

**40-19c10. Disbursements for soliciting of subscribers and administrative expenses limited; administrative expenses defined; controlling costs.** (a) No corporation subject to the provisions of the nonprofit medical and hospital service corporation act shall during any one year disburse more than 5% of the aggregate amount of the payments received from subscribers during that year as expenditures for the soliciting of subscribers, except that during the first year after the issuance of a permit, such corporation may so disburse not more than 20% of such amount, during the second year not more than 15% and during the third year not more than 10%.

(b) No such corporation shall, during any one year, disburse a sum greater than 10% of the payments received from subscribers during that year as administrative expenses. As used in this section the term "administrative expenses" shall include all expenditures for nonprofessional services including all activities, contractual arrangements and projects authorized by K.S.A. 40-19c04, and in general, all expenses not directly connected with the furnishing of the benefits specified in this act, but not including expenses referred to in subsection (a) hereof.

(c) Each corporation organized under the nonprofit medical and hospital service corporation act shall devote a reasonable effort to control costs, including both its administrative costs and cost charged to it by participating hospitals and health care providers. Such effort shall include, but not be limited to, a continuing attempt by such corporation through a combination of education, persuasion and financial incentives and disincentives to control cost and to encourage participating health care providers and hospitals to control cost by: (1) Elimination of duplicative or unnecessary services, facilities, and equipment; (2) nonprovider participation in the affairs of the corporation; (3) subscriber support of cost containment activities; (4) promotion of sound management practices in participating hospitals; (5) promotion of efficient delivery of health care services by participating health care providers; (6) implementation of sound management practices within the nonprofit medical and hospital service corporation; (7) promotion of alternative forms of health care; and (8) engagement in, and evaluation of, cost control experiments, including incentive reimbursement and utilization and peer review programs.

**History:** L. 1980, ch. 137, § 28; L. 1990, ch. 168, § 5; July 1.