## CONFERENCE COMMITTEE REPORT

MR. PRESIDENT and MR. SPEAKER: Your committee on conference on House amendments to **SB 78** submits the following report:

The Senate accedes to all House amendments to the bill, and your committee on conference further agrees to amend the bill as printed as House Substitute for Senate Bill No. 78, as follows:

On page 52, following line 27, by inserting:

- "Sec. 5. K.S.A. 2020 Supp. 40-2c01 is hereby amended to read as follows: 40-2c01. As used in this act:
- (a) "Adjusted RBC report" means an RBC report that has been adjusted by the commissioner in accordance with K.S.A. 40-2c04, and amendments thereto.
- (b) "Corrective order" means an order issued by the commissioner specifying corrective actions that the commissioner has determined are required to address an RBC level event.
- (c) "Domestic insurer" means any insurance company or risk retention group that is licensed and organized in this state.
- (d) "Foreign insurer" means any insurance company or risk retention group not domiciled in this state that is licensed or registered to do business in this state pursuant to article 41 of chapter 40 of the Kansas Statutes Annotated, and amendments thereto, or K.S.A. 40-209, and amendments thereto.
  - (e) "NAIC" means the national association of insurance commissioners.
- (f) "Life and health insurer" means any insurance company licensed under article 4 or 5 of chapter 40 of the Kansas Statutes Annotated, and amendments thereto, or a licensed property and casualty insurer writing only accident and health insurance.
- (g) "Property and casualty insurer" means any insurance company licensed under articles 9, 10, 11, 12, 12a, 15 or 16 of chapter 40 of the Kansas Statutes Annotated, and

amendments thereto, but shall not include monoline mortgage guaranty insurers, financial guaranty insurers and title insurers.

- (h) "Negative trend" means, with respect to a life and health insurer, a negative trend over a period of time, as determined in accordance with the "trend test calculation" included in the RBC instructions defined in subsection (j).
  - (i) "RBC" means risk-based capital.
- (j) "RBC instructions" means the risk-based capital instructions promulgated by the NAIC that are in effect on December 31, 2019 2020, or any later version promulgated by the NAIC as may be adopted by the commissioner under K.S.A. 2020 Supp. 40-2c29, and amendments thereto.
- (k) "RBC level" means an insurer's company action level RBC, regulatory action level RBC, authorized control level RBC, or mandatory control level RBC where:
- (1) "Company action level RBC" means, with respect to any insurer, the product of 2.0 and its authorized control level RBC;
- (2) "regulatory action level RBC" means the product of 1.5 and its authorized control level RBC;
- (3) "authorized control level RBC" means the number determined under the risk-based capital formula in accordance with the RBC instructions; and
- (4) "mandatory control level RBC" means the product of 0.70 and the authorized control level RBC.
- (l) "RBC plan" means a comprehensive financial plan containing the elements specified in K.S.A. 40-2c06, and amendments thereto. If the commissioner rejects the RBC plan, and it is revised by the insurer, with or without the commissioner's recommendation, the plan shall be called the "revised RBC plan."

- (m) "RBC report" means the report required by K.S.A. 40-2c02, and amendments thereto.
  - (n) "Total adjusted capital" means the sum of:
  - (1) An insurer's capital and surplus or surplus only if a mutual insurer; and
  - (2) such other items, if any, as the RBC instructions may provide.
  - (o) "Commissioner" means the commissioner of insurance.";

On page 68, following line 15, by inserting:

"Sec. 13. K.S.A. 2020 Supp. 40-3402 is hereby amended to read as follows: 40-3402. (a) Prior to January 1, 2022, a policy of professional liability insurance approved by the commissioner and issued by an insurer duly authorized to transact business in this state in which the limit of the insurer's liability is not less than \$200,000 per claim, subject to not less than a \$600,000 annual aggregate for all claims made during the policy period, shall be maintained in effect by each resident healthcare provider as a condition of active licensure or other statutory authorization to render professional service as a healthcare provider in this state, unless such healthcare provider is a self-insurer. For all new policies and policies that renew on and after January 1, 2022, a policy of professional liability insurance approved by the commissioner and issued by an insurer duly authorized to transact business in this state in which the limit of the insurer's liability is not less than \$500,000 per claim, subject to not less than a \$1,500,000 annual aggregate for all claims made during the policy period, shall be maintained by each resident healthcare provider as a condition of active licensure or other statutory authorization to render professional service as a healthcare provider in this state, unless such healthcare provider is a self-insurer. This provision shall not apply to optometrists and pharmacists on-or and after July 1, 1991—nor, to physical therapists on and after July 1, 1995—nor, or to health maintenance organizations on or and after July 1, 1997. Such policy shall provide as a minimum coverage for

claims made during the term of the policy—which that were incurred during the term of such policy or during the prior term of a similar policy. Any insurer offering such policy of professional liability insurance to any healthcare provider may offer to such healthcare provider a policy as prescribed in this section with deductible options. Such deductible shall be within such policy limits.

- (1) Each insurer providing basic coverage shall, within 30 days after the effective date of any policy issued in accordance with this subsection, notify the board of governors that such coverage is or will be in effect. Such notification shall be on a form approved by the board of governors and shall include information identifying the professional liability policy issued or to be issued, the name and address of all healthcare providers covered by the policy, the amount of the annual premium, the effective and expiration dates of the coverage and such other information as the board of governors shall require. A copy of the notice required by this subsection shall be furnished to the named insured.
- (2) In the event of termination of basic coverage by cancellation, nonrenewal, expiration or otherwise by either the insurer or named insured, notice of such termination shall be furnished by the insurer to the board of governors, the state agency which licenses, registers or certifies the named insured and the named insured. Such notice shall be provided no less than 30 days prior to the effective date of any termination initiated by the insurer or within 10 business days after the date coverage is terminated at the request of the named insured and shall include the name and address of the healthcare provider or providers for whom basic coverage is terminated and the date basic coverage will cease to be in effect. No basic coverage shall be terminated by cancellation or failure to renew by the insurer unless such insurer provides a notice of termination as required by this subsection.
  - (3) Any professional liability insurance policy issued, delivered or in effect in this state

on and after July 1, 1976, shall contain or be endorsed to provide basic coverage as required by subsection (a) of this section. Notwithstanding any omitted or inconsistent language, any contract of professional liability insurance shall be construed to obligate the insurer to meet all the mandatory requirements and obligations of this act. The liability of an insurer for claims made prior to July 1, 1984, shall not exceed those limits of insurance provided by such policy prior to July 1, 1984.

