

## MINUTES

### SPECIAL COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

December 4, 2007  
Room 526-S—Statehouse

#### Members Present

Senator Ruth Teichman, Chairperson  
Representative Clark Shultz, Vice-Chairperson  
Senator Roger Pine  
Senator Chris Steineger  
Representative Nile Dillmore  
Representative Rocky Fund  
Representative Peggy Mast  
Representative Ronnie Metsker  
Representative Cindy Neighbor

#### Staff

Melissa Calderwood, Kansas Legislative Research Department  
Jill Shelley, Kansas Legislative Research Department  
Martha Dorsey, Kansas Legislative Research Department  
Ken Wilke, Office of the Revisor of Statutes  
Bev Beam, Committee Secretary

#### Conferees

Doug Wareham, Kansas Bankers Association  
Marcia Nielsen, Kansas Health Policy Authority  
Fred Schuster, Regional Director, Office of the Secretary, U. S. Department of Health and Human Services, Kansas City  
John Dresser, Deputy Assistant Secretary, Health Policy, Washington, D.C.  
Richard Cram, Director, Office of Policy and Research, Kansas Department of Revenue

Chairperson Senator Ruth Teichman called the meeting to order at 10:00 a.m. and welcomed everyone to the meeting.

Chairperson Teichman asked for a motion to approve the minutes of the November 7-8, 2007 meeting. *Representative Cindy Neighbor moved to approve the minutes. Senator Roger Pine seconded the motion. The motion carried.*

Chairperson Teichman said the Committee would first review its Topic 1, Regulation of Credit Unions by reviewing the recent Legislative Post Audit report entitled, "Regulation of Credit

Unions: Reviewing the Department of Credit Unions' Procedures for Ensuring Institutions' Safety, Soundness, and Compliance With the Law." In particular, the Committee would study the Post Audit finding related to the Department of Credit Unions' interpretation of credit union membership requirements and the Department's examination activities as they relate to having clearly defined procedures, following the current established procedures, and taking timely enforcement activities.

Chairperson Teichman called on Melissa Calderwood, Kansas Legislative Research Department, for an overview of the Committee's review of the assigned topic, particularly with regard to the field of membership issue.

Ms. Calderwood said regarding the field of membership, the Committee would need to make a recommendation as to how it would best like to proceed. She noted there were two options presented in terms of looking at other states' laws. The first was in Michigan, where the Legislature passed a modernization act for the credit unions. The second law reviewed was the state of Missouri's. Its approach was to limit field of membership to the home location of the credit union and the contiguous counties surrounding it. Ms. Calderwood said the question the Committee was asked to consider was, "What was the relevance of the field of membership today and the law as it was written?" She said the Post Audit report considered other areas of credit union regulation, including the current financial services marketplace and a comparison of the state's banks and credit unions. Field of membership and its relevance, in terms of current law, might be a place for the Committee to begin.

The Chairperson opened the topic for discussion, and began by complimenting the Kansas Department of Credit Unions for taking an active role in addressing the safety and soundness recommendations in the Post Audit report.

The Chairperson said she has been studying the Missouri law. She said she has concern that apples and oranges are being addressed as far as banks and credit unions, noting credit unions were not using the same credit union size to compare with the same bank size. The Chairperson continued, noting when you compare small community banks with the credit unions, you have an understanding of why credit unions would like to increase their field of membership and it is not any different than why community bankers want to increase their base. She noted that you need to look at the statewide credit unions compared to the large multi-faceted banking institutions that operate in the State of Kansas. Chairperson Teichman said one of the things talked about in a presentation given by the Michigan Credit Union League representative was that credit unions want parity. She noted the testimony of the Heartland Community Bankers about the expansion of mutual banks (thrifts) and the eventual loss of their tax exemption. She said in her opinion, that is what we are beginning to see now, as credit unions are growing and expanding and as they are asking for more and more authority to make loans in different areas and as these are granted, they are going to be in the same situation mutual savings and loans were in the 1950s. She stated the Post Audit report said credit unions have expanded their field of membership beyond the original intent of the statute in Kansas. The Chairperson opened the meeting up for questions and comments from Committee members.

