

House Committee on Insurance and Financial Institutions

March 17, 2016

Testimony regarding HB 2716

**Sarah L. Shipman, Secretary of Administration
and Chair of the Health Care Commission**

Mr. Chairman and members of the Committee, I am Sarah Shipman, Secretary of Administration and the chair of the Health Care Commission (HCC). The Health Care Commission was created in 1984 to develop and provide for the implementation and administration of a state health care benefits program. The staff that administers the State Employee Health Plan is a part of the Division of Health Care Finance within the Department of Health and Environment.

Thank you for the opportunity to provide neutral testimony regarding HB 2716 which would make changes to government employer-sponsored group health care benefits plans, including implementing an exchange platform for retirees and eliminating retirees from participation in the state health care benefits program.

The Statewide Efficiency Review conducted by Alvarez & Marsal included a recommendation to implement a Retiree Exchange Platform to move the State of Kansas retiree population to an exchange platform to remove the current subsidy. HB 2716 addresses the changes necessary to fully implement the A&M recommendation by providing the ability for the HCC to negotiate and enter into contracts to implement a retiree exchange platform to provide health care coverage for retired public officers and employees and their dependents.

The State does not directly contribute toward the cost of a retired employee's state health care coverage. Retirees are billed directly for 100 percent of the premium for whichever plan they select. There is an implied subsidy for those direct bill members enrolled in Plans A or C. In 2016 the HCC implemented changes to reduce this subsidy. Those changes included requiring all Medicare eligible retirees to enroll in a fully-insured Medicare plan. Additionally, the HCC made adjustments to the premium and plan design. The HCC has started the discussions for plan year 2017 to continue the reduction of the subsidy for the direct billed retirees and retirees enrolled in Plans A and C.

I will now stand for any committee questions and I have brought Mike Michael, the Director of the State Employee Health Plan from the Department of Health and Environment, to assist me.