

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 February 18, 2008 in Room 136-N of the Capitol.

All members were present.

Committee staff present:

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

Conferees appearing before the committee:

Dr. Marcie Nielson, Kansas Health Policy Authority
Corrie Edwards, Kansas Health Consumer Coalition
Elaine Schwartz, KPHA
Ken Daniels, Midway Wholesale
Broderick Bremby, KDHE
Dianne Bricker, America's Health Insurance Plans
Ira Stamm, KHPA
Tim Witsman, Wichita Independent Business Association
Tom Bryon, Kansas Association of Health Underwriters
Marlee Carpenter, The Kansas Chamber
Larrie Ann Lower, Kansas Assn. Of Health Plans
Kerri Spielman, KAIA
Chad Austin (written only)
Linda DeCoursey (written only)
Peggy Johnson (written only)
Dan Morin, Director of Government Affairs, Kansas Medical Society (written only)
Brad Smoot, BCBS (written only)
James S. Watson, VP, UnitedHealth Group (written only)
Holly French, Chief Financial Officer, Newman Regional Health

Others attending:

See attached list.

The Chair called the meeting to order.

Hearing on:

SB 540 - concerning health insurance; establishing a voluntary health insurance clearing house; authorizing policies for young adults; defining very small employers; enacting the Kansas small business health policy committee act

Melissa Calderwood gave an overview of SB 540. She said SB 540 was introduced by the joint committee on health policy oversight at the request of the Kansas Health Policy Authority in response to 2007 SB 11 and its requirement. The bill would create new law to create a small business health policy committee, amend the coverage requirements for dependent children and, make other amendments to the state health insurance laws.

Sections 1 and 2 of the bill define the term "very small employer" and would establish the definition in the statutes governing individual and group accident and sickness insurance. She said for the purposes of this section, the term "very small employer" means an employer who employs at most 10 employees and shall also include a sole proprietor.

She said Sections 3 through 5 deal with young adult policies and dependent coverage. The bill would require

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insurers who issue individual and group accident and sickness insurance to issue young adult policies. A young adult would be defined by the bill as an individual who has attained the age of 18 but is not yet 26. The bill would also amend the statutory definition of dependent from 19 to 26 years of age for a resident spouse or a resident unmarried child and from 23 to 26 years of age for a child who is a student and financially dependent upon his parents.

Section 6 of the bill deals with the Kansas Small Business Health Policy Committee. "Health committee" means the Kansas small business health policy committee. "Health benefit plan" means any hospital or medical expense policy, health, hospital or medical services corporation contract.

Section 7 establishes within the Kansas health policy authority the Kansas small business health policy committee. This committee shall consist of the secretary of the department of commerce or the secretary's designee, the commissioner of insurance or the commissioner's designee, one member appointed by the president of the senate, one member appointed by the speaker of the house of representatives, one member appointed by the minority leader of the senate, one member appointed by the minority leader of the house and three members at large from the private sector appointed by the governor and one member designated by the Kansas health policy authority.

Section 8 states the health committee shall develop a voluntary health insurance clearinghouse and in performing this duty shall assist small employers and very small groups in accessing health insurance and tax-preferred health insurance premiums through cafeteria plans; it shall develop a website designed to provide information for small employers, employees and very small groups on health insurance products and cafeteria plans.

Section 9 is amended to read "and sections 10 and 11, and amendments thereto, shall be known as the Kansas small business health committee act."

Section 10 is amended to read, "in order to encourage and to expand the use of cafeteria plans by small employers, there is hereby established the small employer cafeteria plan development program.

Section 11 is amended to read, "Kansas small business health policy committee is hereby authorized to make grants or no interest loans for the purpose of financing the initial costs associated with the forming and organizing of associations to assist members of the association to obtain access to quality and affordable health care plans.

Section 12 sets out the supplements that are repealed.

Section 13 states that this act shall take effect and be in force from and after its publication in the statute book.

