

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by Chairman Ruth Teichman at 9:30 a.m. on January 15, 2009 in Room 136-N of the Capitol.

All members were present.

Committee staff present:

Beverly Beam, Administrative Assistant
Melissa Calderwood, Kansas Legislative Research
Terri Weber, Kansas Legislative Research
Bruce Wilke, Revisor

Conferees appearing before the committee:

Doug Farmer, Director, State Employee Health Benefits Plan, Kansas Health Policy Authority
(Attachment 1)

Linda Sheppard, Director of Accident & Health Division, Kansas Insurance Department
(Attachment 2)

Others attending:

See attached list.

Chairman Teichman welcomed the Committee and Staff as well as others in attendance, to the first meeting of the 2009 Legislative Session. The Chair asked the Committee and Staff to introduce themselves.

The Chair presented and discussed the committee rules for the 2009 Session.

Doug Farmer, Director, State Employee Health Benefits Plan, testified on behalf of the Kansas Health Policy Authority. Mr. Farmer gave an overview of the Study on Coverage for Bariatric Surgery. Mr. Farmer stated that prior to Plan Year 2008, all treatment for obesity was excluded from coverage under the State Employee Health Plan. He said Medicaid reimbursed for weight-loss medications but excluded coverage for bariatric surgery. He noted that in 2006, The Health Care Commission considered coverage for bariatric surgery. He said KHPA engaged in Statewide Health Reform initiative in 2007 and 2008 emphasizing prevention and wellness. He said consistent with KHPA initiatives in the area of prevention and wellness, the Health Care Commission decided to cover preventive and non-invasive obesity treatments for 2008 under the State Employee Health Plan.

Mr. Farmer continued that the Health Care Commission review of bariatric surgery in 2006 found that preventive, non-invasive treatment was not covered; that there was a relatively high incidence of complications and even death; that morbidity and mortality vary considerably with experience of surgeon and hospital; that there were no centers of excellence in Kansas and that long-term cost-effectiveness was not yet demonstrated.

Mr. Farmer said, based on the 2006 Commission review, the Kansas Health Policy Authority recommendations for the State Employee Health Plan were to educate consumers on available options for promoting wellness and addressing weight problems; to review state employee health plans for 2008 to examine possible expansion in preventive benefits; to review HealthQuest to consider initiatives in physician-supervised weight management, behavior modification, healthy eating and exercise. Also, he said after the State Employee Health Plan and Medicaid staff review of bariatric surgery they determined to retain exclusion of bariatric surgery.

However, Mr. Farmer said based on new research, it was determined that bariatric surgery does reduce excess body weight by half after two years and reduces total body weight by 16% after ten years, that surgery reduces long-run obesity-related mortality by 50% to 90%, that surgical costs may be recoverable in as little as four to five years, depending upon the patient, that studies compare efficacy of different procedures and that significant risks accompany the surgery, but are lower in accredited and high-volume centers.

Mr. Farmer noted that the estimated cost of coverage for the State Employee Health Plan could be as much as \$15 million the first year but costs depend on required pre-conditions.

CONTINUATION SHEET

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In conclusion, Mr. Farmer said Kansas Health Policy Authority recognizes that obesity is an epidemic in the U.S. and in Kansas and the increasing individual, employer and societal costs for chronic diseases due to overweight and obesity. He said there is new evidence supporting the long-term value of bariatric surgery which include improved health and longevity, reduced medical costs and improved safety through experience and targeting of services. For those reasons, Mr. Farmer said Kansas Health Policy Authority recommendations are to emphasize the value of preventive care and changes have been made to the State Employee Plan. He said also KHPA will develop recommendations for the Health Care Commission to cover bariatric surgery in the State Employee Health Plan. He said they will use Medicare coverage as a starting point and will work with weight loss and surgical experts to target surgery to those who can benefit the most. He said they will also consider Medicaid coverage, if funding is available. (Attachment 1)

Following brief Q and A with Mr. Farmer, the Chair asked for testimony from Linda Sheppard, Director of Accident and Health Division, Kansas Insurance Department.

Ms. Sheppard testified regarding Health Savings Accounts, High Deductible Health Plans and Section 125 Plans.

First, Ms. Sheppard described a Health Savings Account as a savings product that can be used as an alternative to traditional health insurance which allows you to pay for current health expenses and save for future qualified medical and retiree health expenses on a tax-free basis. She said, however, that in order to take advantage of an HSA, you must also be covered by a high deductible health plan but must not be covered by other health insurance that is not a high deductible health plan. She said a HDHP will cost less than traditional health insurance, so money saved on insurance can be put into the Health Savings Account. She said the money in the HSA is controlled by the owner and decisions regarding how the money is spent are made by the owner, without relying on a third party or a health insurer. She noted that the owner may also decide what types of investments to make with the money in the account, including stocks, bonds, mutual funds and certificates of deposit.

Ms. Sheppard then described a High Deductible Health Plan. She said to open an HSA you must also have a High Deductible Health Plan. She noted that a HDHP is sometimes referred to as a catastrophic health insurance plan. She said it is less expensive health insurance with a high deductible, which means it doesn't cover the first several thousand dollars of health care expenses you incur, but will generally cover your expenses once the deductible is met. The intent, she noted, is that the funds in the HSA will help pay for the expenses your HDHP does not.

In describing the Section 125 Cafeteria Plan, Ms. Sheppard stated that this plan is also referred to as flexible benefit plan or Section 125 Plan. She said these are employer sponsored benefit plans which allow employees to obtain benefits on a pre-tax basis. She said the primary benefit for employers is a potential savings in payroll taxes.

In conclusion, Ms. Sheppard said although there is abundant information available from the Kansas Insurance Department and through the Internet regarding health savings accounts, high deductible health plans and Section 125 cafeteria plans, many small employers are still unaware of the existence and benefits of such plans. She said although HSA, HDHPs, and Section 125 Plans provide significant benefits to both employers and employees, either the employees or the employer must be willing and able to make the necessary monetary contributions to establish and maintain these plans. (Attachment 2)

There were no questions for Ms. Sheppard.

The next meeting is scheduled for 9:30 a.m., January 20, 2009.

The meeting was adjourned at 10:20 a.m.