

MINUTES OF THE SENATE HEALTH CARE STRATEGIES COMMITTEE

The meeting was called to order by Chairman Susan Wagle at 1:30 P.M. on March 6, 2007 in Room 231-N of the Capitol.

Committee members absent: Senator Peggy Palmer (EA)
Senator Vicki Schmidt (A)

Committee staff present: Ms. Emalene Correll, Kansas Legislative Research Department
Mrs. Terri Weber, Kansas Legislative Research Department
Mr. Jim Wilcox, Revisor of Statutes Office
Ms. Nobuko Folmsbee, Revisor of Statutes Office
Ms. Morgan Dreyer, Committee Secretary

Conferees appearing before the committee: Mr. Richard Cram, Director of Policy and Research,
Kansas Department of Revenue

Others in attendance: Please see attached Guest List

Continued discussion & questions on SB309 - An act enacting the Kansas Health Care Connector Act

Upon calling the meeting to order, the Chair wanted to update the Committee on the evolution of SB309, the connector stating that since the hearing on the bill, the insurance agencies expressed concerns about rising rates and suggested the Committee do their own actuarial study before they made drastic changes in the system. The Chair felt this was a good idea and went on to say that since that time:

- Senator Barnett has been working with the Kansas Health Policy Authority (KHPA) and secured private funds for an actuarial study;

- The Revisor was asked to come up with some substitute language that would not implement a connector but would allow:

A.) Further study of the connector model;

B.) Allow the KHPA to conduct an actuarial study over the interim

C.) Set in place some enabling legislation that would allow the KHPA to further negotiate with Secretary Levitt on securing some funds for the privatization of Medicaid.

She then called on Senator Barnett to share with the Committee more about his communications with different parties on the connector and where this might be going.

Senator Barnett stated that looking back at what the Legislature did several years ago with the creation of the KHPA, it is starting to demonstrate how it makes some opportunities available to Kansans in terms of bringing together various groups to talk about health policy and analyze it carefully.

The Chair then recognized Dr. Marcie Nielsen, Executive Director of KHPA, who was in the audience and announced to the Committee that KHPA had recently had a Board meeting with Senators Barnett and Kelley representing the Senate side. She asked Dr. Nielsen to share some of her ideas with the Committee about where they need to go in the future as they analyze the connector. The Chair also referred the Committee to the Agenda for the March 5, 2007 Steering Committee Meeting entitled "Health for All Kansans Steering Committee Roles/Guiding Principles, Legislative Proposals" set before them. A copy of the Agenda is (Attachment 1) attached hereto and incorporated into the Minutes as referenced.

Dr. Nielsen stated they did have a meeting yesterday of the Health for all Kansans Steering Committee and thinks they are on a very good path to making a down payment on health reform this session in terms of thinking through a legislative package that really looks at access, quality of care, etc. but really sets the stage for what Senator Barnett just described which is what can we do together in Kansas that brings comprehensive

CONTINUATION SHEET

MINUTES OF THE Senate Health Care Strategies Committee at 1:30 P.M. on March 6, 2007 in Room 231-N of the Capitol.

Page 2

reform and insures that people get access to affordable coverage and making certain that we understand how much is that costing the state, who it costs, does it cost employers, families, does it cost the federal government, so as you might imagine, it is a shared responsibility.

She went on to say that we need to develop that plan together, we need more information as we develop it, and thinks this outline describes to you what the Steering Committee is up to and what the time frame is. Their goal is to bring back to the legislature on March 20, 2007, after the KHPA Board meets, an approved plan by the KHPA that really lays those two pieces out :

- A.) The short term legislative package which she considers a down payment and then,
- B.) The broader enabling legislation which really sets the frame work for how we might have comprehensive reform here in Kansas.

The Chair referred the Committee to pages four and five of the handout which is the enabling legislation that outlines the things that the KHPA could start working on and that the legislature could look at next year, to look at a comprehensive package.

The Chair asked Dr. Nielsen where the Steering Committee was at on securing funding for an actuarial study.

The Chair then asked Dr. Nielsen to update the Committee on where she is at in her negotiations with Secretary Levitt and what you might need to help you secure some extra dollars for Medicaid.

Dr. Nielsen stated as we talked about in some of these Steering Committees and certainly at the Board level, states who have been successful in enacting comprehensive reform really fall into two camps:

- A.) The first is, those that were at risk of loosing a lot of federal money.
- B.) The second is, states have the potential to get a lot of federal money because they are willing to think innovatively and partner with the federal government.

She concluded:

- A.) This creates an opportunity for Kansas to really drive what we really want to do and here but to make it clear to the federal government we want to make a deal;
- B.) By having enabling legislation that sets out what comprehensive reform in Kansas should be;
- C.) Specify we want to partner with the federal government and take advantage of some of these new opportunities for states;
- D.) It should really put the state of Kansas in a great negotiating position to drive down federal funds.