Representative Neighbor said during the interim she visited with community members about whether they preferred banks or credit unions. She said her constituents like having a choice. She said her constituents indicated they use both banks and credit unions; however, they felt they had a more personal relationship with their credit union. She said they also stated they received far better options for loans and interest rates. Representative Neighbor then asked, when we look at interest rates for car loans, what differences are there or what would a customer have to go through as far as paperwork, banks versus credit unions? She also noted an Attorney General's opinion has not been done on the field of membership question.

Doug Wareham, Kansas Bankers Association, responded and noted he could not comment about how much paperwork has to be filled out at a credit union because he was not aware of paper requirements for credit unions. Mr. Wareham did note the paperwork he filled out for a recent car purchase was significant. He said as far as an interest rate, it was 6.3 percent. He commented that he did ask what he could have gotten through a credit union and the dealership's response was 5.69 percent. Mr. Wareham indicated the advantage, a lower interest rate to a consumer, is credit unions do not play on a level playing field; they do not pay taxes, so there may be an advantage to a consumer, but banks are competing with untaxed financial institutions who are everywhere in our community. The Chairperson commented that community banks and credit unions have the same feeling, which may differ at larger credit unions.

Representative Mast then commented that this is a matter of our responsibility as legislators. She said she has money in both a bank and a credit union, but that does not enter into what she considers is her responsibility as a legislator. It is a matter of looking at the letter of the law and taking our responsibility and putting our personal relationships and personal preferences aside. With that being said, she continued. Looking at the Post Audit Report, it states that under state law, credit union memberships are limited to "groups having a common bond, an occupation or association, or to groups residing within a well defined neighborhood, community, or rural district." She said the report also states that the Department's interpretation of credit union membership requirements does not appear to conform to state law. So, with that, she stated that she cannot condone making a preferential decision, one over the other. Representative Mast concluded that as far as she is concerned, as lawmakers, if we take our jobs seriously, then we should respect this law unless she, as well as the Post Audit, is not interpreting this law correctly.

Representative Dillmore said it is good to discuss this as apples and oranges, because it is not apples and apples. At the end of the day, a bank takes its bottom line and distributes it among the stockholders, which may or may not be the customers of that bank. At the end of the day, a credit union takes that profit and distributes it to its stockholders and each and every one of those stockholders is a customer of that credit union. So the customer is the owner, quite unlike a bank where the customer has no ownership or relationship necessarily to the bank and neither do the owners necessarily have a customer relationship. Banks would like to have that same tax advantage, the Representative noted, but a bank takes its profit and distributes it to its stockholders and those stockholders may or may not be customers. At a credit union, each and every stockholder is a customer and each and every customer is a stockholder. That is the essence of why cooperatives are treated differently in their tax codes than other for-profit corporations, so they are apples and oranges. Secondly, we live in an age where we cannot distinguish an institution that offers financial products from the products that they offer. Lastly, he agreed with Representative Mast in that there is a responsibility to insure compliance, and we also have a responsibility to insure that our assessment of that responsibility is correct. The Post Audit Report states that there is an "appearance" that there is a conflict in the statute in practice. Nowhere in the process has anyone submitted this question to either the Attorney General, the legal staff of the Credit Union Department, or the legal staff of the Banking Department, nor has it been argued in a court of law to determine what is the legality or applicability of this law. There has just simply been a complaint that perhaps this is not in compliance. Representative Dillmore stated that we need to resolve that issue before we get too carried away about creating chaos in Kansas.

Representative Shultz asked Revisor Ken Wilke about KSA 17-2205, as it relates to this statute: Do we have a legal definition binding what the word "large" means, what "small" means, what a "well defined neighborhood" is, a "community," or a "rural district." Mr. Wilke said these terms are not defined within the credit union statutes. One of the normal rules is that the words be given their normal meaning as found in the dictionary unless there is something that would

require that it be defined in a special way. This particular language has been in the statute in this form since 1929, so anything that has occurred since then is interpreted by the administrator or whoever is administering this Act.

Representative Shultz said he sees this Committee has, on this common bond issue, two distinct questions:

- Has the administrator interpreted this law correctly?
- Is this the way we want the administrator to interpret this law, or do we want to define common bonds more distinctly?

