

Approved: March 4, 2010

Date

MINUTES OF THE HOUSE INSURANCE COMMITTEE

The meeting was called to order by Vice Chairman Virgil Peck at 3:37 p.m. on March 2, 2010, in Room 152-S of the Capitol.

All members were present except:

Representative Anthony Brown - excused  
Representative Burroughs - excused  
Representative Neighbor- excused  
Representative Rob Olson- excused

Committee staff present:

Bruce Kinzie, Office of the Revisor of Statutes  
Sean Ostrow, Office of the Revisor of Statutes  
Melissa Calderwood, Kansas Legislative Research Department  
Amanda Nguyen, Kansas Legislative Research Department

Conferees appearing before the Committee:

Representative Milack Talia, District 23  
Doug Farmer, Kansas Health Policy Authority  
Marlee Carpenter, Kansas Association of Health Plans

Others attending:

See attached list.

Hearing on:

**HB 2592**     **Public health insurance marketplace; employer disclosures**

Melissa Calderwood, Kansas Legislative Research Department, gave a brief overview on **HB 2592**.

Proponent:

Representative Milack Talia, District 23, (Attachment 1), gave testimony before the committee in support of **HB 2592**.

Neutral:

Doug Farmer, Kansas Health Policy Authority, (Attachment 2), presented neutral testimony before the committee on **HB 2592**.

Opponents:

Marlee Carpenter, Kansas Association of Health Plans, (Attachment 3), gave testimony before the committee in opposition to **HB 2592**.

Rachelle Colombo, The Kansas Chamber, (Attachment 4), presented written testimony in opposition to **HB 2592**.

Jennifer Bruning, Overland Park Chamber of Commerce, (Attachment 5), presented written testimony in opposition to **HB 2592**.

Sandy Braden, Kansas Association of Health Underwriters, (Attachment 6), presented written testimony in opposition to **HB 2592**.

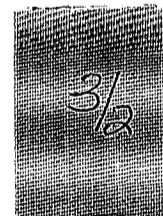
Daniel S. Murray, NFIB-Kansas, (Attachment 7), presented written testimony in opposition to **HB 2592**.

Hearing closed on **HB 2592**.

Representative Grant moved without objection to pass the February 25, 2010 committee minutes as written.

The next meeting is scheduled for Thursday, March 4, 2010.

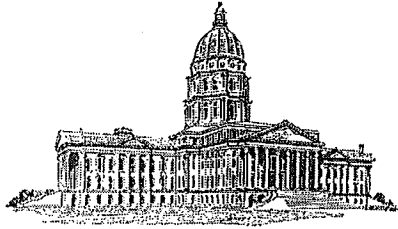
The meeting was adjourned at 4:20 p.m.





MILACK TALIA  
HOUSE OF REPRESENTATIVES

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COMMITTEE ASSIGNMENTS  
ENERGY & UTILITIES  
GEN. GOVERNMENT BUDGET  
JUDICIARY  
ENGINEERING SUCCESS

STATE OF KANSAS | 23RD DISTRICT

February 11, 2010

Chairman Shultz, Vice-Chair Peck, Rep. Swenson & Members of the Insurance Committee,

Thank you for allowing me the opportunity to provide testimony in support of HB 2592. This bill makes three key changes to the status quo:

- It creates a public marketplace for private health insurance companies to offer plans to private citizens in the same way they offer plans to elected officials. Any legal resident of Kansas would be eligible.
- It ensures the employee free choice for health care. Employers would have to fully disclose the terms and conditions for their health plans and employees would have the option to not enroll in the employer health plan.
- It creates a cost control database to track expenses, premiums, deductibles, co-pays, coverage and other variables, thereby creating much-needed transparency in the health care industry.

The costs of providing health care are skyrocketing and premiums, deductibles and co-pays are pricing people out of getting the treatment they need. For the first time in about 25 years, small business owners say soaring worker health costs, not taxes, are their biggest headache; taxes had been number one since 1986. Year after year, I hear stories from households and businesses in my district that increases in health costs cause companies to go into cost-cutting mode. This shifts more of the health care costs to their workers through decreased benefits and increased premiums, deductibles and co-pays.

Individuals and small businesses, with little-to-no bargaining power, have to pay the highest premiums because they are part of the smallest health care bargaining group. This legislation will take the burden off of small businesses and individuals in finding and administering the most comprehensive and affordable health insurance policies.