- (b) A nonresident healthcare provider shall not be licensed to actively render professional service as a healthcare provider in this state unless such healthcare provider maintains continuous coverage in effect as prescribed by subsection (a), except such coverage may be provided by a nonadmitted insurer who has filed the form required by subsection (b)(1). This provision shall not apply to optometrists and pharmacists on-or and after July 1, 1991-nor, or to physical therapists on and after July 1, 1995.
- (1) Every insurance company authorized to transact business in this state, that is authorized to issue professional liability insurance in any jurisdiction, shall file with the commissioner, as a condition of its continued transaction of business within this state, a form prescribed by the commissioner declaring that its professional liability insurance policies, wherever issued, shall be deemed to provide at least the insurance required by this subsection when the insured is rendering professional services as a nonresident healthcare provider in this state. Any nonadmitted insurer may file such a form.
- (2) Every nonresident healthcare provider—who\_that is required to maintain basic coverage pursuant to this subsection shall pay the surcharge levied by the board of governors pursuant to subsection (a) of K.S.A. 40-3404(a), and amendments thereto, directly to the board of governors and shall furnish to the board of governors the information required in subsection (a)(1).

- (c) Every healthcare provider that is a self-insurer, the university of Kansas medical center for persons engaged in residency training, as described in-subsection (r)(1) of K.S.A. 40-3401(r)(1), and amendments thereto, the employers of persons engaged in residency training, as described in-subsection (r)(2) of K.S.A. 40-3401(r)(2), and amendments thereto, the private practice corporations or foundations and their full-time physician faculty employed by the university of Kansas medical center or a medical care facility or mental health center for self-insurers under-subsection (e) of K.S.A. 40-3414(e), and amendments thereto, shall pay the surcharge levied by the board of governors pursuant to-subsection (a) of K.S.A. 40-3404(a), and amendments thereto, directly to the board of governors and shall furnish to the board of governors the information required in-subsection subsections (a)(1) and (a)(2).
- (d) In lieu of a claims made policy otherwise required under this section, a person engaged in residency training who is providing services as a healthcare provider but, while providing such services, is not covered by the self-insurance provisions of subsection (d) of K.S.A. 40-3414(d), and amendments thereto, may obtain basic coverage under an occurrence form policy, if such policy provides professional liability insurance coverage and limits—which that are substantially the same as the professional liability insurance coverage and limits required by—subsection (a) of K.S.A. 40-3402(a), and amendments thereto. Where such occurrence form policy is in effect, the provisions of the healthcare provider insurance availability act referring to claims made policies shall be construed to mean occurrence form policies.
- (e) In lieu of a claims made policy otherwise required under this section, a nonresident healthcare provider employed pursuant to a locum tenens contract to provide services in this state as a healthcare provider may obtain basic coverage under an occurrence form policy, if such policy provides professional liability insurance coverage and limits—which that are substantially the same as the professional liability insurance coverage and limits required by K.S.A. 40-3402,

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and amendments thereto. Where such occurrence form policy is in effect, the provisions of the healthcare provider insurance availability act referring to claims made policies shall be construed to mean occurrence form policies.

- Sec. 14. K.S.A. 2020 Supp. 40-3403 is hereby amended to read as follows: 40-3403. (a) For the purpose of paying damages for personal injury or death arising out of the rendering of or the failure to render professional services by a healthcare provider, self-insurer or inactive health care provider subsequent to the time that such healthcare provider or self-insurer has qualified for coverage under the provisions of this act, there is hereby established the healthcare stabilization fund. The fund shall be held in trust in the state treasury and accounted for separately from other state funds. The board of governors shall administer the fund or contract for the administration of the fund with an insurance company authorized to do business in this state.
- (b) (1) There is hereby created a board of governors that shall be composed of such members and shall have such powers, duties and functions as are prescribed by this act. The board of governors shall:
- (A) Administer the fund and exercise and perform other powers, duties and functions required of the board under the healthcare provider insurance availability act;
- (B) provide advice, information and testimony to the appropriate licensing or disciplinary authority regarding the qualifications of a healthcare provider;
- (C) prepare and publish, on or before October 1 of each year, a report for submission to the healthcare stabilization fund oversight committee that includes a summary of the fund's activity during the preceding fiscal year, including, but not limited to, the amount collected from surcharges, the highest and lowest surcharges assessed, the amount paid from the fund, the number of judgments paid from the fund, the number of settlements paid from the fund and the

fund balance at the end of the fiscal year; and

- (D) have the authority to grant temporary exemptions from the provisions of K.S.A. 40-3402 and 40-3404, and amendments thereto, to healthcare providers who have exceptional circumstances and verify in writing that the healthcare provider will not render professional services in this state during the period of exemption. Whenever the board grants such an exemption, the board shall notify the state agency that licenses the exempted healthcare provider.
- (2) The board shall consist of 11 persons appointed by the commissioner of insurance, as provided by this subsection and as follows:
- (A) Three members who are on a list of nominees submitted to the commissioner by the Kansas medical society, at least two of whom are doctors of medicine who are licensed to practice medicine and surgery in Kansas—who are doctors of medicine and who are on a list of nominees submitted to the commissioner by the Kansas medical society;
- (B) three members who are <u>on a list of nominees submitted to the commissioner by the Kansas hospital association and who are representatives of Kansas hospitals and who are on a list of nominees submitted to the commissioner by the Kansas hospital association;</u>
- (C) two members who are on a list of nominees submitted to the commissioner by the Kansas association of osteopathic medicine, who are licensed to practice medicine and surgery in Kansas and who are doctors of osteopathic medicine and who are on a list of nominees submitted to the commissioner by the Kansas association of osteopathic medicine;
- (D) one member who is on a list of nominees submitted to the commissioner by the Kansas chiropractic association and who is licensed to practice chiropractic in Kansas and who is on a list of nominees submitted to the commissioner by the Kansas chiropractic association;
- (E) one member who is on a list of nominees submitted to the commissioner by the Kansas association of nurse anesthetists and who is a licensed professional nurse authorized to

practice as a registered nurse anesthetist—who is on a list of nominees submitted to the eommissioner by the Kansas association of nurse anesthetists; and