With no further questions of Dr. Nielsen, the Chair stated that the connector allows individuals to own their own insurance and also gives them their insurance with pretax dollars. She went on to say that during the hearing on **SB309**, there was some discussion regarding the Section 125 plan that employers can engage in to use pretax dollars for health insurance and wanted the Committee to have more information on this. She then called upon Mr. Richard Cram, Director of Policy and Research, from the Department of Revenue.

Mr. Cram stated that the cafeteria plan, also known as a "Section 125 plan" in reference to the Internal Revenue Code section governing it, is also known as a "flexible spending account" of which there are two:

- A.) Medical expenses not paid by insurance;
- B.) Dependent care.

CONTINUATION SHEET

MINUTES OF THE Senate Health Care Strategies Committee at 1:30 P.M. on March 6, 2007 in Room 231-N of the Capitol.

Page 3

He went on to say that the cafeteria plans must be in writing and must contain certain provisions which were listed in his testimony, benefit allocations must be made prior to a period of coverage.

He concluded by saying both the employer and employee can both benefit from a cafeteria plan. A copy of his testimony is (Attachment 2) attached hereto and incorporated into the Minutes as referenced.

The Chair thanked Mr. Cram and asked for questions from the Committee which came from Senators Barnett and Wagle including:

- A.) Can these be used to buy an insurance policy or does it have to go toward a flexible HSA account?
- B.) How many companies in Kansas have the 125 plans?
- C.) With regards to extending benefits up to 250 or 300% of poverty: ex. For a family of four certainly above \$30,000 and actually above \$50,000, so with the tax brackets in Kansas at 3.5, 6.25, and 6.45 is that zero to 30, 30 to 50, and 50 and above and am I correct on those tax brackets?

As there were no further questions of Mr. Cram, the Chair mentioned also in their discussions with the insurance industry, with Coventry being involved in an Oklahoma plan called the Oklahoma Employer/Employee Partnership for Insurance coverage (O-EPIC) and if you will remember, Oklahoma instituted an HPA that is very similar to the Kansas authority and they are offering an insurance program to low income families and individuals and she has asked Mrs. Terry Weber, Kansas Legislative Research Department, to research on this because it seems to be very successful and we might be interested in what another state was doing.

Mrs. Weber stated that the O-EPIC program is a part of a 2004 Oklahoma Health Care Initiative whose purpose is a premium subsidy program for low income working adults between the ages of 19 and 64, which is run primarily through small businesses (who must qualify and participates using a qualified health) and has two components:

- A.) Employer-sponsored Insurance (O-EPIC ESI) program;
- B.) Individual Plan (O-EPIC IP).

Highlights included:

- A.) Oklahoma's goal for the enrollment in O-EPIC;
- B.) The time line;
- C.) Funding (by state general fund revenues generated by an increase in the sales tax on tobacco products, along with federal matching funds under Title XIX and employer / Employee contributions.)
- D.) Employer-sponsored Insurance Program (ESI) (eligibility requirements and enrollment process);
- E.) A chart providing an example of how the premium subsidy would work for a family of four;
- F.) Requirements
 - 1.) Health plans;
 - 2.) Insurance Agent

CONTINUATION SHEET

MINUTES OF THE Senate Health Care Strategies Committee at 1:30 P.M. on March 6, 2007 in Room 231-N of the Capitol.

Page 4

- G.) Individual Plan (IP) eligibility requirements and enrollment process (ex. implemented for working adults who are not eligible for an employer sponsored qualified health plan & the company employees less than 50 people.);
- H.) Program marketing and participation.
- I.) Children are not eligible for this program but they have a Sooner Care Program.

Mrs. Weber concluded by offering: a power point overview of their program, fast fact sheets which are updated monthly, (ex. An overview for one of their programs (the Individual Plan) and an employer fact sheet which gives you what the eligibility requirements are) and brochures that they distribute for both the employer sponsored and the individual plans. Copies of her overview of the O-EPIC Program and attachments are (Attachment 3) attached hereto and incorporated into the Minutes as referenced.

The Chair thanked Mrs. Weber and asked:

- A.) If she had any idea of how many insurance plans were approved and what is your choice through your employer if you are a family?
- B.) Can you purchase this plan with pretax dollars?

As there were no further discussion or questions of Mrs. Weber, the Chair stated that hopefully by next Monday the Committee will have before them some substitute enabling legislation that would allow the KHPA to move forward with an actuarial study, show the federal government that Kansas is interested in reform and wanting to draw down some additional federal dollars, and something that would give us more information next year on health care reform.

Adjournment

With no further business, Chairperson Wagle announced the meeting was adjourned. The time was 2.25 p.m.

The next meeting is scheduled for March 13, 2007.