Representative Shultz continued that in his opinion, the Administrator has followed the law in view of the fact that this is a very vague statute. For example, if a well defined neighborhood, community and rural district does not mean 105 counties, then what does it mean? While the Post Audit report said it appears the law is not being followed, I think you could make the opposite declaration that it appears that the common bond statute is being followed by the Administrator.

Representative Shultz continued that question number two is: Do we want to define common bonds more specifically? Obviously, we have two distinct opinions on that issue. Representative Shultz agreed, from what has been stated previously, that it is the Legislature's job to look at that and to decide if we are going to have multiple common bonds, if we are going to have statewide common bonds, or is it going to be narrow? So, if you truly believe the statute is not being followed, then it would seem to me to be a pretty simple fix to direct the administrator to follow the law, but he did not see a specific definition in this statute. It was written in 1929. The world has changed significantly in those years. We have to go by what is written and not by what we think it is. If it is too broad, then we need to redefine it. Representative Shultz indicated the Committee report should acknowledge the difficulty for the Administrator to interpret the Common Bond Statute.

Senator Steineger commented there are fewer and fewer distinctions between banks, savings and loans, credit unions, and other types of financial institutions where you can deposit money and also obtain a loan. He said it is his opinion that these old laws need to be looked at from time to time, and the Committee needs to acknowledge and recognize that the playing field between banks, savings and loans and credit unions is not level and is not fair. The Senator stated he believes in the future we will see a lack of distinction between banks, savings and loans, and credit unions, and other brokerage companies that now offer banking services. It is his opinion that a move in the direction of leveling the playing field should be made, as much as possible, regulation by regulation, so that all the players are on the same playing field and let competition work. The Chairperson noted regulations are often determined by past occurrences, such as the savings and loan crisis, and regulatory issues need work at the federal level (banks).

Senator Pine next commented that the percentage of people who are going to banks for their financial needs and those who are going to credit unions has stayed relatively stable. This is an indication that there has not been a huge change because of regulations. The other thing he noticed in the audit report is that there is discussion about trying to find out whether we need to have a lawsuit or talk to someone other than the Attorney General. There are already three lawsuits: two of them federal, one with Utah, one with Pennsylvania. Missouri is in a state lawsuit on the current process regarding field of membership expansion. He stated that perhaps we should sit tight and see what happens in a little broader scope than just in the State of Kansas. Chairperson Teichman responded Missouri did pass its law which limits it to expanding

the field of membership. She found it a very interesting lawsuit in that the credit unions and the financial institutions sat down together and worked it out together and it was mutually agreed to by the parties. It did not hamper the growth of credit unions. It also gave them an expansion and it gave them a very definite definition. They spelled out the definition of well defined neighborhood, community, and rural district. She said it would be good if both the financial institutions and credit unions could sit down and look at it together and see if there is some way we could solve this issue without getting into a situation where we have winners or losers.

*Representative Mast moved to address the issue in the regular legislative session with regard to definition of field of membership and the terms "groups," "community," and "rural district" and update the current statute to resolve the issue between the parties. Motion was seconded by Representative Metsker. Upon a question from Senator Steineger, the motion was clarified: If no resolution between the parties is made prior to the start of the 2008 Session, have legislative committees address the issue stated in the original motion.*

Following further discussion, Representative Dillmore said if we are going to make the judgment that there is a violation of statute, then we need to go a step further and have clarification as to what that violation is. What specifically is in violation with the practice that has been in place for many years through many administrators, including the Bank Commissioner? He stated he was not sure that the case has been made that there is a problem, especially in light of the fact that we look at what are we attacking, but consumer choice. Will there be recognition on the part of some members that the definitions are not clear, so therefore, clear up the definitions or are we saying that there is, in fact, a violation of statute?

Chairperson Teichman noted this Committee acknowledges that there is lack of definition of the field of membership statute that the Post Audit report states is in violation, and this Committee recommends that we send it to the appropriate committee to have a further look. Is that correct?

Representative Mast said that is accurate, and again referred to the Post Audit report. She said she has the utmost respect for the individuals who do the audit and their professionalism and their unbiased opinion that there is a conflict. She noted because that has been brought out, we need to address it.