- (F) one member who is on a list of nominees submitted to the commissioner by statewide associations comprised of members who represent adult care homes and who is a representative of adult care homes who is on a list of nominees submitted to the commissioner by statewide associations comprised of members who represent adult care homes.
- (3) When a vacancy occurs in the membership of the board of governors created by this act, the commissioner shall appoint a successor of like qualifications from a list of three nominees submitted to the commissioner by the professional society or association prescribed by this section for the category of healthcare provider required for the vacant position on the board of governors. All appointments made shall be for a term of office of four years, but no member shall be appointed for more than two successive four-year terms. Each member shall serve until a successor is appointed and qualified. Whenever a vacancy occurs in the membership of the board of governors created by this act for any reason other than the expiration of a member's term of office, the commissioner shall appoint a successor of like qualifications to fill the unexpired term. In each case of a vacancy occurring in the membership of the board of governors, the commissioner shall notify the professional society or association that represents the category of healthcare provider required for the vacant position and request a list of three nominations of healthcare providers from which to make the appointment.
- (4) The board of governors shall organize in July of each year and shall elect a chairperson and vice-chairperson from among its membership. Meetings shall be called by the chairperson or by a written notice signed by three members of the board.
- (5) The board of governors, in addition to other duties imposed by this act, shall study and evaluate the operation of the fund and make such recommendations to the legislature as may

be appropriate to ensure the viability of the fund.

- (6) (A) The board shall appoint an executive director who shall be in the unclassified service under the Kansas civil service act and may employ attorneys and other employees who shall also be in the unclassified service under the Kansas civil service act. Such executive director, attorneys and other employees shall receive compensation fixed by the board, in accordance with appropriation acts of the legislature, not subject to approval of the governor.
- (B) The board may provide all office space, services, equipment, materials and supplies, and all budgeting, personnel, purchasing and related management functions required by the board in the exercise of the powers, duties and functions imposed or authorized by the healthcare provider insurance availability act or may enter into a contract with the commissioner of insurance for the provision, by the commissioner, of all or any part thereof.
  - (7) The commissioner shall:
- (A) Provide technical and administrative assistance to the board of governors with respect to administration of the fund upon request of the board; and
- (B) provide such expertise as the board may reasonably request with respect to evaluation of claims or potential claims.
- (c) Except as otherwise provided by any other provision of this act, the fund shall be liable to pay:
- (1) Any amount due from a judgment or settlement that is in excess of the basic coverage liability of all liable resident healthcare providers or resident self-insurers for any personal injury or death arising out of the rendering of or the failure to render professional services within or without this state;
- (2) subject to the provisions of subsections subsection (f) and (m), any amount due from a judgment or settlement that is in excess of the basic coverage liability of all liable

nonresident healthcare providers or nonresident self-insurers for any such injury or death arising out of the rendering or the failure to render professional services within this state but in no event shall the fund be obligated for claims against nonresident healthcare providers or nonresident self-insurers who have not complied with this act or for claims against nonresident healthcare providers or nonresident self-insurers that arose outside of this state;

- (3) subject to the provisions of <u>subsections</u> subsection (f) and (m), any amount due from a judgment or settlement against a resident inactive healthcare provider for any such injury or death arising out of the rendering of or failure to render professional services;
- (4) subject to the provisions of <u>subsections</u> subsection (f) and (m), any amount due from a judgment or settlement against a nonresident inactive healthcare provider for any injury or death arising out of the rendering or failure to render professional services within this state, but in no event shall the fund be obligated for claims against <u>nonresident inactive healthcare providers</u>:
  - (A) Nonresident inactive healthcare providers Who have not complied with this act; or
- (B) nonresident inactive healthcare providers for claims that arose outside of this state, unless such healthcare provider was a resident healthcare provider or resident self-insurer at the time such act occurred;
- (5) subject to K.S.A. 40-3411(b), and amendments thereto, reasonable and necessary expenses for attorney fees, depositions, expert witnesses and other costs incurred in defending the fund against claims, and such expenditures shall not be subject to the provisions of K.S.A. 75-3738 through 75-3744, and amendments thereto;
- (6) any amounts expended for reinsurance obtained to protect the best interests of the fund purchased by the board of governors, which purchase shall be subject to the provisions of K.S.A. 75-3738 through 75-3744, and amendments thereto, but shall not be subject to the

provisions of K.S.A. 75-4101, and amendments thereto;

- (7) reasonable and necessary actuarial expenses incurred in administering the act, including expenses for any actuarial studies contracted for by the legislative coordinating council, and such expenditures shall not be subject to the provisions of K.S.A. 75-3738 through 75-3744, and amendments thereto;
- (8) periodically to the plan or plans, any amount due pursuant to K.S.A. 40-3413(a)(3), and amendments thereto;
- (9) reasonable and necessary expenses incurred by the board of governors in the administration of the fund or in the performance of other powers, duties or functions of the board under the healthcare provider insurance availability act;
- (10) surcharge refunds payable when the notice of cancellation requirements of K.S.A. 40-3402, and amendments thereto, are met;
- (11) subject to K.S.A. 40-3411(b), and amendments thereto, reasonable and necessary expenses for attorney fees and other costs incurred in defending a person engaged or who was engaged in residency training or the private practice corporations or foundations and their full-time physician faculty employed by the university of Kansas medical center or any nonprofit corporation organized to administer the graduate medical education programs of community hospitals or medical care facilities affiliated with the university of Kansas school of medicine from claims for personal injury or death arising out of the rendering of or the failure to render professional services by such healthcare provider:
- (12) notwithstanding the provisions of subsection (m), any amount due from a judgment or settlement for an injury or death arising out of the rendering of or failure to render professional services by a person engaged or who was engaged in residency training or the private practice corporations or foundations and their full-time physician faculty employed by

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the university of Kansas medical center or any nonprofit corporation organized to administer the graduate medical education programs of community hospitals or medical care facilities affiliated with the university of Kansas school of medicine;

