

March 19, 2021

The Honorable Jeff Longbine, Chairperson
Senate Committee on Financial Institutions
Statehouse, Room 235A-E
Topeka, Kansas 66612

Dear Senator Longbine:

SUBJECT: Fiscal Note for SB 290 by Senate Committee on Ways and Means

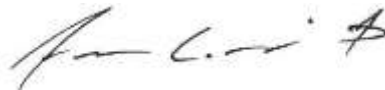
In accordance with KSA 75-3715a, the following fiscal note concerning SB 290 is respectfully submitted to your committee.

SB 290 would increase the minimum professional liability insurance coverage requirement for certain healthcare providers from \$200,000 per claim with an annual aggregate of \$600,000 for all claims to \$500,000 per claim with an annual aggregate of \$1.5 million. The bill would also change the requirements for additional professional liability coverage provided through the Kansas Health Care Stabilization Fund. Current law allows providers to choose between three options/levels of coverage which range from \$100,000 to \$800,000 per claim and annual aggregates for all claims ranging from \$300,000 to \$2.4 million. Effective on January 1, 2022, the bill would require two options for coverage; \$500,000 per claim with an annual aggregate of \$1.5 million, or \$1.5 million per claim with an annual aggregate of \$4.5 million. The bill would allow the Health Care Stabilization Fund Board of Governors to adjust these amounts, but the amounts could not be lower than \$1.0 million per claim with an annual aggregate of \$3.0 million. The bill would also require all claims on the Health Care Stabilization Fund that are below \$500,000 to be paid in full but allow claims of \$500,000 or more to be paid on an installment plan. Currently claims below \$300,000 must be paid in full and installment plans are allowed for claims of \$300,000 or more. The bill would make changes to requirements for members of the Health Care Stabilization Fund Board of Governors.

The Health Care Stabilization Fund states that the required options for coverage in SB 290 are significantly higher than the current levels of coverage. The fund would collect higher surcharge rates from providers and expenditures would increase if the changes resulted in higher judgements and settlements. The cost of attorney and attorney related expenses would most likely

increase as well. It is not possible to accurately estimate future revenues or expenditures. The changes in the bill would require an actuary study to be conducted to determine the fiscal effect on the agency. The cost of an actuary study would be approximately \$27,000. This bill would affect all defined health care providers licensed to practice in the State of Kansas. Any fiscal effect associated with SB 290 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Clark Shultz, Health Care Stabilization Fund