

February 4, 2015

CORRECTED

The Honorable Jeff Longbine, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 235-E
Topeka, Kansas 66612

Dear Senator Longbine:

SUBJECT: Corrected Fiscal Note for SB 117 by Senate Committee on Financial Institutions and Insurance

In accordance with KSA 75-3715a, the following corrected fiscal note concerning SB 117 is respectfully submitted to your committee.

SB 117 would allow health care systems comprised of two or more health care facilities to aggregate insurance premiums for the purpose of becoming self-insured.

According to the Health Care Stabilization Fund Board of Governors, there are 312 nursing facilities and 208 assisted living and residential health care facilities licensed by the Kansas Department for Aging and Disability Services. Because SB 117 would allow health care facilities to apply for a certificate of self-insurance, the Board would be required to review each application to determine whether the application meets the eligibility criteria. This review process would require approximately 10 staff hours for each application to evaluate claim handling procedures, actuarial analysis of liabilities, fiscal solvency, and the proper establishment of a trust for payment of settlements and judgments. In addition, successful applicants that would be granted a certificate of self-insurance would be required to resubmit the same information annually in order to renew the certificate of self-insurance.

The Board estimates that enactment of SB 117 would require additional expenditures totaling \$40,980, all from the Health Care Stabilization Fund. Of this amount, \$34,332 would be for salaries and wages for 0.50 FTE Compliance Officer and \$6,648 would be for other operating expenditures, including rent, communication expenses, and office equipment. The agency estimates that the bill has potential for 104 applications or renewals each year, with each application or renewal requiring approximately 10 hours of review time. The additional expenditures from the Health Care Stabilization Fund would eventually be collected from health care providers that pay premium surcharges to the fund.

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Enactment of SB 117 may create potential for insurance premium savings for health care facilities that would be approved for a certificate of self-insurance. However, the amount of potential savings cannot be estimated. The Kansas Department of Insurance indicates that the bill would have no fiscal effect on the agency. Any fiscal effect associated with SB 117 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Chip Wheelen, Health Care Stabilization
Glenda Haverkamp, Insurance Department