- (13) subject to the provisions of K.S.A. 65-429, and amendments thereto, reasonable and necessary expenses for the development and promotion of risk management education programs and for the medical care facility licensure and risk management survey functions carried out under K.S.A. 65-429, and amendments thereto;
- (14) notwithstanding the provisions of subsection (m), any amount, but not less than the required basic coverage limits, owed pursuant to a judgment or settlement for any injury or death arising out of the rendering of or failure to render professional services by a person, other than a person described in paragraph (12), who was engaged in a postgraduate program of residency training approved by the state board of healing arts but who, at the time the claim was made, was no longer engaged in such residency program;
- (15) subject to K.S.A. 40-3411(b), and amendments thereto, reasonable and necessary expenses for attorney fees and other costs incurred in defending a person described in paragraph (14);
- (16) expenses incurred by the commissioner in the performance of duties and functions imposed upon the commissioner by the healthcare provider insurance availability act, and expenses incurred by the commissioner in the performance of duties and functions under contracts entered into between the board and the commissioner as authorized by this section; and
- (17) periodically to the state general fund reimbursements of amounts paid to members of the healthcare stabilization fund oversight committee for compensation, travel expenses and subsistence expenses pursuant to K.S.A. 40-3403b(e), and amendments thereto.
  - (d) All amounts for which the fund is liable pursuant to subsection (c) shall be paid

promptly and in full except that, if the amount for which the fund is liable is \$300,000 \$500,000 or more, it shall be paid by installment payments of \$300,000 \$500,000 or 10% of the amount of the judgment including interest thereon, whichever is greater, per fiscal year, the first installment to be paid within 60 days after the fund becomes liable and each subsequent installment to be paid annually on the same date of the year the first installment was paid, until the claim has been paid in full.

- (e) In no event shall the fund be liable to pay in excess of \$3,000,000 pursuant to any one judgment or settlement against any one healthcare provider relating to any injury or death arising out of the rendering of or the failure to render professional services on and after July 1, 1984, and before July 1, 1989, subject to an aggregate limitation for all judgments or settlements arising from all claims made in any one fiscal year in the amount of \$6,000,000 for each healthcare provider.
- (f) In no event shall the fund be liable to pay in excess of the amounts specified in the option selected by an active or inactive healthcare provider pursuant to subsection (l) for judgments or settlements relating to injury or death arising out of the rendering of or failure to render professional services by such healthcare provider on or after July 1, 1989.
- (g) A healthcare provider shall be deemed to have qualified for coverage under the fund:
  - (1) On and after July 1, 1976, if basic coverage is then in effect;
  - (2) subsequent to July 1, 1976, at such time as basic coverage becomes effective; or
- (3) upon qualifying as a self-insurer pursuant to K.S.A. 40-3414, and amendments thereto.
- (h) A healthcare provider who is qualified for coverage under the fund shall have no vicarious liability or responsibility for any injury or death arising out of the rendering of or the

failure to render professional services inside or outside this state by any other healthcare provider who is also qualified for coverage under the fund. The provisions of this subsection shall apply to all claims filed on or after July 1, 1986.

- (i) Notwithstanding the provisions of K.S.A. 40-3402, and amendments thereto, if the board of governors determines due to the number of claims filed against a healthcare provider or the outcome of those claims that an individual healthcare provider presents a material risk of significant future liability to the fund, the board of governors is authorized by a vote of a majority of the members thereof, after notice and an opportunity for hearing in accordance with the provisions of the Kansas administrative procedure act, to terminate the liability of the fund for all claims against the healthcare provider for damages for death or personal injury arising out of the rendering of or the failure to render professional services after the date of termination. The date of termination shall be 30 days after the date of the determination by the board of governors. The board of governors, upon termination of the liability of the fund under this subsection, shall notify the licensing or other disciplinary board having jurisdiction over the healthcare provider involved of the name of the healthcare provider and the reasons for the termination.
- (j) (1) Subject to the provisions of paragraph (7), upon the payment of moneys from the healthcare stabilization fund pursuant to subsection (c)(11), the board of governors shall certify to the secretary of administration the amount of such payment, and the secretary of administration shall transfer an amount equal to the amount certified, reduced by any amount transferred pursuant to paragraph (3) or (4), from the state general fund to the healthcare stabilization fund.
- (2) Subject to the provisions of paragraph (7), upon the payment of moneys from the healthcare stabilization fund pursuant to subsection (c)(12), the board of governors shall certify to the secretary of administration the amount of such payment that is equal to the basic coverage

liability of self-insurers, and the secretary of administration shall transfer an amount equal to the amount certified, reduced by any amount transferred pursuant to paragraph (3) or (4), from the state general fund to the healthcare stabilization fund.

- The university of Kansas medical center private practice foundation reserve fund is hereby established in the state treasury. If the balance in such reserve fund is less than \$500,000 on July 1 of any year, the private practice corporations or foundations referred to in K.S.A. 40-3402(c), and amendments thereto, shall remit the amount necessary to increase such balance to \$500,000 to the state treasurer for credit to such reserve fund as soon after such July 1 date as is practicable. Upon receipt of each such remittance, the state treasurer shall credit the same to such reserve fund. When compliance with the foregoing provisions of this paragraph have been achieved on or after July 1 of any year in which the same are applicable, the state treasurer shall certify to the board of governors that such reserve fund has been funded for the year in the manner required by law. Moneys in such reserve fund may be invested or reinvested in accordance with the provisions of K.S.A. 40-3406, and amendments thereto, and any income or interest earned by such investments shall be credited to such reserve fund. Upon payment of moneys from the healthcare stabilization fund pursuant to subsection (c)(11) or (c)(12) with respect to any private practice corporation or foundation or any of its full-time physician faculty employed by the university of Kansas, the secretary of administration shall transfer an amount equal to the amount paid from the university of Kansas medical center private practice foundation reserve fund to the healthcare stabilization fund or, if the balance in such reserve fund is less than the amount so paid, an amount equal to the balance in such reserve fund.
- (4) The graduate medical education administration reserve fund is hereby established in the state treasury. If the balance in such reserve fund is less than \$40,000 on July 1 of any year, the nonprofit corporations organized to administer the graduate medical education programs of

