

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairperson Ruth Teichman at 9:30 a.m. on February 19, 2004 in Room 234-N of the Capitol.

All members were present except:

Senator David Corbin- excused
Senator Ruth Teichman- excused

Committee staff present:

Bill Wolff, Legislative Research
Terri Muchmore, Legislative Research
Ken Wilke, Office of the Revisor of Statutes
Nancy Shaughnessy, Committee Secretary

Conferees appearing before the committee:

Sherry Diel, KS Real Estate Commission
Bill Yanek, KS. Assoc of Realtors
Randy Nyp, Via Christi Regional Medical Center
Brad Smoot, BC-BS

Others attending:

See Attached List.

Senator Barnett, Vice-Chair opened the meeting, indicating he was chairing for Senator Teichman who asked to be excused from the meeting for today.

The Vice-Chair opened the hearing on **SB 404–Real Estate brokers and salespersons, licensure;prohibited acts**, and welcomed Sherry Diel to the Committee.

Sherry testified as a proponent of **SB 404**, indicating the Commission had requested the bill as a clean-up measure to clarify the authority of the Commission. To discipline a salesperson or associate broker for paying compensation to an unlicensed person, the Commission must cite at least three statutes as statutory support for the violation. The amendment language attempts to specifically address issues of this nature.

The proposed language repeals the limited prohibition on licensees providing a buyer or seller with a gift or gratuity. (Attachment 1)

Bill Yanek testified that the Kansas Association of Realtors supported **SB 404** which repeals the prohibition of offering or giving prizes, gifts or gratuities which are contingent upon an agency agreement or the sale, purchase or lease of real estate.(Attachment 2)

The Vice- Chair then closed the hearing on **SB 404** and opened the hearing on **SB 457–Nonprofit hospital and medical service corporation act, subscription agreements, nonassignability provisions**.

Randy Nyp, Via Christi Medical Center, testified before the Committee as a proponent of **SB 457**.(Attachment 3) He stated that the bill addresses a practice by Blue Cross -Blue Shield that adds, annually, at least \$1 million dollars of unnecessary cost to the Via Christi operation.

They are asking the legislature to amend K.S.A. 40-19c06(b) a statute that gives Blue Cross, and only Blue Cross, the power to deny a patient's right to assign an insurance payment to the Via Christi Medical Center.

The requested change in **SB 547** is about eliminating the bad debt and unnecessary legal action that the refusal of assignment of benefits policy has foisted on one full service hospital in the state of Kansas. The courts have repeatedly found that the decision to allow Blue Cross to engage in the practice of refusing to honor assignment, despite the unnecessary costs to providers was a public policy decision and can only be corrected by the Kansas Legislature.

CONTINUATION SHEET

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE at 9:30 a.m. on February 19, 2004 in Room 234-N of the Capitol.

Brad Smoot of BC-BS testified as an opponent of **SB 457**.(Attachment 4) For more than 20 years BCBSKS has provided ,in its policies, that it would not make direct reimbursements to non-contracting providers. They do this for only one reason: To save their customers money. Direct reimbursement is a huge incentive for providers to contract with BCBS. In exchange for direct payment, providers agree to accept the BCBS reimbursement rate and agree not to bill the insured for the balance between charges and insurance payment.

BCBSKS holds the opinion that Kansas law allows other health plans to refuse to honor assignments. HMO's do not make direct payments to non-contracting providers. One of the ironies of this situation is that Via Christi has a wholly owned subsidiary, PPK, which refuses to honor assignments to Wesley Hospital. Mr. Smoot presented a letter from Wesley confirming his statement.(Attachment 5)

BCBSKS has contracted with Via Christi for direct reimbursement for services not available at the primary contracting hospital. **SB 457** as written would require BCBS to directly reimburse speciality hospitals and speciality hospitals are a growing concern in Kansas.

Absent the authority to refuse to honor assignments, BCBS may be forced to use other techniques to control cost, such as reducing reimbursement to our customers.

Mr. Smoot provided written testimony in opposition of **SB 457** from the Kansas Banker's Association, Pizza Hut International, Petroleum Marketers and Convenience Stores, Plumbing and Pipefitting Industry, Heartland Community Bankers Association.(Attachment 6-10)

The Vice-Chair closed the hearing on **SB 457**. He then asked the Committee to turn their attention to **SB 404—Real estate brokers and sales persons; licensure; prohibited acts** so the bill could be worked.

Senator Adkins asked that the word negatively be deleted from the bill and made a motion to move the bill out favorably.Senator Helgerson seconds. Motion passes.

SB 380—Liens for wreckers and towing services; notice to lienholders has previously been heard and if the Committee has no objection, the Vice-Chair would entertain a motion.

Dr. Wolff indicated that the KBA had a minor change to the language and there was one typo which had been corrected.

Senator Steineger made a motion to pass the bill out favorably as amended. Senator Brungardt seconds.

Ken Wilke suggested that we have a substitute bill. Senator Steineger indicated he would change his motion would reflect a sub bill. Brungardt seconds. Motion passes.

Meeting adjourned at 10:23 A.M.

The next meeting is scheduled for