Dr. Marcie Nielson, Kansas Health Policy Authority, testified in support of SB 540. She said Section 1 establishes very small employer group; Section 2 creates young adult policies; Sections 3-5 increases age of dependents on parent's health insurance; Sections 6-9 creates Kansas small business health policy committee and sections 10-11 transfer cafeteria plan promotion program from Department of Commerce to KHPA. Dr. Nielson said the purpose of the Small Business Health Policy Committee is to ensure stakeholder input and refined health insurance modeling to design affordable health insurance options for small business. She said the committee reports to the KHPA Board and Commissioner of Insurance. (Attachment 1)

Corrie L. Edwards, Kansas Health Consumer Coalition, testified in support of SB 540, stating that the bill proposes several important reforms. She said SB 540 looks to create a new market, merging sole proprietors and very small businesses. She said this is seen as a positive step that would greatly benefit groups-of-one since they tend to have higher health care costs than larger groups. She said this is an important change because generally a high percentage of sole proprietors or employees who work for very small businesses most likely are the Kansans who lack access to health insurance. (Attachment 2)

Elaine Schwartz, Kansas Public Health Association, testified that young adults make up the largest age group of uninsured Americans; nearly one in three of the uninsured are between 18 and 24 years old. She noted that in Kansas, 20% of people between the ages of 19 and 25 do not have health insurance. She said for college

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students, health insurance options are limited. They may rely on their parents' coverage as a dependent, purchase their own school-sponsored coverage, or simply do without. She noted that most college students do not have a job where they can afford both rent and college tuition, and day-to-day living expenses, so health care takes a backseat to day-to-day expenses. ([Attachment 3](#))

Kenneth Daniel, Midway Wholesale, testified in support of [SB 540](#) with one important exception and some reservations. He said in his opinion, if the "very small group" is defined as 1-10 employees instead of 2-10, it may have grave consequences. He said it could virtually destroy the individual market in Kansas, including the non-employer portion. It could damage or virtually destroy the 2-10 market in Kansas and, the language seems to assume small business owners can participate in a cafeteria plan. They cannot. Only non-owner employees may participate, he said. He noted that the premiums would be extremely high for all 1-10 groups due to guaranteed issue for groups of one. It is possible no insurance companies will participate or that few small businesses will. He said it seems possible that the mere fact that insurance is "available" here may disqualify some people from the high risk pool. Mr. Daniel said if this concern is not fixed, then this bill should be killed. ([Attachment 4](#))

Roderick Bremby, Secretary, Kansas Department of Health and Environment, testified in support of [SB 540](#). He stated that as Secretary of the state's health and environment agency, he supports the reforms outlined in [SB 540](#) and encourages strong consideration of this proposal. He said he is ready to assist the KHPA, Secretary of Commerce and Kansas Insurance Commission in achieving the new standards for health insurance that are outlined in KHPA's proposal. ([Attachment 5](#))

Dianne Bricker, America's Health Insurance Plans, testified as neutral. She said legislation that is currently before the committee, namely, [SB 540](#), has the laudable goal of increasing access to coverage for young adults and small employers. AHIP understands that increases in the cost of health care and low coverage rates among young adults and small employers pose a significant threat to the health and economy of the state of Kansas. ([Attachment 6](#))

Ira Stamm testified on [SB 540](#) as neutral, stating that the KHPA has documented that there are 300,000 Kansans without health insurance. The Institute of Medicine has estimated that in 2006, 22,000 Americans died because of the lack of health insurance. This means that in 2006, 198 Kansans died because of the lack of health insurance. He continued that approximately 198 Kansans without health insurance died in 2007 and another 198 Kansans will die in 2008. Over 400 plus Kansans without health insurance will have died in Kansas since Kansas initiated its program of health care reform.

Mr. Stamm continued that at any point in time 10% of the population have a medical condition that renders them uninsurable. This means that at any point in time, there are 270,000 Kansans who have medical conditions that make them uninsurable.

Mr. Stamm also noted that a study done in 2003 estimated that 16 million Americans were under insured. This means that in 2003 144,000 Kansans were under insured. He said adding together 300,000 Kansans who are uninsured, 270,000 Kansans with medical conditions that make them uninsurable, and 144,000 Kansans who are uninsured means that altogether 714,000 Kansas have problems with health insurance. He said this does not include the tens of thousands of Kansans who struggle daily with their insurance companies around problems of access to care. ([Attachment 7](#))

Tim Witsman, representing the Wichita Independent Business Association and the Kansas Independent Business Coalition, presented neutral testimony on [SB 540](#). Mr. Witsman told the Committee they can either set up an entirely new apparatus with no experience in working with small business or instead, utilize the existing resources that need only outreach money to accomplish most of the goals. He said rather than growing state government, Wichita Insurance Services could do the work and pay taxes on the income derived therefrom. He said the more successful the effort, the more income rather than expense the state would experience. ([Attachment 8](#))