community hospitals or medical care facilities affiliated with the university of Kansas school of medicine shall remit the amount necessary to increase such balance to \$40,000 to the state treasurer for credit to such reserve fund as soon after such July 1 date as is practicable. Upon receipt of each such remittance, the state treasurer shall credit the same to such reserve fund. When compliance with the foregoing provisions of this paragraph have been achieved on or after July 1 of any year in which the same are applicable, the state treasurer shall certify to the board of governors that such reserve fund has been funded for the year in the manner required by law. Moneys in such reserve fund may be invested or reinvested in accordance with the provisions of K.S.A. 40-3406, and amendments thereto, and any income or interest earned by such investments shall be credited to such reserve fund. Upon payment of moneys from the healthcare stabilization fund pursuant to subsection (c)(11) or (c)(12) with respect to any nonprofit corporations organized to administer the graduate medical education programs of community hospitals or medical care facilities affiliated with the university of Kansas school of medicine the secretary of administration shall transfer an amount equal to the amount paid from the graduate medical education administration reserve fund to the healthcare stabilization fund or, if the balance in such reserve fund is less than the amount so paid, an amount equal to the balance in such reserve fund.

- (5) Upon payment of moneys from the healthcare stabilization fund pursuant to subsection (c)(14) or (c)(15), the board of governors shall certify to the secretary of administration the amount of such payment, and the secretary of administration shall transfer an amount equal to the amount certified from the state general fund to the healthcare stabilization fund.
- (6) Transfers from the state general fund to the healthcare stabilization fund pursuant to this subsection shall not be subject to the provisions of K.S.A. 75-3722, and amendments thereto.

- (7) The funds required to be transferred from the state general fund to the healthcare stabilization fund pursuant to paragraphs (1) and (2) for the fiscal years ending June 30, 2010, June 30, 2011, June 30, 2012, and June 30, 2013, shall not be transferred prior to July 1, 2013. The secretary of administration shall maintain a record of the amounts certified by the board of governors pursuant to paragraphs (1) and (2) for the fiscal years ending June 30, 2010, June 30, 2011, June 30, 2012, and June 30, 2013. Beginning July 1, 2013, in addition to any other transfers required pursuant to subsection (j), the state general fund transfers that are deferred pursuant to this paragraph shall be transferred from the state general fund to the healthcare stabilization fund in the following manner: On July 1, 2013, and annually thereafter through July 1, 2018, an amount equal to 20% of the total amount of state general fund transfers deferred pursuant to this paragraph for the fiscal years ending June 30, 2010, June 30, 2011, June 30, 2012, and June 30, 2013. The amounts deferred pursuant to this paragraph shall not accrue interest thereon.
- (k) Notwithstanding any other provision of the healthcare provider insurance availability act, no psychiatric hospital licensed under K.S.A. 2020 Supp. 39-2001 et seq., and amendments thereto, shall be assessed a premium surcharge or be entitled to coverage under the fund if such hospital has not paid any premium surcharge pursuant to K.S.A. 40-3404, and amendments thereto, prior to January 1, 1988.
- (l) (1) On or after July 1, 1989, and prior to January 1, 2022, every healthcare provider shall make an election to be covered by one of the following options provided in this subsection subparagraph (A) that shall limit the liability of the fund with respect to judgments or settlements relating to injury or death arising out of the rendering of or failure to render professional services on or after July 1, 1989. On and after January 1, 2022, every healthcare provider shall make an election to be covered by one of the following options provided in subparagraph (B) that shall

limit the liability of the fund with respect to judgments or settlements relating to injury or death arising out of the rendering of or failure to render professional services on or after January 1, 2022. Such election shall be made at the time the healthcare provider renews the basic coverage in effect on July 1, 1989, or, if basic coverage is not in effect, such election shall be made at the time such coverage is acquired pursuant to K.S.A. 40-3402, and amendments thereto. A medical care facility or a healthcare facility deemed qualified as a self-insurer under K.S.A. 40-3414(a), and amendments thereto, may opt out of the requirements set forth in subparagraph (B) if such medical care facility or healthcare facility substantially meets the minimum coverage requirements of this section through coverage provided by the captive insurance company of such medical care facility or healthcare facility. Notice of the election shall be provided by the insurer providing the basic coverage in the manner and form prescribed by the board of governors and shall continue to be effective from year to year unless modified by a subsequent election made prior to the anniversary date of the policy. The healthcare provider may at any subsequent election reduce the dollar amount of the coverage for the next and subsequent fiscal years, but may not increase the same, unless specifically authorized by the board of governors. Any election of fund coverage limits, whenever made, shall be with respect to judgments or settlements relating to injury or death arising out of the rendering of or failure to render professional services on or after the effective date of such election of fund coverage limits. Such election shall be made for persons engaged in residency training and persons engaged in other postgraduate training programs approved by the state board of healing arts at medical care facilities or mental health centers in this state by the agency or institution paying the surcharge levied under K.S.A. 40-3404, and amendments thereto, for such persons. The election of fund coverage limits for a nonprofit corporation organized to administer the graduate medical education programs of community hospitals or medical care facilities affiliated with the

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university of Kansas school of medicine shall be deemed to be effective at the highest option. Such options shall be as follows:

- (1)(A) (i) OPTION 1. The fund shall not be liable to pay in excess of \$100,000 pursuant to any one judgment or settlement for any party against such healthcare provider, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the fiscal year in an amount of \$300,000 for such provider.
- (2)(ii) OPTION 2. The fund shall not be liable to pay in excess of \$300,000 pursuant to any one judgment or settlement for any party against such healthcare provider, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the fiscal year in an amount of \$900,000 for such provider.
- (3)(iii) *OPTION 3*. The fund shall not be liable to pay in excess of \$800,000 pursuant to any one judgment or settlement for any party against such healthcare provider, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the fiscal year in an amount of \$2,400,000 for such healthcare provider.
- (B) (i) *OPTION 1*. The fund shall not be liable to pay in excess of \$500,000 pursuant to any one judgment or settlement for any party against such healthcare provider, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the fiscal year in an amount of \$1,500,000 for such healthcare provider.
- (ii) OPTION 2. The fund shall not be liable to pay in excess of \$1,500,000 pursuant to any one judgment or settlement for any party against such healthcare provider, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the fiscal year in an amount of \$4,500,000 for such healthcare provider.
- (2) The board of governors shall have the authority to adjust the amounts provided in subparagraph (B) as the board deems necessary to effectuate the provisions of the healthcare

provider insurance availability act, except that the minimum coverage for a healthcare provider shall not be less than \$1,000,000 per claim and \$3,000,000 in the aggregate.

