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## **Testimony to Kansas House Insurance Committee**

### **Senate Bill 29**

### **An Act concerning insurance; relating to health insurance**

**Ken White, President**  
**White Exploration, Inc.**

**January 30, 2019**

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### **Chairman Olson and Members of the Financial Institutions and Insurance Committee**

I am the current Chairman of the Kansas Independent Oil and Gas Association (KIOGA) and the President of White Exploration, Inc. in Wichita, Kansas. I would like to direct my testimony primarily to Senate Bill 29 and then to Senate Bills 33, 34, 35 and 36. The subject of these bills is to re-define how Trade Associations, and others, may offer fully-insured association group Health Insurance plans for their members. For over a year, I have been discussing this subject with several insurance agents hoping that we could find a way that a Trade Association such as KIOGA could provide significant savings to their members. I am not an attorney or an insurance agent, so please forgive me if my quick analysis of the proposed legislation is simplistic or incomplete.

KIOGA has been in existence for over 81 years. The function of KIOGA is to act as an advocate for its members in Topeka and in Washington, and to provide information and services to benefit our members. With over 4,000 members, including 1,400 member companies, KIOGA is the lead state and national advocate for the Kansas oil and gas industry. Our membership includes both producers who own and operate over 100,000 producing oil and natural gas wells in the state, and the companies that provide services and equipment to keep those wells producing, providing income to thousands of royalty owners, and paying taxes that are a significant portion of the revenue stream for many counties. KIOGA's membership predominantly consists of small businesses. The vast majority of the member companies call Kansas their home, and the vast majority of these companies have fewer than 10 employees.

My own small business is a perfect example. White Exploration, Inc. currently has four (4) employees including myself. The current monthly premium for our company provided health insurance for three (3) family policies and one (1) individual policy is almost \$5,200.00 per month. This is after we doubled our deductible 1-1/2 years ago to moderately lower our ever increasing monthly premiums. We currently buy our group policy directly from the insurance provider and we are considered a group of four (4).

Under current rules, KIOGA can sponsor a group health policy for its members, but each member company must stand on its own when premiums are being determined and we do not have the benefit of sharing the risk with the larger group. If KIOGA currently had an association sponsored plan, White Exploration's premiums would not change since the premiums for our four (4) person company would still only be determined by the usage of our employees. In other words, we would still be a group of four (4).

It is my understanding that if the state of Kansas would adopt rules that mirror those that were adopted on the Federal level in 2017, that would allow us to obtain a Health Insurance product that groups together all eligible association members into one risk pool. This gives us the advantage that employers have who employ thousands of employees. Those large employers can purchase health insurance for their employees at much lower premiums than KIOGA members and other small businesses are forced to pay.

KIOGA is very interested in being able to offer an Association sponsored fully-insured Group Health Insurance policy to our members that truly provides a benefit to our members. For this reason we are supportive of your legislation to accomplish this for KIOGA and for other associations with thousands of Small Business members around the state who could benefit from this important legislation. For this legislation to be beneficial to us, I ask you to consider the following:

1. Make sure that is crystal clear that under Senate Bill 29, that a 501(c)6 Trade Association such as KIOGA may participate in a Fully Insured Group Health Plan
2. Make certain that the other proposed legislation (Senate Bills 33, 34, 35 and 36) that appear to supplement Senate Bill 29, do not alter the ability of KIOGA or other similar associations to participate in a Fully Insured Group Health Plan.
3. It appears that under the proposed legislation that the smallest group that can participate in an association sponsored group health plan is to be negotiated with the insurance carrier. KIOGA and other associations do have members with consulting businesses or similar occupations where their Small Business may only consist of themselves as the sole employee. It would be beneficial if the legislation concerning the group health plans could provide that those single member Small Businesses not be left out of the opportunity to participate in their association group health plan.

4. It is unclear to me, but it would be helpful if association employees, whether one or more, would be able to participate in the Fully Insured Group Health Plan sponsored by their employer association.

The Kansas House of Representatives Insurance Committee recently heard testimony on their House Bill 2054, which is the House's companion bill to Senate Bill 29. Several organizations provided testimony in opposition to that bill indicating that group health plans offered by an Association would provide inadequate or reduced coverages as compared to a group health insurance plan that is obtained by individual employers. In my research into Fully-Insured Group Health Insurance policies, I have found no evidence of inadequate or reduced coverage, and maybe the opposite. I would also point out that just because you are the member of an Association does not mean that you are required to purchase your Health Insurance through that Association if you feel there is a better product for you in the open marketplace. I believe that these criticisms may be more directed at Self-Funded group health plans which may be exempt from certain Federal and State regulations. KIOGA's intent is to provide the best product possible to its members at a cost savings that can only be achieved by an Association sponsored group health insurance plan.

In almost every discussion of the Kansas economy, the importance of Small Businesses is mentioned. Not just in the oil and gas segment, but in all phases of our diverse economy. Allowing small businesses to play on an equal footing with large corporations in providing health insurance to our employees can only enhance the small business environment in the state. It would be a huge benefit to associations like KIOGA, and small business owners like me, if associations like KIOGA were able to offer fully-insured group health insurance plans to all of our members in such a format that the premiums are based on rating the larger group of association members, instead of each individual small group employer. Providing health insurance to our employees is extremely expensive. Lowering this cost should not only free up that money for further investment in our small businesses, but it will also encourage small businesses to provide health insurance to their employees where that benefit has not been available.