



Kansas Insurance Department

Vicki Schmidt, Commissioner of Insurance

Testimony in support of SB 109 - repealing the Kansas Uninsured Health Insurance Association Act for the Senate Financial Institutions and Insurance Committee

February 19, 2019

Chairman Olson and Members of the Committee:

Thank you for the opportunity to submit testimony in support of SB 109. To briefly summarize the intent of SB 109, it is a statute cleanup bill to remove language no longer in effect.

For background the Kansas Health Insurance Association (KHIA) was established pursuant to 1992 Kansas Substitute for House Bill No. 2511. KHIA became effective May 1, 1993 and was a non-profit legal entity established to provide basic health insurance coverage to Kansans who were unable to obtain coverage in the private market or obtain coverage due to a pre-existing medical condition.

KHIA was governed by a Board of Directors elected by members of the KHIA. Membership was made up of insurance companies, fraternal organizations, HMOs and other insurance entities. Coverage in KHIA included a pre-existing condition waiting period of 90 days. The premiums for the plans offered by KHIA were capped in statute at 150% of the premiums for similar private health insurance coverage. The premiums collected from KHIA insureds were not sufficient to cover the losses for the claims incurred by KHIA, therefore, KHIA assessed (allowed by statute) those companies selling hospital, medical or surgical expense coverage for the excess loss.

Taxpayer money was used to make an initial start-up loan of \$2 million, which was repaid in full in 2004. All health insurers in Kansas paid a proportionate share of the assessment and in turn could deduct 60% of their contribution (assessment) from their premium tax obligation.

With the passage of the ACA effective January 1, 2014 pre-existing conditions were required to be covered in hospital, medical or surgical expense policies (i.e., major medical) regardless of age. Due to the guarantee issue requirement in the individual market no one was eligible for the coverage offered by KHIA. The KHIA statutes were left on the books for the five-year period since January 1, 2014 due to the fact that the KHIA policies included a legal actions provision which stated in part that no such action shall be brought after the expiration of five years.

KHIA officially closed effective December 28, 2018 and the remaining monies were returned to the companies that paid the last assessment based on the same market share percentage. KHIA is no longer necessary due to the ACA and should things change and policy makers in the future determine a need for an entity like this, it is very likely that it would be structured and funded much differently.