

March 20, 2024

The Honorable William Sutton, Chairperson
House Committee on Insurance
300 SW 10th Avenue, Room 218-N
Topeka, Kansas 66612

Dear Representative Sutton:

SUBJECT: Fiscal Note for HB 2834 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2834 is respectfully submitted to your committee.

HB 2834 would transfer all powers, duties, and functions of the staff of the Division of the State Employee Health Benefits Program (SEHBP) of the Department of Administration to the Insurance Department under the direction of the Insurance Commissioner. The bill would transfer all officers and employees of the SEHBP who are engaged in the exercise and performance of the powers, duties, and functions involving the administration of the State Employee Health Benefits Plan, as well as all officers and employees of the Department of Administration who are determined by the Insurance Commissioner to be engaged in providing administrative, technical, or other support services, to the Insurance Department. Transferred employees would retain all retirement benefits, leave balances, and rights that had accrued prior to the transfer. The service of each transferred employee or officer would be considered continuous. Any layoffs or abolishing of classified positions must be made in accordance with the Kansas Civil Service Act. The bill would prohibit the transfer from affecting the classified status of any transferred person.

The bill would make the Insurance Department the successor in every way to the powers, duties, and functions of the SEHBP. The bill specifies that any statute that references the Department of Administration in regard to the SEHBP would apply to the Insurance Department. All rules and regulations, orders, and directives of the SEHBP of the Department of Administration would continue to be effective and would be deemed to be apply to the rules and regulations, orders, and directives of the Insurance Commissioner. The balances of all funds or accounts of the SEHBP of the Department of Administration would be transferred to the Insurance Department. Liability for all accrued compensation or salaries of transferred officers and employees would be assumed and paid by the Insurance Department. The Insurance Department would succeed to all property, property rights, contracts, and records of the SEHBP, and if any conflict arises as to the disposition of any personnel, property, property right, contract, record, power, duty, function, or unexpended balance of any appropriation, such conflict would be resolved by the Insurance Commissioner. No suit, action, or other proceeding, judicial or administrative, lawfully commenced, or that could have been commenced, by or against the SEHBP of the Department of Administration or by or against the Secretary of Administration,

could abate by reason of the transfer. No criminal action commenced or that could have been commenced by the state could abate by reason of the transfer.

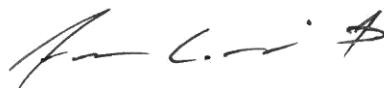
The bill would designate the Insurance Commissioner as the Chairperson of the Kansas State Employees Health Care Commission. The Insurance Commissioner would administer all budgeting, purchasing, and related management functions of the Commission. Under current law, the technical administrator of the State Health Care Benefit Program is under the direction and supervision of the Secretary of Administration. The bill would place the technical administrator under the direction and supervision of the Insurance Commissioner. The bill would require the Insurance Commissioner to appoint the technical administrator.

The Insurance Department indicates that enactment of the bill would be net neutral, as all fund balances, revenues, and expenditures from the Department of Administration would be transferred to the Insurance Department.

The State Employee Health Benefits Program (SEHBP) of the Department of Administration indicates that additional staff would need to be hired to fill support roles for the Program and to submit services currently provided through other Department of Administration offices. The Department of Administration is not able to calculate the costs that may be incurred. The Department of Administration states that the SEHBP and the State Self Insurance Fund (SSIF) are currently procuring a new data warehouse to be implemented in FY 2024. This project would need to be rebid as it was a joint program bid and both plans would see additional costs to rebid this along with a delayed implementation. The Department of Administration states that prior to the SEHBP moving into the Department of Administration, it had a memorandum of understanding in place for the Department of Administration to handle payroll processing of medical, health savings account, flexible spending account, and other payroll processing. At that time, the SEHBP paid over \$119,000 annually for this service. The Department of Administration also notes that the SEHBP and SSIF staff currently occupy the same building space. If expenditures for rent are greater for SEHBP staff to be located at the Insurance Department, enactment of the bill may increase expenditures for rent. Due to the variety of unknown factors, the Department of Administration is unable to estimate a precise fiscal effect.

The Division of the Budget notes that budgeted expenditures from the SEHBP in the Department of Administration total \$643.3 million in FY 2024 and \$667.9 million in FY 2025, all from agency fee funds. These amounts include \$607.5 million in FY 2024 and \$631.8 million in FY 2025 for employee healthcare premium payroll deductions for payment of claims. Any fiscal effect associated with HB 2834 is not reflected in *The FY 2025 Governor's Budget Report*.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Bobbi Mariani, Insurance Department
Tamara Emery, Department of Administration