

Approved:  
Date: February 19, 2002

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Sandy Praeger at 9:30 a.m. on February 13, 2002 in Room 234 N of the Capitol.

All members were present except:

Committee staff present: Dr. Bill Wolff, Kansas Legislative Research Department  
Ken Wilke, Office of the Revisor of Statutes  
JoAnn Bunten, Committee Secretary

Conferees appearing before the committee:

Kyle Wendt, Kansas Employee Health Care Commission  
Randy Allen, Ex. Dir., Kansas Association of Counties  
Rich Vargo, Riley County Clerk  
Brad Smoot, Blue Cross/Blue Shield  
Larrie Ann Lower, Kansas Association of Health Plans  
Linda Tenute, Coventry Health Care, Kansas City  
Ron Auer, Coventry Health Care, Kansas City  
Bruce Witt, Preferred Health Systems, Wichita  
Cheryl Dillard, Mid America Health, Kansas City  
Larry Magill, Kansas Association of Insurance Agents  
Sandy Jacquot, Legal Counsel, Kansas League of Municipalities  
Craig Grant, K-NEA  
Linda DeCoursey, KID

Others attending: See attached list.

**Hearing on SB 469 - State employees health plan; inclusion of additional entities**

Kyle Wendt, Kansas Employee Health Care Commission, addressed the Committee and expressed support for **SB 469** which would set conditions for local government participants in the state's health care benefits program. Participation would be conditioned upon the following: at least 70% of the local government employees must participate in the state health care plan; the amount of the premium paid as the employer's share must be equal to the amount the state pays for its employees; and the local government must not create, maintain or permit any exemption from participation in the state health care plan for its employees. These conditions would go into effect on July 1, 2002. Mr. Wendt offered an amendment that would change the wording in condition No. 2 of the bill on page 3 from "the amount paid by the state" to "the rate paid by the state" as outlined in his written testimony. (Attachment 1)

The following conferees testified in favor of **SB 469** and submitted written testimony. Some of their comments were as follows:

Randy Allen, Executive Director, Kansas Association of Counties, commented that while it does not appear in the bill, they acknowledge a need for counties and other local governments to commit to participating in the plan for a reasonable length of time (3-5 years) and that the state commit to their participation for the same length of time, (Attachment 2); Rich Vargo, Riley County Clerk, felt that by allowing counties to participate directly in the current state plan would create a much larger health insurance pool that would result in controlling premium costs for both state and county governments, (Attachment 3); Brad Smoot, Blue Cross/Blue Shield, noted that the criteria specified in Sec. 2(d) of the bill are minimum requirements to protect the state employees plan from adverse selection by groups and individuals within those groups, and he felt they are precisely the requirements that the insurance industry would need to protect their pool of insureds. Mr. Smoot also outlined a few general concerns from the viewpoint of the private insurance market as shown in his written testimony, (Attachment 4); Larrie Ann Lower, Kansas Association of Health Plans, expressed

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her support by stating that requirements must be met to ensure the financial stability of the state employees health insurance program by protecting against adverse selection, ([Attachment 5](#)); Linda Tenute, Coventry Health Care, Kansas City, speaking from experience with the State of Missouri plan, stressed the Kansas plan should require 70% participation of employees, employer contribution toward health coverage should be no less than 50% of the total premium, and the employer required to participate for a minimum of three years, ([Attachment 6](#)); Ron Auer, Coventry Health Care, Kansas City, did not provide written testimony but stressed the necessity of accurate underwriting of the group; Bruce Witt, Preferred Health Systems, Wichita, recommended a revision to the bill by adding a number (5) to subsection (d), which would read as follows: “(5) the entity shall elect to participate for a minimum of three consecutive years in the state health care plan,” ([Attachment 7](#)); Cheryl Dillard, Mid America Health, Kansas City, cautioned that the plan not be experimented with as administrations change and a buffer be established, ([Attachment 8](#)); Larry Magill, Kansas Association of Insurance Agents, suggested the Committee add a stipulation to the bill that requires local governments take the same coverage/plan as that provided to state employees, and noted that without the safeguards in the bill, adverse selection would result and the cost of the state plan would be raised, ([Attachment 9](#)); and Sandy Jacquot, Legal Counsel, Kansas League of Municipalities, noted there is a high level of interest on the part of cities and counties to participate in the state health insurance program in order to provide affordable health care insurance, ([Attachment 10](#)).

Written testimony only was received from Mahlon Tuttle, Kansas Legislative Policy Group, expressing his support of the bill. ([Attachment 11](#))

Craig Grant, K-NEA, appeared before the Committee by stating their problem with the bill is that it potentially restricts the Health Care Commission’s flexibility at just the time when more school districts and colleges are seriously considering the move to the state health plan. The bill would actually restrict the ability of districts to enter the plan. He noted that currently districts can “ramp-up” their employer payments over three to five years in order to reach the same amount of premium as the state of Kansas pays for its employees. Subsection (2) on page 3 of the bill would eliminate the possibility of the popular ramp-up provision. He also noted they almost have enough members in the plan to force a study to see if the inclusion of school districts has caused any harmful effects, and believe that before they codify any rules or regulations that restrict what they already do into law, they should wait for that study and allow the Commission to make its regulations in these areas. ([Attachment 12](#))

Linda DeCoursey, Kansas Insurance Department, noted that current statutes already allow the Kansas State Employees Health Care Commission to include employees of a county, township, city special district or other local governmental entities by rules and regulations. Ms. DeCoursey noted that the Commissioner of Insurance supports the concept of including those entities already listed in the statutes. **SB 469** would codify into law after July 2002, the current criteria set out for other groups to join the state health care benefits program, and while the Commissioner is not opposed to the actual codifying of the language into statute, she does have concerns about what is being codified. KID has confirmed that the 70% participation rate is sufficient to protect against adverse selection, and the additional criteria that the employer/employee contribution must be identical to the state plan within three years is both economically unfeasible for too many districts and adds nothing to the adverse selection concern. Ms. DeCoursey pointed out that it is critical to decide what rules will apply to those groups interested in joining the health plan, because those very rules that are chosen to codify into law may be the reason for fewer groups coming into the state benefit program. ([Attachment 13](#))

## **Adjournment**

The meeting was adjourned at 10:30 a.m. The next meeting is scheduled for February 19, 2002.