**HB 2592, with amendments, can decrease the costs of health care and make health insurance more affordable for every Kansan.** If people can't afford health insurance, our premiums will increase to pay for health care for the uninsured or hospitals will cut services. I look forward to working with interested organizations and businesses to ensure we decrease the number of people without health insurance, people who need to be covered. Thank you for your consideration of this bill.

Coordinating health & health care  
for a thriving Kansas



**House Insurance Committee:  
HB 2592 – Creating a Health Insurance Marketplace**

**March 2, 2010**

**Doug Farmer  
Director, State Employee Health Benefits Plan  
Kansas Health Policy Authority**

The KHPA does not have a position on HB 2592. The role of the KHPA is to provide information and analysis to policymakers.

HB 2592 creates within the state health care benefits program a health insurance marketplace. This marketplace would allow citizens and legal residents to purchase the same health insurance available to state employees. The Health Care Commission (HCC) would be required to create a website and telephone system to answer questions and provide information about the health insurance marketplace. The HCC also be required to create a process to receive premium payments from individuals including payroll deductions or other forms of payment.

The State Employee Health Plan (SEHP) reports to the State Employees Health Care Commission (HCC) and is administered under the Kansas Health Policy Authority (KHPA). The SEHP is self-funded, which means that we do not purchase or coordinate insured products for our members. Instead, the SEHP purchases access to existing networks and also purchases administrative services from the insurance companies that own those networks. This arrangement means that the SEHP is also financially responsible for all health care risk associated with plan members.

In order to provide an accurate estimate of the impact that this bill would have, the KHPA would need clarification on a number of points. There are numerous questions that would need consideration before an accurate estimate of the impact of this bill could be produced, below are a few examples of the type of clarification that would be needed:

- Once a state employee joins the plan, they must remain with the plan for the entire plan year unless they have a qualifying event. Would individuals purchasing coverage through the SEHP

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Medicaid and HealthWave:  
Phone: 785-296-3981  
Fax: 785-296-4813

State Employee Health  
Benefits Plan:  
Phone: 785-368-6361  
Fax: 785-368-7180

State Self Insurance Fund:  
Phone: 785-296-2364  
Fax: 785-296-6995

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have the same requirement?

- Would the individuals joining from outside of state employment be a part of the same risk pool as state employees, or would they have a separate risk pool?
- The SEHP is self funded health benefit program authorized under the federal Public Health Services Act ("PHSA", 42 USC 6A). Does the bill assume that the SEHP would remain a self-funded benefit program, or would it become a licensed insurance broker?
- Since the SEHP is self-insured and is currently in need of increased capital in order to become solvent. Significantly increasing membership in a self-insured plan would require significant start-up capital to be solvent. Where would such capital come from?

The KHPA stands ready to provide any data or analysis that the legislature would find helpful in its deliberation of HB 2592.



# Kansas Association of Health Plans

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March 2, 2010

## **HB 2592**

### **Testimony before the House Insurance Committee**

**Marlee Carpenter, Executive Director**

Chairman Shultz and members of the Committee;

I am Marlee Carpenter, Executive Director of the Kansas Association of Health Plans (KAHP). The KAHP is a nonprofit association dedicated to providing the public information on managed care health plans. Members of the KAHP are Kansas licensed health maintenance organizations, preferred provider organizations and other entities that are associated with managed care. KAHP members serve the majority of Kansans enrolled in private health insurance. KAHP members also serve the Kansans enrolled in HealthWave and Medicaid managed care. We appreciate the opportunity to provide comments on HB 2592.

KAHP has several concerns with HB 2592. First, New Section 1 of the bill creates unnecessary regulation and oversight for both businesses and insurance companies. The bill requires that a new department is created and that an employer must report information about their health benefit plan. These are new regulations, expenses, administrative burdens and unnecessary oversight of employers and the way they manage their employee benefits.

New Section 2 of the bill would require that a company pay an employee, if that employee declines employer sponsored health insurance, the amount of the health benefit plan. There is no requirement that the employee purchase health insurance with that money, only that the money be paid to the individual. In addition, the bill requires that the employer shall not reduce the amount they contribute to the health benefit plan. Employers sometimes have to make tough decisions whether to discontinue their health benefits or increase costs to the employees. Sometimes increasing the employer amount is the only way to continue to offer this benefit.

Page 5 of the bill creates a state health care benefit program in which citizens can purchase the same insurance that state employees can purchase and it creates a marketplace for the purchase of insurance. The bill also requires that information on several variables be published on a web site.

