in support of HB 2274. She said Governor Sebelius asked her to convey her support for HB 2274 which would allow Blue Cross and Blue Shield of Kansas to transfer the credits available to them under current state law to Wheatlands Administrative Services as they bid on a new contract with the Centers for Medicare and Medicaid Services. She said while the administration does not generally support the ability of companies to transfer credits to their subsidiaries, in this limited instance, it seems appropriate if the end result is the ability to win a contract that increases substantially the number of new jobs in Kansas.

Christy Caldwell, Vice President Government Relations, Greater Topeka Chamber of Commerce, testified in support of HB 2274. She said the purpose of HB 2274 is to assure that Wheatlands Administrative Services, Inc., the Blue Cross and Blue Shield of Kansas subsidiary bidding on the administration of Medicare in a four-state region, is able to take full advantage of all economic incentives that exist today so that Wheatlands' bid is as competitive as possible. (Attachment 5)

Following Q & A, the Chair adjourned the meeting at 10:20 a.m.