(m) The fund shall not be liable for any amounts due from a judgment or settlement against resident or nonresident inactive healthcare providers who first qualify as an inactive healthcare provider on or after July 1, 1989, unless such healthcare provider has been in compliance with K.S.A. 40-3402, and amendments thereto, for a period of not less than fiveyears. If a healthcare provider has not been in compliance for five years, such healthcare provider may make application and payment for the coverage for the period while they arenonresident healthcare providers, nonresident self-insurers or resident or nonresident inactivehealthcare providers to the fund. Such payment shall be made within 30 days after the healthcare provider ceases being an active healthcare provider and shall be made in an amount determined by the board of governors to be sufficient to fund anticipated claims based upon reasonably prudent actuarial principles. The provisions of this subsection shall not be applicable to any healthcare provider that becomes inactive through death or retirement, or through disability or eireumstances beyond such healtheare provider's control, if such healtheare provider notifies the board of governors and receives approval for an exemption from the provisions of thissubsection. Any period spent in a postgraduate program of residency training approved by the state board of healing arts shall not be included in computation of time spent in compliance with the provisions of K.S.A. 40-3402, and amendments thereto. The provisions of this subsection shall expire on July 1, 2014.

(n)—In the event of a claim against a healthcare provider for personal injury or death arising out of the rendering of or the failure to render professional services by such healthcare provider, the liability of the fund shall be limited to the amount of coverage selected by the healthcare provider at the time of the incident giving rise to the claim.

- (o)(n) Notwithstanding anything in article 34 of chapter 40 of the Kansas Statutes Annotated, and amendments thereto, to the contrary, the fund shall in no event be liable for any claims against any healthcare provider based upon or relating to the healthcare provider's sexual acts or activity, but in such cases the fund may pay reasonable and necessary expenses for attorney fees incurred in defending the fund against such claim. The fund may recover all or a portion of such expenses for attorney fees if an adverse judgment is returned against the healthcare provider for damages resulting from the healthcare provider's sexual acts or activity.
- Sec. 15. K.S.A. 2020 Supp. 40-3408 is hereby amended to read as follows: 40-3408. (a) The insurer of a healthcare provider covered by the fund or self-insurer shall be liable only for the first \$200,000 of a claim for personal injury or death arising out of the rendering of or the failure to render professional services by such healthcare provider, subject to an annual aggregate of \$600,000 for all such claims against the healthcare provider For a claim for personal injury or death arising out of the rendering of or the failure to render professional services by a healthcare provider, the insurer of a healthcare provider covered by the fund or self-insurer shall be liable only for the amount of basic coverage in effect on the date of the incident giving rise to the claim, subject to an annual aggregate amount of not less than three times the primary amount for all such claims against the healthcare provider. However, If any liability insurance in excess of such amounts is applicable to any claim or would be applicable in the absence of this act, any payments from the fund shall be excess over such amounts paid, payable or that would have been payable in the absence of this act.
- (b) If any inactive healthcare provider has liability insurance in effect—which\_that is applicable to any claim or would be applicable in the absence of this act, any payments from the fund shall be excess over such amounts paid, payable or that would have been payable in the absence of this act.

- (c) Notwithstanding anything in article 34 of chapter 40 of the Kansas Statutes Annotated, and amendments thereto, to the contrary, an insurer that provides coverage to a healthcare provider may exclude from coverage any liability incurred by such provider:
- (1) From the rendering of or the failure to render professional services by any other healthcare provider who is required by K.S.A. 40-3402, and amendments thereto, to maintain professional liability insurance in effect as a condition to rendering professional services as a healthcare provider in this state; or
- (2) based upon or relating to the healthcare provider's sexual acts or activity, but in such cases the insurer may provide reasonable and necessary expenses for attorney fees incurred in defending against such claim. The insurer may recover all or a portion of such expenses for attorney fees if an adverse judgment is returned against the healthcare provider for damages resulting from the healthcare provider's sexual acts or activity.
- (d) The fund shall not be liable for payment of any claim excluded by an insurer pursuant to this section or any claim otherwise excluded from coverage under a healthcare provider's professional liability insurance.
- (e) Notwithstanding any provision of article 34 of chapter 40 of the Kansas Statutes Annotated, and amendments thereto, to the contrary, an insurer that provides coverage to a healthcare provider may exclude from coverage:
- (1) Any liability incurred by such healthcare provider as a result of professional services rendered as a charitable healthcare provider; or
- (2) any liability incurred by such healthcare provider that is covered under the federal tort claims act pursuant to chapter 171 of title 28 of the United States code.
- Sec. 16. K.S.A. 40-3409 is hereby amended to read as follows: 40-3409. (a) (1) In any action filed in this state for personal injury or death arising out of the rendering of or the failure

to render professional services by any health care healthcare provider covered by the fund or any inactive health care healthcare provider covered by the fund, the plaintiff shall serve a copy of the petition upon the board of governors by registered mail, certified mail, priority mail, <u>commercial delivery service or first class mail</u> within <u>10 30 calendar</u> days from filing the same, and if such service is not made the fund shall not be liable for any amount due from a judgment or a settlement nor, in such case, shall the health care healthcare provider or the provider's insurer or the inactive health care healthcare provider or the provider's insurer be liable for such amount that, if such service had been made, would have been paid by the fund; (2) in any action filed outside of this state for personal injury or death arising out of the rendering of or the failure to render professional services by any health eare healthcare provider or any inactive health eare healthcare provider covered by the fund, the inactive health care healthcare provider, the selfinsurer or the insurer of a health care healthcare provider or an inactive health care healthcare provider shall notify the board of governors, as soon as it is reasonably practicable, that such summons or petition has been filed. If the petition names as a defendant in the action a health eare healthcare provider who is licensed, registered or certified by the state board of healing arts, the board of governors shall forward a copy of the petition to the state board of healing arts.