Chairperson Teichman said the motion before the Committee is *that the Committee forward this topic to the appropriate committee in the Legislature to look at the definition for field of membership. Representative Metsker seconded. The motion carried.*

Chairperson Teichman said the transparency issue also is important, so *she made the motion that the issue of transparency be included in the Committee's statement. Representative Metsker seconded.* Discussion followed. John Smith said he would have no problem looking further at transparency. He said he would support the transparency issue. The motion carried.

## **Afternoon Session**

Chairperson Teichman introduced Topic 2: Health Care Tax Credits and Benefits. This was to study and review options for tax credits and benefits for the purchase of long-term care insurance, health-earned income tax credits, health insurance, and health savings accounts pursuant to 2007 SB 11 (law).

Chairperson Teichman introduced Fred Schuster, Regional Director, Office of the Secretary, U.S. Department of Health and Human Services (HHS) in Kansas City.

Mr. Schuster said he comes to the State every year and addresses the Committee on Health and Human Services and meets with some of the people in the Governor's Office and directors of various departments to try to reach out and work together. Mr. Schuster said John Dresser, Washington, D.C., who is Deputy Assistant Secretary of Health Policy, will be joining the Committee via video conference to give us a federal update.

Chairperson Teichman welcomed John Dresser, Deputy Assistant Secretary for the Health Policy in Washington, D.C. Mr. Dresser began with outlining the President's proposal on addressing the issue of the uninsured and gave the Committee the following update.

Mr. Dresser said in fiscal year 2009, it is expected there will be about 49 million Americans without health insurance at any point in time. People without health insurance have problems in accessing health care and there is an adverse impact on incomes, even resulting in death at times. When the uninsured do receive care, it is in an ineffective and costly setting. It is estimated the cost of caring for the uninsured adds about 8 percent to the cost of both single and family employer-sponsored coverage that people enjoy. So what the President wanted the Secretary of the Department of Health and Services to do was begin working on a plan where every American has access to a basic, affordable, private health insurance plan.

The proposal that the President made in his State of the Union Address last year goes a long way toward that objective. There are two features: the first is a broad proposal to expand access to basic affordable health insurance coverage through a tax deduction for the purchase of health insurance; and the second part is a subsidy program for low-income Americans, "Affordable Choices." If the President's proposal were acted on by Congress, it is estimated there would be about a 37 percent reduction in the number of uninsured. The President's proposal would achieve a 44 percent reduction in the number of low-income individuals who are uninsured for at least 12 months. So, if your focus is not on people who actually could buy health insurance, but you really want to give government assistance to those who have more trouble accessing health insurance coverage on their own, then you look at the lower income people and people who are uninsured for longer than two to three months at a time, where they are just basically in between jobs.

Under the President's plan, Mr. Dresser noted all Americans would have access to basic affordable coverage in a competitive marketplace and enjoy equal tax treatment for their choice of privilege health insurance plans, regardless of how that insurance is purchased. These plans will be made even more affordable for low-income Americans who would have their choice of private insurance coverage subsidized by state governments augmented by grants to the states. The competitive private insurance marketplace is key to improving quality and keeping costs in check. The President's plan, Mr. Dresser continued, includes reforming the tax code by providing a standard deduction for health insurance. Under the tax deduction, employers would add the value of employer paid premiums to the employee's wages, making it taxable income, while allowing these employees to take a deduction to offset the cost of the premiums. The President proposes a standard deduction of \$15,000 for a family and \$7,500 for a single purchaser of health insurance coverage. Employees whose health plans cost less than the standard deduction can still claim the full deduction. Over time, Mr. Dresser stated, those whose plans cost more than the standard deduction might be encouraged to take less expensive coverage to take full advantage of that deduction. The standard deduction for health insurance would level the playing field for Americans who do not have access to employer-sponsored coverage by providing a substantial tax benefit for all those who have purchased health insurance through the individual market and would encourage the purchase of insurance for those who currently are

uninsured. In addition, it would provide an additional incentive for all working Americans to purchase coverage and reduce incentives to over insure through the employer based system.