The creation of a state health care benefit program in conjunction with the requirement of employer to pay an individual the cost of employer sponsored insurance would be detrimental to the insurance market in Kansas. The effect of these measures would lead to more companies choosing not to offer health insurance and encourage their employees to buy on the exchange with the required stipend. These policies will eventually drive more individuals to the state plan and thus a less competitive marketplace for the private insurers. The practical effect would that insurers will leave the market, health insurance will increase and less individual will be insured.

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Health insurance companies try and keep the cost of their products low by allowing options and choices for individuals and businesses. These state employee health plan is a Cadillac health insurance plan which is very expensive. If more individuals are driven towards that plan, less will be able to afford it and more Kansans will become uninsured. In Kansas, for every 1% increase in insurance premium costs, approximately 2,500 Kansans lose all insurance coverage due to their employer dropping health insurance due to costs.

KAHP opposed HB 2592 because of the additional requirements on employers, the detrimental effect these measures will have on the health insurance market and the potential increase in the uninsured in Kansas.

Thank you for your time and I will be happy to answer any questions.



**Legislative Testimony**

**HB 2592**

**House Insurance**

**Rachelle Colombo, Senior Director of Legislative Affairs, The Kansas Chamber**

Chairman Shultz, members of the committee:

My name is Rachelle Colombo and I am the Senior Director of Legislative Affairs for The Kansas Chamber. Thank you for allowing me to appear on behalf of the small, medium and large member businesses in opposition to HB 2592.

Creating a public option will only reduce competition for insurers, driving up the cost of private insurance as the risk pool grows increasingly smaller and more expensive to cover.

We have an employer-based health care system which would be negatively impacted by the increased cost of private insurance resulting from the public option and further burdened by the compliance mandate on proprietary information.

By increasing the cost of providing health care and mandating disclosure and compliance we are only creating an incentive for employers to stop providing health benefits altogether and growing our uninsured.

If the goal is reduce the cost of health care and provide coverage for more individuals, this bill misses the mark.

Please vote no on HB 2592.







## Testimony in opposition to HB 2592

Submitted by Jennifer Bruning  
On behalf of the Overland Park Chamber of Commerce

House Insurance Committee  
Tuesday, March 2<sup>nd</sup>, 2010

Chairman Shultz and Committee Members:

My name is Jennifer Bruning, and I am Vice President of Government Affairs with the Overland Park Chamber of Commerce. I am submitting testimony today in opposition to House Bill 2592 on behalf of our board of directors and our nearly 1,000 member companies.

One of the top priorities of the Overland Park Chamber is to minimize increases in employer provided health care insurance and health care costs, and we oppose plans or programs that would increase the cost to employers by mandating compliance. We respectfully oppose HB 2592 because our members feel this bill, should it pass, is unsustainable. It would create unnecessary government regulation and oversight, would actually lead to more expensive rather than more affordable health care, and would not result in what we deem the sponsor of the bill is looking to help provide – reliability and expanded care for those who need it.

The first problem we note is the potential for this bill to slim the risk pool under an employer's health benefit plan as more and more employees begin choosing to purchase their plans through the public health insurance marketplace, while the employer is still required to pay the premium amount to the employee. This creates a very slippery slope, ultimately leading to more companies choosing not to offer health insurance all together and instead encouraging their employees to buy on the state exchange and giving them a stipend to do so. What results from this scenario is a less competitive marketplace for private insurers, because essentially one large payer is controlling a majority of the marketplace. The slope downward continues in that it leads to significant decreases in hospital, physician and health clinic revenues, thus leading to less health care being offered because it has now become unaffordable.

Furthermore, our members have expressed dismay at the provision requiring the employer to give the money they would have paid towards the employee's premium directly to the employee, should the employee opt not to participate in the employer's benefit plan. Every business that offers a health care plan assumes that a certain percentage of their workforce will not take the insurance, and this "opt out" percentage impacts the total amount that an employer is willing to contribute to an employee's plan. Under normal circumstances a provision such as this would likely lead to employers lowering the total amount they are willing to put towards health insurance so they can spread what they are paying across the entire workforce. The bill,

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however, gets more confusing in that it states that "no employer shall reduce the amount of the employer's contribution to the employer's health benefit plan for an employee." Does this mean ever? Even under an economy such as what we are experiencing today, an employer can't reduce employee contributions even if it means cutting costs in other ways such as through layoffs? This is undoubtedly unsustainable.

