Approved: 2-4-09

Date

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 a.m. on January 20, 2009, in Room 136-N of the Capitol.

All members were present.

Committee staff present:
Beverly Beam, Administrative Assistant
Melissa Calderwood, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Bruce Kinzie, Kansas Legislative Revisor

Conferees appearing before the committee:
Melissa Calderwood, Research Department (Attachment 1)
John Meetz, Kansas Insurance Department
Bob Alderson, National Association of Public Insurance Adjusters
Bill Sneed, America's Health Insurance Plans (Attachment 2)
Others attending:
See attached list.

Chairman Teichman called the meeting to order.

Bill Introductions

John Meetz, Legislative Liaison, Kansas Insurance Department, introduced two bills, the first pertaining to risk-based capital requirements, establishing a trend test calculation.

The second bill is the mental health parity provision as a result of federal legislation that was included in the seven billion dollar economic stimulus package at the federal level. It allowed for substance abuse provisions and the federal mandate. It also retracted the yearly sunset provision. We would like to introduce a bill that sinks up the Kansas law with those federal changes.

Senator Steineger moved introduction of both bills. Senator Taddiken seconded. Motion passed.

Bob Alderson, Lobbyist, National Association of Public Insurance Adjustors, requested introduction by the committee of a bill to license public insurance adjusters. Mr. Alderson explained that a public insurance adjustor handles third party claims only. He said if you have a claim against your insurance company and you are having difficulty in determining the value of your claim, a public insurance adjustor can be retained.

Senator Holland moved introduction of the bill. Senator Steineger seconded. Motion passed.

Overview of Health Insurance Mandates

Melissa Calderwood, Principal Analyst, Research Department, gave an overview of Kansas Health Insurance Mandates. Ms. Calderwood said Kansas law requires the Legislature to periodically review all state mandated health insurance coverage. She noted that the Legislature typically reviews the mandates as amendments rather than reviewing all of the mandates at one time. She said the provider mandates have been in place, for the most part, longer than the benefit mandates and typically have not been the focus of legislative review. The mandate, she noted, that has received a lot of review is the alcohol, drug abuse, and mental illness mandate. Further, she said a number of interim studies have been conducted on modifying the mandate, with the latest change allowing for mental health parity for certain brain diseases. The Legislature has considered a number of proposed mandates and enacted law to address some of the proposed modifications, she said.

She continued, stating that Kansas law requires the person or organization seeking a mandated coverage for specific health services, specific diseases, or certain providers of health care services as part of individual, group or blanket health insurance policies, to submit to the legislative committees that would be assigned to review the proposal an impact report that assesses both the social and financial effects of the proposed

mandated coverage. The law also requires the Insurance Commissioner to cooperate with, assist, and provide information to any person or organization required to submit an impact report.

Further, Ms. Calderwood stated that the law enacted by the Legislature in 1999 provides, in addition to the impact report requirements, that any new mandated health insurance coverage approved by the Legislature is to apply only to the state health care benefits program for a period of at least one year beginning with the first anniversary date of implementation of the mandate following its approval by the Legislature. She said on or before March 1, after the one-year period has been applied, the State Employee Health Care Commission is to report to the President of the Senate and the Speaker of the House of Representatives the impact the new mandate has had on the state health care benefits program, including data on the utilization and costs of the mandated coverage. The report also is to include a recommendation whether such mandated coverage should be continued by the Legislature to apply to the state health care benefits program or whether additional utilization and cost data are required.

Ms. Calderwood stated that the 2008 Legislature directed the Kansas Health Policy Authority, in collaboration with the Insurance Commissioner, to conduct a study on the impact of extending coverage for bariatric surgery in the State Employee Health Benefit Program. Additionally, she said the KHPA was directed to conduct a more general study on the issues associated with bariatric surgery for the morbidly obese including emerging research evidence of the positive health impact of the surgery for the morbidly obese; qualifications of the patients and surgeons when the surgery is appropriate or necessary; and cost analysis with insurance and Medicaid reimbursement. KHPA was required to submit a report on its findings to the Joint Committee on Health Policy Oversight on or before November 1, 2008.

In closing, Ms. Calderwood said the Kansas Legislature has enacted eight provider mandates, 14 mandates to provide certain benefits or to cover certain health conditions. In contrast, as of 2005, Maryland had more than 52 mandates and California had 46 mandates in place. Other states, including Connecticut, Florida and Minnesota also had more than 40 mandates in place. She noted that using this comparison of state mandates, Kansas is closer to its neighbors in having 25 to 36 mandates. She said mandates adopted by Kansas correspond with what most other states and the District of Columbia have enacted. (Attachment 1)

Comments on Health Insurance Mandates

Bill Sneed, Legislative Counsel, America's Health Insurance Plans, testified in opposition to legislation imposing benefit and/or provider mandates on health insurance plans, stating the mandates could be costly and have unintended consequences for consumers. Mr. Sneed said AHIP supports policies that spur innovation in cost savings and efficiency, which in turn allow health insurance plans to provide affordable health care coverage and improve services to their insured customers.

Further, Mr. Sneed stated that while overall savings to society are often invoked in support of mandates, legislators must consider the cost of such mandates to consumers. He said while one may believe they are expanding coverage for their constituents through mandates, America's Health Insurance Plans believe mandates can harm consumers by driving up health insurance costs and ultimately contributing to the growing number of Americans who cannot afford to purchase coverage. Mandates misallocate resources by requiring consumers or their employers to spend available funds on benefits that they would otherwise not purchase. This makes it harder for consumers to obtain the benefits they do want, he said. (Attachment 2)

The next meeting is scheduled for January 22, 2009.

The meeting was adjourned at 10:20 a.m.