Deputy Secretary Dresser then addressed the Affordable Choices Grant Program. Recognizing that some uninsured populations need further assistance beyond the standard deduction in order to obtain health insurance, the President also proposed the Affordable Choices Grant Program. While encouraging states to innovate, the Affordable Choices Grant Program would support states' efforts to help low-income and harder-to-insure citizens purchase basic private health insurance. Under the Affordable Choices initiative, existing federal funds will be used to create affordable choices grants to assist states by subsidizing private health insurance for those most in need without increasing federal health spending. State participation would be voluntary and states would design their own programs subject to approval by the Secretary of HHS. In order to qualify for the grants, states would meet certain objectives which could be accomplished by developing and identifying a solution for high-risk individuals, defining a basic benefits package that meets an affordability test, considering insurance market reforms to make basic health insurance more affordable and accessible in the state market and facilitating pooling of individuals and small businesses to organize their access to private health plans.

Mr. Dresser indicated he also would address the Long-Term Care Partnership Program and what are some creative things states are doing with regard to Medicaid and State Children's Health Insurance Program (SCHIP) HSA-type products. The Deficit Reduction Act (DRA) of 2005 allows states to work with private long-term care insurance to offer a partnership for long-term care. The program provided a Medicaid asset disregard for persons purchasing and using specified long-term care insurance policies. The program encourages the purchase of long-term care insurance by allowing policyholders to retain more of their assets should they need to apply for Medicaid. To date, there has been significant interest on the part of states. Thirty-two states have policy initiatives in various stages from development to implementation.

Summarizing the implementation activity to date, the partnership policies are available for sale in nine states, which include the original four demonstrations, and those four original states are California, Connecticut, Indiana, and New York. Five new partnerships are in Idaho, Florida, Kansas, South Dakota, and Virginia. Another ten states with approved state plan amendments have yet to have participating insurers offer policies. There are four states with state plan amendments waiting approval from Centers for Medicare and Medicaid Services (CMS).

Chairperson Teichman asked if, in the Indiana Plan they have to be uninsured for six months, why is that?

Mr. Dresser said it is to avoid crowd out. It is to avoid a situation where people who have access to employer sponsored coverage would drop it and take this up instead because the state, in this case, is putting a large contribution into the Health Savings Accounts (HSA). Their objective was to target people who do not have access to health insurance coverage. There will be somewhere between two and four commercial carriers operating this plan in Indiana and the state will pay the plan based on a per member per month rate with the insurer bearing full risk. High-risk people will be provided coverage through the state's high-risk program.

Continuing, Mr. Dresser said the State of Missouri recently passed legislation that is quite intriguing in many ways because it sets up a Section 125 Plan for every employer in the state. The objective they had was to find a way to basically allow companies to define contribution on a pre-tax basis and let individuals select an individual health insurance policy on their own. We have some concerns that it may conflict with federal law, however, so I am working with some of my colleagues at CMS to determine what we can possibly do to clarify our intentions as far as enforcing it if it conflicts with the Health Insurance Portability Act. He stated it sounded like the

Committee is casting a broad net and looking for innovative solutions. Missouri, on its face, certainly meets that test but he stated it is now a little bit disappointed to discover that it may conflict with Health Insurance Portability and Accountability Act (HIPAA).

Chairperson Teichman asked if there were other states that are looking at this specific topic as Missouri is doing? Mr. Dresser replied that in terms of looking at options, there are many. He has spoken with leaders in the Governor's office and state legislators in the majority of states in the last nine months, and more than half of the states are actively involved in what you are doing, which is thinking about what is the Committee's mission, what is our goal and who do we want to cover and what are the mechanisms we can use to do that. In terms of the number of states who have completed their process, he stated Missouri has one. Massachusetts, as you know, passed an individual mandate where they cover everybody in the state and use a connector to allow individuals to select a health insurance policy. There is a wide variety of philosophical and ideological perspectives on the best way to cover the uninsured and what the role of government is in doing so. We are seeing that play out in the states.

Chairperson Teichman asked Mr. Dresser which state, in his opinion, he thinks has put forth ideas and solutions that would be the most successful. Mr. Dresser said, he did not think he had seen a state pass the optimal solution on the uninsured yet. There are pieces, he indicated, in various state efforts. Again, Mr. Dresser noted the effort in Missouri. Unfortunately, it may take congressional action to change HIPAA and the Employment Retirement Income Security Act (ERISA) in order to allow that to go forward. But I think some combination of taking a hard look at what your insurance market looks like today, what the impact of the regulatory scheme is on that marketplace and, actually enter into a dialogue with the insurance industry to find out to what extent the regulatory environment may be artificially driving up costs in the state and address that first.

