

MINUTES OF THE HOUSE HEALTH AND HUMAN SERVICES COMMITTEE

The meeting was called to order by Chairman Brenda Landwehr at 1:30 p.m. on February 12, 2009, in Room 784 of the Docking State Office Building.

Committee members were all present except Representatives Gordon and Morrison, whom were excused.

Committee staff present:

Norm Furse, Office of the Revisor of Statutes
Melissa Calderwood, Kansas Legislative Research Department
Reed Holwegner, Kansas Legislative Research Department
Janet Grace, Committee Assistant

Conferees appearing before the Committee:

Beverly Gossage, HSA Benefits Consulting (Attachments 1, 2, 3, 4, 5, 6)
Natalie Bright, Wichita Independent Business Association (Attachment 7)
Scott Day, Day Insurance Solutions (Attachment 8, 12)
Dan Murray, National Federation of Independent Business (Attachment 9)
Linda Sheppard, Kansas Insurance Department (Attachment 10)
Michael Gross, Kansas Association of Health Underwriters (Attachment 11)
Dr. Marcie Nielsen, Kansas Health Policy Authority (Attachment 13)

Chairman Landwehr called the meeting to order. The meeting began with the hearing on **HB 2287**.

HB 2287 - Health reimbursement arrangements.

Beverly Gossage, HSA Benefits Consulting, provided testimony and information as a proponent for **HB 2287** (Attachments 1, 2, 3, 4, 5, 6). This bill is similar to **HB 818** in Missouri, allowing the Missouri business owners not to be mandated. Most small businesses do not offer group health insurance due to multiple reasons including administration and costs. One of the primary strategies used within the consumer-directed health care approach is to offer Health Savings Accounts (HSA's). HSA's can help the small business owner and the employee with affordable health care, cost savings, and less administrative costs.

Natalie Bright representing the Wichita Independent Business Association (WIBA) presented proponent testimony for **HB 2287**. The members of WIBA support this bill because it proposes another tool that may be used by employers to assist their employees in obtaining health care insurance. Health Reimbursement Accounts (HRA's), under current law, are attractive to employees because they deposit pre-tax dollars and use those dollars to pay for health care expenses. Under existing law, employers are denied the option of contributing dollars to their employees HRA's. **HB 2287** would remove this restriction and allow employers to deposit dollars into an employee's HRA account, affording the employee the benefit of leveraging both contributions towards the premium of an individual health care policy. It also fosters additional individual choice and control over one's health care insurance, which is a necessity in reducing health care costs.

Scott Day with Day Insurance Solutions provided a broker's perspective during his proponent testimony for **HB 2287**. Through the establishment of a Health Reimbursement Arrangement (HRA) the employer can make pretax contributions to individual premiums, thus giving them both an incentive to contribute. This would equalize the tax discrimination that has favored those purchasing health insurance through group plans. This bill helps small business owners spend less administrative time dealing with health insurance. The employees will be allowed to select their own individual plans, and choose from a marketplace of carriers and plan designs for the one that best meets their personal needs. The employer determines the amount of contribution, if any, that they want to provide. This will help lower the cost of health insurance for the uninsurable without creating additional tax burden.

Dan Murray, National Federation of Independent Business (NFIB), is a proponent of this bill. The primary tools available to small business owners, their employees and their families include health savings accounts (HSA's), health reimbursement arrangements (HRA's) and flexible spending accounts. These plans provide the consumer with the choice to control and spend health care dollars as they see fit. This

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tool will help lower their health care costs.

Linda Sheppard from the Kansas Insurance Department provide testimony as an opponent to **HB 2287** (Attachment 10). One of the criteria used by health insurers when they are marketing small employer health plans is the percentage of participation by employees. This requirement permits the health insurers to spread the risk across all of the small employer's employees and impacts the cost of the coverage provided. If some employees elect to obtain their own individual coverage paid for, in part, by their small employer, the employer may be unable to obtain small group coverage for the remaining employees because they no longer have a sufficient number of eligible employees to participate in the small group plan. **HB 2287** would result in healthy eligible employees, who are able to qualify for an individual policy, to exit the small group market place.

The Kansas Insurance Department is concerned about Lines 19-22; small group market rate reform. The concern is about 40-2209B-refer to line 21; that small group rates will increase. The balance is the employer contributes to a health care program, so it gets the group market rate. The trade off is having healthy people balance out the unhealthy to keep costs lower. The purpose of the bill is to not trigger health insurance for a single person due to high insurance risks. It is against the law to raise premiums for someone who goes from being healthy to becoming ill. Discussion on the bill allows people to be insured as opposed to being uninsured.

Kansas Health Policy Authority is neutral on this bill and available for questions.

The hearing is closed on **HB 2287**.

HB 2259 - Health care act providing for a medicaid waiver to offer health opportunity accounts and a pilot premium assistance plan program for small employers.

Michael Gross from the Kansas Association of Health Underwriters (KAHU), supports the provision of Section 1 that gives the Kansas Health Policy Authority (KHPA) authority to apply for a waiver or waivers from the CMS, in an attempt to lower the cost of health care under the Kansas Medicaid program by offering Health Savings Accounts (HSA's). HSA's are underutilized and help lower health costs. KAHU opposes the opportunity account (last line in Section 1) because it has not been defined in this act. (Attachment 11) KAHU supports the provisions of Section 2 that gives the KHPA the authority to develop and implement a pilot premium assistance plan to the eligible employees of small employers to purchase an employer-sponsored health benefit plan. KAHU opposes the last line of Section 2 because there is no clear definition of the criteria of what a "state approved" individual health plan might be. The KAHU is in support of offering additional plan designs for the Kansas Medicaid participants. The KAHU hopes the choices offered will be private sector products which help to lower the cost of health insurance. KAHU supports **HB 2259** because it offers choices and provides the opportunity to lower health costs.

Scott Day, Day Insurance Solutions, favors **HB 2259**. This Kansas program Medicaid is in dire need of reform to promote personal responsibility for health care services and appropriate utilization of health care benefits through the use of public-private cost sharing. Oklahoma has a premium assistance plan known as Insure Oklahoma. This program has proven that Premium Assistance can work, if designed correctly. The key to this success is the Medicaid waiver that Oklahoma applied for to allow private market small group and individual plans to be offered in the program. The waiver allows plan designs that are almost identical to the private market plans already in Kansas. Scott Day supports the Premium Assistance if the Oklahoma model is used. The current Kansas Medicaid programs cannot be sustained unless personal responsibility must be introduced to these programs.

Beverly Gossage, HSA Benefits Consulting, provided more insight to **HB 2259**. HSA's offer more choice. They cannot be used for children for the Health Opportunity Accounts (HOA's) can be used for children. HOA's offer someone their own policy and funds in an account that can be used to pay toward the premium. This is a way to get people off the Welfare Healthcare program.

There were no opponents to **HB 2259**.

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Dr. Marcie Nielsen, Kansas Health Policy Authority provided written neutral testimony (Attachment 13).

The hearing was closed for **HB 2259**.

The next meeting is scheduled for February 13, 2009.

The meeting was adjourned at 2:45 p.m.