

SESSION OF 2017

SUPPLEMENTAL NOTE ON SENATE BILL NO. 94

As Amended by Senate Committee of the Whole

Brief*

SB 94, as amended, would increase the annual privilege fees assessed on every health maintenance organization to 5.77 percent for the reporting period, beginning July 1, 2017, and ending December 31, 2020. On or after January 1, 2021, the privilege fee would be assessed at 3.31 percent. This change would impact the current reporting period that began January 1, 2017.

The bill would direct the moneys collected from the assessment be deposited to the credit of the Medical Assistance Fee Fund (in the Kansas Department of Health and Environment). The bill would specify moneys in the Medical Assistance Fee Fund must first be expended to restore any reductions initiated during calendar year 2016 to provider reimbursement rates for state Medicaid services. Any remaining moneys would be expended for the purpose of Medicaid medical assistance payments.

The bill would also remove the July 1, 2018, sunset date on the privilege fee.

Under current law, the privilege fee is 3.31 percent for the reporting period beginning January 1, 2015, and ending December 31, 2017, and 2.00 percent on and after January 1, 2018. In addition, the moneys collected from the privilege fee are to be deposited to the credit of the State General Fund, except during the period beginning July 1, 2015, and ending on June 30, 2018, when the moneys are to be deposited to the credit of the Medical Assistance Fee Fund.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Background

The bill was introduced by the Senate Committee on Ways and Means. In the Senate Committee hearing, representatives of the Association of Community Mental Health Centers of Kansas, Genoa Pharmacy, Kansas Association for the Medically Underserved, Kansas Association of Chain Drug Stores, Kansas Center for Assisted Living, Kansas Healthcare Association, Kansas Hospital Association, Kansas Independent Pharmacy Service Corporation, LeadingAge Kansas, and Via Christi Hospitals testified in favor of the bill.

Written only proponent testimony was received by HCA Inc., Kansas Association of Osteopathic Medicine, Kansas Medical Society, Kansas Optometric Association, Kansas Pharmacists Association, Saint Luke's Health System, and University of Kansas Health System. The proponents stated the proposed changes were critical in order to restore reduced reimbursement rates to providers that have caused strain on the Kansas health care system.

Representatives of Aetna, Blue Cross and Blue Shield of Kansas, Blue Cross and Blue Shield of Kansas City, and the Kansas Insurance Department testified in opposition of the bill. The opponents noted concerns with the fee increase and stated the retroactive implementation of the fee would not allow health insurance companies the ability to collect the amount of the privilege fee in the current rates, resulting in a loss to the companies.

A representative of the Kansas Department of Health and Environment presented neutral testimony providing details on the privilege fee and use of the fee revenues.

The Senate Committee amended the bill to specify the increase of the privilege fee to the 5.77 percent would be for the reporting period beginning January 1, 2017, and ending December 31, 2020, only. The amendment also specified that

on and after January 1, 2021, the privilege fee would return to 3.31 percent.

The Senate Committee of the Whole amended the bill to start the privilege fee increase July 1, 2017 and specify the current rate would end June 30, 2017.

According to the fiscal note prepared by the Division of the Budget on the bill as introduced, enactment of the bill would generate additional revenue of \$103.9 million in FY 2018 and require \$239.5 million in expenditures, including \$1.5 million from the State General Fund. Additional revenue generated in FY 2019 would total \$144.5 million and result in increased expenditures of \$220.7 million, with a State General Fund savings of \$114.9 million. The fiscal effect associated with the bill is not reflected in *The FY 2018 Governor's Budget Report*. A fiscal note was not immediately available for the Senate Committee of the Whole amendment.