Secondly, Mr. Dresser continued, come up with a solution to deal with high-risk people. We all know that we want to cover all of the uninsured in the state but there will always be some percentage, some estimated at 4 percent and some estimated as high as 12 percent, of the uninsured who are uninsurable because they have a preexisting condition or they are denied coverage in the individual market or are rated up in the individual market. Some may work for a small business and, as a result, they are driving up the cost of health insurance for the entire group.

He stated that creative solutions that deal with that issue, whether it is a high-risk pool or a high-risk pool that deals specifically with small business, where carriers will have an opportunity to seed high-risk people from a small group into a risk pool and find an alternative financing mechanism to deal with those high-risk individuals, allows them to offer a clean premium price to the rest of the group so that you do not have the situation where small groups of ten or 15 employees are priced out of the market because they happen to have one or two sick employees.

Thirdly, he stated that taking a look at current law is worth doing. This problem that Missouri is experiencing with HIPAA is something that specifically does not occur when you are dealing with HSAs. The way the Department of Labor ruled on HSAs is such that if you are a small business owner and do not want the burden of passing on administrative responsibility of selecting a group plan for all of your employees, you could simply make a contribution to each of the employees' health savings account and let each employee purchase individual health coverage.

Senator Steineger inquired: When you say that the higher we raise the federal poverty level, who qualifies, and this crowd out effect, he thought the conferee was correct when it is



more of a government run system. As he understood it, when SCHIP or other government health programs purchase services at doctors or hospitals, the doctors and hospitals are still privately owned or private clinics. They do not work for the federal government; they work for themselves, so he did not see that that is government-run health care. Unless it is the Veteran's Administration (VA), it is not government-run health care, is it?

Mr. Dresser responded that it is government-run health care in the sense that the government is setting the price for that care and the reimbursement levels under Medicaid. If you ask any of your physicians or hospitals in your district how they like it, he stated you will learn very quickly that they are not fair market prices and that they in no way would like to see those price controls expanded into other realms of their practice.

Senator Steineger said it is not that the government sets the price, it just sets the maximum it is willing to pay. Since the government does not control the entire market, it is not controlling the entire price that every purchaser pays. Mr. Dresser commented that he thinks the term in economics is price control.

Senator Steineger continued that the final part would be here in Kansas, if we contracted out with a private Health Maintenance Organization (HMO) to manage this system for us and contract out our federal SCHIP, would that still constitute government-run health care? Mr. Dresser said it all depends on what you and your colleagues in the Legislature choose to define as the appropriate role of government in the system. If you believe the appropriate role of government in the system is to select one insurer to cover all the people on SCHIP, that is a choice you will be making on behalf of your constituents and the voters will either agree with you or they will not. Is it (government's purpose) simply to make sure that the market is fair and competitive and to help those who otherwise are disenfranchised from it, or is it to own the whole system and to pay for everything, or is it somewhere in between? The somewhere in between is what all of you are wrestling with. This administration is fairly discreet about what we think an appropriate role of government is.

Chairperson Teichman next called on Richard Cram, Director, Office of Policy and Research, for his testimony regarding Kansas health care-related tax incentives. Mr. Cram said following Kathleen Smith's testimony in November, the Committee had requested five-year projections on how his agency sees credit utilization going with regard to Long-Term Care Insurance Contract Subtraction Modification, National Guard Employer Health Insurance Credit, and Small Employer Health Insurance Credit.

Mr. Cram said the long-term care insurance contract modification essentially excludes a portion of the premium from Kansas State income tax on long-term care insurance premiums. It is a graduated exclusion. With regard to National Guard Employer Health Insurance Credit, it provides a tax credit for an employer of a member of the Kansas National Guard for amounts paid for health insurance for such person during any period of state active duty in excess of 30 days, if the employer was not otherwise required to pay such insurance.

Mr. Cram continued that with regard to Small Employer Health Insurance Credit, it provides a tax credit to small employers who have established health benefit plans or health savings accounts for employees. As a condition to participation as a member of any small employer health benefit plan, an employer shall not have contributed within the preceding two years to any health insurance premium or health savings account on behalf of an employee who is to be covered by the employer's contribution (Attachment 1).

