

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 19, 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:

Ralph Ibson, VP of Government Affairs for Mental
Health America
Kenneth Daniel, Midway Wholesale
Larry Magill, KAIA
Derrick Sontag, NFIB (written only)
Marlee Carpenter, Kansas Chamber of Commerce (written only)

Others attending:

See attached list.

The Chair called the meeting to order. Amy Campbell, Kansas Mental Health Coalition, introduced Ralph Ibson, Vice President of Government Affairs for Mental Health America, who spoke on "Federal Mental Health Parity."

Mr. Ibson said Mental illness and substance use have a huge impact on our society. He said mental disorders are the leading cause of disability in the U.S. for individuals ages 15-44. He noted they are also a leading cause of premature death, implicated in 90% of the more than 30,000 suicides annually in this country.

Mr. Ibson said the core principle of the House and Senate parity bills is the same, simply to require fairness in terms of treatment limitations and financial requirements. He said neither bill mandates mental health coverage and neither bill calls for any preferential treatment of mental health. He said both bills simply say health plans may not impose stricter treatment limits or financial requirements on mental health care than care for any other illness.

He continued that there have been many myths surrounding parity, the principle myth being that parity will be costly. He said what has become clearer with respect to arguments about the cost of parity is that the real costs lie in not treating behavioral health disorders rather than in establishing fairness in health coverage. He said failing to treat mental illness has other profound costs. He said without intervention, childhood disorders may persist and lead to a downward spiral of school failure, poor employment and poverty in adulthood. He noted no other illnesses damage so many children so seriously. He said while enacting parity legislation is fundamentally about achieving fairness in insurance practices, it is one important step toward solving a great many problems affecting virtually every community in this country. (Attachment 1)

Hearing on:

SB - 564 - concerning health insurance; pertaining to employer provided cafeteria plans; pertaining to health savings accounts; pertaining to high deductible health insurance plans; pertaining to tax treatment of health insurance premiums

The Chair asked Melissa Calderwood for an overview of SB 564. Ms. Calderwood said in Section 1, it states the act shall be known and may be cited as the smaller employer health care act.

Section 2 states A health benefit plan subject to the provisions of the small employer health care plan act shall

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be renewable with respect to all eligible employees and dependents, at the option of the small employer, with some exceptions.

In new Section 3, it states beginning with the open enrollment period for the 2009 plan year, the administering carrier shall offer to all eligible individuals the option of receiving health care coverage through a high deductible health plan and the establishment of a health savings account. Such option may be offered through a cafeteria plan.

Section 4 is amended to read, "there is hereby created a nonprofit legal entity to be known as the Kansas Health Insurance Association. All insurers and insurance arrangements providing health care benefits in this state shall be members of the association."

Sections 5, 6, and 8 set out language from the existing bill.

Kenneth Daniel, Midway Wholesale, testified in support of SB 564. Mr. Daniel stated that this bill contains the provisions of the excellent plan passed in Missouri a year ago known as Missouri SB 181. The Missouri bill takes a step toward tax equity by establishing a state income tax deduction for net out-of-pocket health care costs; makes modifications to the high risk pool; it adds considerable language about Health Savings Account arrangements, including the high risk pool and state employees' health plan, and adds considerable language about Section 125 Cafeteria Plans. He told the committee they could consider adding most of the language from HB 2822, which picks up important parts of Missouri SB 818, makes it mandatory for Kansas businesses offering a health plan to establish a simple Section 125 Cafeteria plan, and upgrades Senator Barnett's 2005 tax credit for new small business health plans. (Attachment 2)

Larry Magill, Kansas Association of Insurance Agents, testified that it is his understanding that SB 564 is based on the provisions that would apply to Kansas in Missouri's SB 818. He said it appears that Section 2 enacts a requirement that all small group policies are guaranteed renewable unless the insured does certain things like fail to pay premiums, fail to meet participation requirements or commits fraud. He said there are provisions for discontinuing a plan and for exiting the small group market completely and a 5-year "lock out" if they do leave the state. He said there is a prohibition on page 2 on changing coverage of a small group plan but it does not seem to allow an insured to request changes in coverage terms unless it is changed for the entire book of business with that "plan." He said that is too restrictive. He said he is not aware of problems with carriers in the small group market that these provisions would address. He said they will certainly be a significant factor in determining whether a carrier stays in Kansas or enters the state. He said KAIA would rather encourage more competition in the small group market and are very concerned about any statute that might reduce it. He said for these reasons, he suggests that Section 2 be deleted and studied further.

He said whether you talk in terms of consumer directed health care, Health Savings Accounts or high deductible health plans, KAIA supports the concept that the consumer has to be brought back into the equation and given a stake in managing their health care expenses and their own wellness.

He continued that new Section 3 requires that the state's high risk plan offers a high deductible health care plan and health savings account through a Section 125 Plan. He said Section 8 allows an employer to qualify for the tax credit for offering insurance through an offer of health savings account, high deductible plan through a Section 125. Sections 9 and 10 extend it to state employees. He said KAIA supports all of those requirements.

He said KAIA further supports a requirement that all small group carriers offer a high deductible plan with a health savings account option at an actuarially justified savings through a Section 125 Premium Only Plan (POP).

He continued that individual policies have the advantage of decoupling the person's insurance from their employment, allowing them to take their coverage with them wherever they go.

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He said regarding mandatory POP, Premium Only Plans more than pay for themselves. He said with these changes, SB 564 takes some significant steps to encourage use of Health Savings Accounts, high deductible health plans, Section 125 POP Plans, individual rather than employer provided health insurance and greater consumer investment in their wellness and in the cost of their health care. (Attachment 3)

Derrick Sontag, NFIB State Director, presented written testimony only on SB 564. (Attachment 4)

Marlee Carpenter, Vice President of Government Affairs, The Kansas Chamber, presented written testimony only. (Attachment 5)

The meeting adjourned with the Chair leaving the hearing on SB 564 open.