- (b) Such action shall be defended by the insurer or the self-insurer, but if the board of governors believes it to be in the best interests of the fund, the board of governors may employ independent counsel to represent the interests of the fund. The cost of employing such counsel shall be paid from the fund. The board of governors is authorized to employ independent counsel in any such action against an inactive-health care healthcare provider covered by the fund.
- (c) The attorneys of record and the board of governors shall submit to the state board of healing arts expert witness reports which have been made available to the opposing parties in the case and, upon the request of the state board of healing arts, any depositions, interrogatories,

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admissions or other relevant information concerning the case which has been made available to the opposing parties in the case shall also be submitted. The board of governors shall not be required to furnish information not in the possession of the board of governors. Any report or other information made available to the state board of healing arts in accordance with this subsection shall be subject to K.S.A. 65-2898a and amendments thereto. Reasonable expenses incurred in reproducing such reports or other information shall be paid by the state board of healing arts.

Sec. 17. K.S.A. 2020 Supp. 40-3414 is hereby amended to read as follows: 40-3414. (a) (1) Any-health eare healthcare provider or any-health eare healthcare system organized and existing under the laws of this state which owns and operates more than one medical care facility or more than one-health eare healthcare facility, as defined in K.S.A. 40-3401, and amendments thereto, licensed by the state of Kansas, whose aggregate annual insurance premium is or would be \$100,000 \$150,000 or more for basic coverage calculated in accordance with rating procedures approved by the commissioner pursuant to K.S.A. 40-3413, and amendments thereto, may qualify as a self-insurer by obtaining a certificate of self-insurance from the board of governors. Upon application of any such health care healthcare provider or health care healthcare system, on a form prescribed by the board of governors, the board of governors may issue a certificate of self-insurance if the board of governors is satisfied that the applicant-is possessed possesses and will continue to be possessed of possess the ability to pay any judgment for which liability exists equal to the amount of basic coverage required of a health care healthcare provider obtained against such applicant arising from the applicant's rendering of professional services as a health eare healthcare provider.

- (2) In making such determination the board of governors shall consider:
- (1)(A) The financial condition of the applicant;

- (2)(B) the procedures adopted and followed by the applicant to process and handle claims and potential claims;
- (3)(C) the amount and liquidity of assets reserved for the settlement of claims or potential claims; and
  - (4)(D) any other relevant factors the board deems relevant.
- (3) Any applicant for self-insurance that owns and operates more than one medical care facility or more than one healthcare facility shall be deemed qualified by the board of governors if such applicant is insured by a captive insurance company, as defined in K.S.A. 40-4301, and amendments thereto, or under the laws of the state of domicile of any such captive insurance company.
- (4) The certificate of self-insurance may contain reasonable conditions prescribed by the board of governors. Upon notice and a hearing in accordance with the provisions of the Kansas administrative procedure act, the board of governors may cancel a certificate of self-insurance upon reasonable grounds therefor. Failure to pay any judgment for which the self-insurer is liable arising from the self-insurer's rendering of professional services as a health care healthcare provider, the failure to comply with any provision of this act or the failure to comply with any conditions contained in the certificate of self-insurance shall be reasonable grounds for the cancellation of such certificate of self-insurance. The provisions of this subsection shall not apply to the Kansas soldiers' home, the Kansas veterans' home or to any person individual who is a self-insurer pursuant to subsection (d) or (e).
- (b) Any such health care healthcare provider or health care healthcare system that holds a certificate of self-insurance shall pay the applicable surcharge set forth in K.S.A. 40-3402(c), and amendments thereto.
  - (c) The Kansas soldiers' home and the Kansas veterans' home shall be self-insurers and

shall pay the applicable surcharge set forth in K.S.A. 40-3402(c), and amendments thereto.

- (d) PersonsIndividuals engaged in residency training as provided in K.S.A. 40-3401(r) (1) and (2), and amendments thereto, shall be self-insured by the state of Kansas for occurrences arising during such training, and such-person\_individual shall be deemed a self-insurer for the purposes of the-health-care\_healthcare\_provider insurance availability act. Such self-insurance shall be applicable to-a-person\_an\_individual engaged in residency training only when such person\_individual is engaged in medical activities which do not include extracurricular, extrainstitutional medical service for which such-person\_individual receives extra compensation and which have not been approved as provided in K.S.A. 40-3401(r)(1) and (2), and amendments thereto.
- (e) (1) A personAn individual engaged in a postgraduate training program approved by the state board of healing arts at a medical care facility or mental health center in this state may be self-insured by such medical care facility or mental health center in accordance with this subsection-(e) and in accordance with such terms and conditions of eligibility therefor as may be specified by the medical care facility or mental health center and approved by the board of governors. A personAn individual self-insured under this subsection-(e) by a medical care facility or mental health center shall be deemed a self-insurer for purposes of the health care healthcare provider insurance availability act. Upon application by a medical care facility or mental health center, on a form prescribed by the board of governors, the board of governors may authorize such medical care facility or mental health center to self-insure persons individuals engaged in postgraduate training programs approved by the state board of healing arts at such medical care facility or mental health center if the board of governors is satisfied that the medical care facility or mental health center is possessed and will continue to be possessed of ability to pay any judgment for which liability exists equal to the amount of basic coverage required of a health

eare healthcare provider obtained against-a person an individual engaged in such a postgraduate training program and arising from such-person's individual's rendering of or failure to render professional services as a-health care healthcare provider.

- (2) In making such determination the board of governors shall consider:
- (A) The financial condition of the medical care facility or mental health center;
- (B) the procedures adopted by the medical care facility or mental health center to process and handle claims and potential claims;
- (C) the amount and liquidity of assets reserved for the settlement of claims or potential claims by the medical care facility or mental health center; and
  - (D) any other factors the board of governors deems relevant.

The board of governors may specify such conditions for the approval of an application as the board of governors deems necessary. Upon approval of an application, the board of governors shall issue a certificate of self-insurance to each-person\_individual engaged in such postgraduate training program at the medical care facility or mental health center who is self-insured by such medical care facility or mental health center.