The business community also doubts that the "tax free" nature of the money that the employer pays the employee should they forgo the employer benefit plan will be enough of an inducement to convince the "young and invincible" to purchase the state sponsored health insurance. Instead, many will likely pay the tax and continue to go without insurance at all.

Finally, the additional reporting requirement that the bill mandates employers provide to the state regarding the health insurance benefits they provide will be costly and extremely burdensome. Now is not the time to force additional compliance measures on businesses as they fight to create jobs and turn this economy around.

For all these reasons, we urge you to oppose HB 2592. Thank you for your consideration.

**Written Testimony in Opposition of HB2592  
Sandy Braden on behalf of the  
Kansas Association of Health Underwriters  
House Insurance Committee  
Tuesday, March 2, 2010**

Mr. Chairman and members of the Committee, thank you for the opportunity to provide written testimony in opposition of HB2592.

The Kansas Association of Health Underwriters (KAHU) supports health care measures that promote a healthy private sector health insurance market by allowing employers to provide a cost effective quality plan to employees. The provisions of HB2592 move toward a public insurance plan with additional requirements on employers that already provide their employees with health insurance.

HB2592 calls for the establishment of a statewide employer health care insurance database to be administered by the state under the state health care benefits plan. The insurance database would be regulated by the Department of Administration, and the data would be populated by the information submissions of employers.

HB2592 would create several mandatory requirements of employers. All employers who offer a health benefit plan to employees would be required to submit information to create the aforementioned insurance database. Employers would also be required to provide additional information to employees about health insurance benefits; be mandated to a certain level of employer contribution; and provide payment for any employees who do not wish to accept the employer provided insurance option. As is, the bill includes no requirements or incentives that the money given to the employee would need to be used for health insurance.

The provisions of this bill will move more Kansans into public sector health care programs by establishing a public health insurance market open to all residents of the State of Kansas. The bill would allow residents the opportunity to purchase the same health insurance coverage as is available to state employees.

Putting more Kansans in public sector health insurance programs increases the cost shifting onto private pay insurance programs, thus making it increasingly difficult for employers and individuals to afford traditional health insurance. Further, the continual expansion of eligibility for public sector insurance programs will begin to erode the market for private sector insurance.

Thank you for the opportunity to provide comments on HB2592.

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The Voice of Small Business®

**Senate Business & Labor Committee**  
**Daniel S. Murray: State Director, NFIB-Kansas**  
**Written Testimony in Opposition to HB2592**  
**March 2, 2010**

Mr. Chair, Members of the Committee: My name is Dan Murray and I am the State Director of the National Federation of Independent Business-Kansas. NFIB-KS is the leading small business association representing small and independent businesses. A nonprofit, nonpartisan organization founded in 1943, NFIB-KS represents the consensus views of its 4,000 members in Kansas. Thank you for the opportunity to comment on HB2592.

**NFIB-Kansas opposes the passage of HB2592.** Our members have a few major concerns with the bill. First, HB2592 creates the “health care insurance database,” and would require that employers submit information regarding their offered health insurance benefits to a “health care insurance database.” We believe this sensitive and proprietary information should exclusively remain shared only among the employer, employee and the insurance provider.

Additionally, we are uncertain as to the purpose of the “health care insurance database.” The true function and value of the database is not identified. Our time-strapped small businesses believe it is inappropriate for government to burden them with an administrative requirement that has no clear benefit.

Finally, HB2592 says that an employer shall pay to the employee the amount the employer would have contributed to such employer’s health benefit plan if the employee elects to not participate in said plan. Many small businesses offer very good health insurance benefits. These benefit offerings are often what attracts and retains good employees. However, this requirement could open the door for employees to jump to the state health insurance plan.

This would likely have at least two effects: 1) it would reduce the pool size for the small business, and subsequently its purchasing power; and 2) it would spread the small business’ experience over fewer employees. Both would result in increased insurance costs for small businesses. Currently, small businesses pay 18% more for healthcare than big businesses. Creating an equal playing field starts with improving the small group insurance markets. Unfortunately, HB2592 does not accomplish that goal.

Again, thanks for the opportunity to comment.

***Small Business Isn’t Small***

*Collectively, small business isn’t small. It provides employment to 54.7% of the non-farm private work force in Kansas. It generates more than 50% of the gross domestic product. It possesses half of the business wealth in the U.S. In the past decade, it has annually provided 60% to 80% of net new jobs. It has been giving 67% of workers their first job. It hires a larger proportion of women, younger workers, older workers, and part-time workers than does big business. – Data Compiled in the 2010 Guide to Kansas Small Business Issues.*