Tom Bryon, Kansas Association of Health Underwriters, testified in opposition to [SB 540](#). Mr. Bryon stated the Kansas Insurance Department is the agency responsible for regulating health insurance plans and

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handling consumer complaints. KID websites already have information used to educate consumers about the purchase of health insurance. Mr. Bryon said if more money is needed to expand the KID site, it would be money well spent and we would not be reinventing the wheel. He said members of the Kansas Association of Health Underwriters want to be a resource to the legislature as it works through the many complex issues of health reform. ([Attachment 9](#))

Larrie Ann Lower, Executive Director, Kansas Association of Health Plans, testified in opposition to [SB 540](#). She said KAHP trusts that the Committee will give very careful consideration to the concept of creating limited policies for young adults. She said young healthy individuals can currently purchase a comprehensive health policy for about \$100 per month in the non-group market. She said in addition, it is young adults participating in the employer-based group insurance market that help subsidize and stabilize rates for the older Kansas workers. She said KAHP is concerned that this young adult policy idea not disrupt or damage existing markets. She said until this is more clear, KAHP asks that this section be removed or be optional. ([Attachment 10](#))

Kerri Spielman, KAIA, testified in opposition to [SB 540](#). She gave some ideas KAIA believes are worth exploring:

1. Broader use of Section 125 Plans or Premium Only Plans (POPS) to gain tax benefits for everyone who buys health insurance.
2. Encouragement to use Health Savings Accounts with qualified high deductible plans to move toward Consumer Directed Health Care (CDHC)
3. A single depository for individual medical records from all providers
4. Consumer access to their medical records and greater education of consumers to help them make informed medical care decisions with their providers
5. Experimentation with list billing of individual policies as an option for employers who have not offered health insurance for a year or more.
6. Consideration of a market-wide reinsurance mechanism for small group
7. Transparency of health care pricing to go with CDHC. ([Attachment 11](#))

Marlee Carpenter, Vice President of Government Affairs, The Kansas Chamber, said the Kansas Chamber opposes [SB 540](#). She said the Chamber believes it will add costs to already rising small group health insurance rates. She said the Kansas Chamber urges the committee to look at market-driven solutions that will help reduce costs to all businesses, especially small businesses looking to ensure their employees. She said the Chamber suggests an expansion of the current health care tax credit so it can be a real-time tool for small businesses to purchase health insurance, the enactment of a "mandate-lite" health insurance plan to help small businesses with the cost of health insurance and proposals such as Missouri's [SB 818](#) which will allow individuals to purchase health insurance pre-tax through Section 125 Plans. ([Attachment 12](#))

Submitting written testimony in support of [SB 540](#):

Chad Austin, Vice President, Government Relations, Kansas Hospital Association ([Attachment 13](#))
Linda DeCoursey, Senior Advocacy Director - Kansas, American Heart Association ([Attachment 14](#))
Peggy Johnson, private citizen ([Attachment 15](#))
Dan Morin, Director of Government Affairs, Kansas Medical Society ([Attachment 16](#))

Submitting written testimony in opposition to [SB 540](#):

Brad Smoot, Blue Cross Blue Shield of Kansas ([Attachment 17](#))
James S. Watson, Vice President, State Affairs, UnitedHealth Group ([Attachment 18](#))

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The Chair closed the hearing on SB 540.

Hearing on:

SB 563 - concerning health insurance; pertaining to utilization review

Holly French, Chief Financial Officer, Newman Regional Health, testified in support of SB 563. She stated SB 563 would prohibit a utilization review organization from requiring notification of admission prior to the next business day after a patient presents to a health care facility. She noted any admission done on nights, weekends, or holidays, is done only because it cannot be delayed. She said physicians are very busy people and especially during these times would not admit patients without a very real need. She said this is an inconvenience to our physicians and to patients and is avoided if at all possible. She continued saying it is difficult to understand how this notification will provide any benefit. She said the impact of requiring notification would cause (1) decreased reimbursement to providers, (2) increased cost of caring for patients, and (3) increased cost to patients. (Attachment 19)

The Chair closed the hearing on SB 563. She announced to those present that the hearing on SB 563 would continue Friday, February 21.

The meeting adjourned at 10:30 a.m.