Chairperson Teichman called on Marcia J. Nielsen, PhD, MPH, Executive Director of the Kansas Health Policy Authority, for her testimony. Dr. Nielsen provided answers to the following

Committee questions pertaining to tobacco cessation in the Medicaid program and the uninsured in Kansas.

- What are the Kansas Medicaid expenditures for cessation treatments? What treatments for tobacco cessation are covered by Medicaid? At what rate is each treatment for tobacco cessation covered?
- Kansas Uninsured – What size firm do they work for and how much income do they make? The percentage of Kansans of working age who are uninsured by income as a percentage of the federal poverty level. The availability of employment-based health insurance for uninsured employed Kansans.
- Does the number of uninsured working adults include state employees?
- What will the impact of the 2007 Kansas Health Policy Authority (KHPA) health reform proposals have on the number of uninsured children in Kansas in comparison to the total uninsured population (Attachment 2)?

Chairperson Teichman asked Melissa Calderwood, Kansas Legislative Research Department, to reply to information requested at the November Committee meeting.

Ms. Calderwood said the first question posed to staff during the meeting dealt with what options the Committee would consider and the related financing, including what entity would be the payor for the options presented by the second topic assigned by the Legislative Coordinating Council (LCC). She said that the second question relates to what is known about the uninsured, how people currently are covered, and where coverage is lacking.

Ms. Calderwood noted that Topic 2, as assigned by the LCC, calls on the Special Committee to study and review options for tax credits and benefits for the purchase of long-term care insurance, health-earned income tax credits, health insurance, and health savings accounts pursuant to 2007 SB 11 (law). She said the language mirrors a provision of the 2007 health reform bill, SB 11. Ms. Calderwood presented the Committee with a table outlining items considered by the Committee and discussed before the 2007 Legislature. She said where available, data was provided about financing and impacted populations (Attachment 3).

Chairperson Teichman said the first thing the Committee needs to address is SB 11 and the fact that there are several insurance issues in there. She indicated the Standing Committees would welcome the opportunity to look at those issues in the Financial Institutions and Insurance committees in both the House and the Senate. Chairperson Teichman said there is a need to cover the uninsured. She said the Committee is concerned about the cost and the availability of insurance for the uninsured. *Chairperson Teichman made a motion that the appropriate committees take a further look at the tax credits and benefits for the long-term care insurance, the health earned income tax credits, health insurance, and the health savings accounts. Representative Neighbor seconded the motion. Chairperson Teichman called for discussion. Following discussion, the motion passed.*

Chairperson Teichman called on Representative Shultz to conduct the meeting with regard to mine subsidence insurance. Chairperson Shultz called for discussion. He noted there were two bills introduced in the 2007 Legislature with regard to mine subsidence. The Senate did hear and work the bill. There was a hearing held in the House Insurance and Financial Institutions Committee on both the House bill and the Senate bill because there were some changes made. At that time, the bills did not move forward, and an interim study was requested.

He said the biggest development in the interim Committee was that the Department of Insurance appeared and presented a list of insurance companies who do write subsidence insurance as an excess line. He said Representative Gatewood is going to introduce additional legislation in the 2008 Session. He opened the meeting up for discussion.

*Representative Neighbor moved to keep options open to look at these bills if agreement cannot be reached through the insurance companies. Representative Ronnie Metsker seconded the motion.*

Senator Pine asked if there are some options available to those who need the insurance, have we done our part? Is it necessary for us to do anything further if that type of insurance is available to those who need it? Representative Neighbor replied that Representative Gatewood stated if there were companies available who could address the subsidence issue, that would take care of the concerns he had brought forward. There was a period of time when he asked for that information and it had not been addressed. During this time of testimony, information came out that they had found three companies who would insure in the State of Kansas. If the issue can be resolved on a local basis, the Representative noted, then we have served our constituents and the community. If these issues cannot be resolved, and those companies are not found to be supportive, then the Legislature needs to address the issue at that time.

*The motion carried.*

Chairperson Teichman thanked the Committee members for their attendance and adjourned the meeting at 2:30 p.m.

Prepared by Bev Beam  
Edited by Melissa Calderwood

Approved by Committee on:

January 15, 2008

(Date)