(3) Upon notice and a hearing in accordance with the provisions of the Kansas administrative procedure act, the board of governors may cancel, upon reasonable grounds therefor, a certificate of self-insurance issued pursuant to this subsection—(e) or the authority of a medical care facility or mental health center to self-insure—persons\_individuals engaged in such postgraduate training programs at the medical care facility or mental health center. Failure of—a person\_an individual engaged in such postgraduate training program to comply with the terms and conditions of eligibility to be self-insured by the medical care facility or mental health center, the failure of a medical care facility or mental health center to pay any judgment for which such medical care facility or mental health center is liable as self-insurer of such—person

<u>individual</u>, the failure to comply with any provisions of the <u>health care healthcare</u> provider insurance availability act or the failure to comply with any conditions for approval of the application or any conditions contained in the certificate of self-insurance shall be reasonable grounds for cancellation of such certificate of self-insurance or the authority of a medical care facility or mental health center to self-insure such-<u>persons individuals</u>.

- (4) A medical care facility or mental health center authorized to self-insure—persons individuals engaged in such postgraduate training programs shall pay the applicable surcharge set forth in K.S.A. 40-3402(c), and amendments thereto, on behalf of such—persons individuals.
- (5) As used in this subsection (e), "medical care facility" does not include the university of Kansas medical center or those community hospitals or medical care facilities described in K.S.A. 40-3401(r)(2), and amendments thereto.
- (f) For the purposes of subsection (a), "health care healthcare provider" may include each health care provider in any group of health care healthcare providers who practice as a group to provide physician services only for a health maintenance organization, any professional corporations, partnerships or not-for-profit corporations formed by such group and the health maintenance organization itself. The premiums for each such provider, health maintenance organization and group corporation or partnership may be aggregated for the purpose of being eligible for and subject to the statutory requirements for self-insurance as set forth in this section.
- (g) The provisions of subsections (a) and (f), relating to health eare healthcare systems, shall not affect the responsibility of individual health eare healthcare providers as defined in K.S.A. 40-3401(f), and amendments thereto, or organizations whose premiums are aggregated for purposes of being eligible for self-insurance from individually meeting the requirements imposed by K.S.A. 40-3402, and amendments thereto, with respect to the ability to respond to injury or damages to the extent specified therein and K.S.A. 40-3404, and amendments thereto,

with respect to the payment of the health care healthcare stabilization fund surcharge.

- (h) Each private practice corporation or foundation and their full-time physician faculty employed by the university of Kansas medical center and each nonprofit corporation organized to administer the graduate medical education programs of community hospitals or medical care facilities affiliated with the university of Kansas school of medicine shall be deemed a self-insurer for the purposes of the health eare healthcare provider insurance availability act. The private practice corporation or foundation of which the full-time physician faculty is a member and each nonprofit corporation organized to administer the graduate medical education programs of community hospitals or medical care facilities affiliated with the university of Kansas school of medicine shall pay the applicable surcharge set forth in K.S.A. 40-3404(a), and amendments thereto, on behalf of the private practice corporation or foundation and their full-time physician faculty employed by the university of Kansas medical center or on behalf of a nonprofit corporation organized to administer the graduate medical education programs of community hospitals or medical care facilities affiliated with the university of Kansas school of medicine.
- (i) (1) Subject to the provisions of paragraph (4), for the purposes of the health care healthcare provider insurance availability act, each nonprofit corporation organized to administer the graduate medical education programs of community hospitals or medical care facilities affiliated with the university of Kansas school of medicine shall be deemed to have been a health eare healthcare provider as defined in K.S.A. 40-3401, and amendments thereto, from and after July 1, 1997.
- (2) Subject to the provisions of paragraph (4), for the purposes of the health care healthcare provider insurance availability act, each nonprofit corporation organized to administer the graduate medical education programs of community hospitals or medical care facilities affiliated with the university of Kansas school of medicine shall be deemed to have been a self-

insurer within the meaning of subsection (h), and amendments thereto, from and after July 1, 1997.

- (3) Subject to the provisions of paragraph (4), for the purposes of the health care healthcare provider insurance availability act, the election of fund coverage limits for each nonprofit corporation organized to administer the graduate medical education programs of community hospitals or medical care facilities affiliated with the university of Kansas school of medicine shall be deemed to have been effective at the highest option, as provided in K.S.A. 40-3403(1), and amendments thereto, from and after July 1, 1997.
- (4) No nonprofit corporation organized to administer the graduate medical education programs of community hospitals or medical care facilities affiliated with the university of Kansas school of medicine shall be required to pay to the fund any annual premium surcharge for any period prior to the effective date of this act. Any annual premium surcharge for the period commencing on the effective date of this act and ending on June 30, 2001, shall be prorated.
- Sec. 18. K.S.A. 2020 Supp. 40-3424 is hereby amended to read as follows: 40-3424. (a) For all claims made on and after July 1, 2014, the amount of fund liability for a judgment or settlement against a resident or nonresident inactive healthcare provider shall be equal to the minimum professional liability insurance policy limits required pursuant to K.S.A. 40-3402, and amendments thereto, and in effect on the date of the incident giving rise to a claim, plus the level of coverage selected by the healthcare provider pursuant to K.S.A. 40-3403(l), and amendments thereto, at the time of the incident giving rise to a claim.
- (b) The aggregate fund liability for all judgments and settlements arising from all claims made in any fiscal year against a resident or nonresident inactive healthcare provider shall not exceed \$3,000,000 in any fiscal year.
  - (b) This section shall be part of and supplemental to the healthcare provider insurance

availability aet For all claims made for incidents occurring on or after January 1, 2022, the aggregate fund liability for all judgments and settlements made in any fiscal year against a resident or nonresident inactive healthcare provider shall not exceed three times the coverage amount in subsection (a).";

On page 74, in line 2, after "40-2513" by inserting ", 40-3409"; in line 3, after the second comma by inserting "40-2c01,"; also in line 3, after "40-3306" by inserting ", 40-3402, 40-3403, 40-3408, 40-3414, 40-3424";

And by renumbering sections accordingly;

On page 1, in the title, in line 12, after the semicolon by inserting "increasing minimum coverage requirements with regard to the healthcare stabilization fund; changing membership of the board of governors; increasing time for service of process thereon; updating the version of risk-based capital instructions in effect;"; also in line 12, after "40-22a06" by inserting ", 40-3409"; in line 13, after the third comma by inserting "40-2c01,"; in line 14, after "40-3306" by inserting ", 40-3402, 40-3403, 40-3408, 40-3414, 40-3424";

And your committee on conference recommends the adoption of this report.

 Conferees on part of House
 Conferees on part of Senat