

Date: January 28, 2019

To: House Committee on Insurance

From: Kevin J. Robertson, CAE
Executive Director

RE: Support of HB 2054 and HB 2055 regarding Association Health Plans

Chairman Vickrey and members of the committee I am Kevin Robertson, executive director of the Kansas Dental Association (KDA) representing the state's 1,571 licensed dentists. Thanks for the opportunity to discuss with you the Kansas Dental Associations' thoughts on association health plans.

The KDA **supports** HB 2054 and HB 2055 which would allow bonafide associations like the KDA and other to offer less risky **fully-insured** health plans to our dentist members, dental practice employees and their families. Current law allows associations like the KDA to create a self-funded association health plan, however, the need for capital reserves and the financial risk make the self-funded route a poor option for the KDA.

The KDA has specific experience with dealing with a failed health insurance plan when our self-funded Voluntary Employee Benefit Association (VEBA) failed in 2001. By all accounts the KDA was doing everything correctly, including:

- Independently elected board elected from pool participants;
- Independent Third-Party Administrator in Topeka – licensed by the Kansas Insurance Department;
- National actuarial firm from Kansas City;
- A-rated stop-loss carrier which provided aggregate and specific stop-loss coverage;
- Independent CPA, and;
- Independent attorney.

The KDA VEBA health plan grew from its inception to about 600 member lives. Plan designs, rating and underwriting was typical for the marketplace. Claims experienced matured after the peak enrollment and significant rate increases were necessary but were often minimized by accumulated reserves. Over a period of time reserves dwindled, rates increased and groups who were healthy began to leave the pool, necessitating even higher rate increases.

After three significant claims in 1999 depleted the reserves the KDA's self-insured VEBA was broke! Thanks to the help of the Kansas Department of Insurance and the reinsurer the KDA was able to pay all claims wind down the VEBA Trust over 18 months ending in 2001.

Though MANY successful self-insured health plans currently exist, I simply want to bring to your attention what could and has happened to explain why the KDA strongly prefers the fully-insured association health plan option provided in HB 2054.

On HB 2055, I would suggest an amendment on page 1, line 23 by deleting, “*through a trust established November 1, 1985*” as this refers specifically to the above mentioned VEBA Trust which is no longer in existence.

Thank you for the opportunity to appear before you today. I would be happy to answer any questions at the appropriate time.