

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Rep. Robert Tomlinson at 3:35 p.m. on February 22, 2000 in Room 527-S of the Capitol.

All members were present except:

Committee staff present: Dr. Bill Wolff, Research
Ken Wilke, Revisor
Mary Best, Secretary

Conferees appearing before the committee: Commissioner Kathleen Sebelius, Kansas Insurance
Department
Secretary Dan Stanley, Kansas Department of Administration

Others attending: See attached Committee Guest List

HB 2950-Insurance; Imposing limitations on the state health care commission's exemption from the bidding process and HB 2951-Health Insurance; state employees' health care commission; reorganization.

The Chairman recognized Kathleen Sebelius, Commissioner of Kansas Insurance Department, gave Neutral Testimony to the committee. A copy of the written testimony is (Attachment #1) attached hereto and incorporated into the Minutes by reference.

Commissioner Sebelius explained that it was her understanding this bill made "all contracts subject to the provisions of competitive bid process within the division of purchases (K.S.A. 75-3738 to 75-3740)." The Commissioner spoke of the study made of the problems in other states and included a copy of this study within her testimony. The information is based on 1996 data. Ms. Sebelius wrote, the bill excludes those contracts, "that are directly related to providing health care benefits, and long term care insurance for the state employees health care benefits plan." She discussed the possibility of changes in this matter but felt it should be a legislative decision. She went on to discuss her frustration with the contract with IBENEX, relating to the retirees' health claim contract and the fact that the Commission was not consulted before the contract was awarded. She stated they were never given the opportunity to discuss services or their impact on the retirees. She went on to inform the committee that it was unknown if there was a bidding process on this contract, or what the criteria was.

The Commissioner then addressed the bill on abolishing the Kansas state employee's health care commission and place all powers, duties and functions with the committee on surety bonds and insurance. Prior to her commission, security bonds and insurance received bids and assisted in the evaluation of these bids regarding Kansas Insurance Department. This same committee was said to have relied on Kansas Insurance Department to assist in specifications of health care contracts. Surety bonds and insurance had no authority to write specifications or negotiate contracts. They currently have no budget or staff, however, Kansas Insurance Department feels certain there are state employees who could meet the necessary qualifications for such a department.

Commissioner Sebelius quoted Richard Huncker of the Kansas Insurance Department to say, "The functions performed by the health care administrator used to be completed by state employees who had other full time responsibilities. And, those activities were consuming so much time, that employees had little time for their real jobs. To function as a whole, it took a great deal of cooperation between the different agencies in order to complete the budget analysis, and system issues such as deducting premiums. It became clear that some entity of oversight was need, and the health care commission was formed."

Ms. Sebelius feels that should the questions continue regarding this issue then this would be a good interim study topic. The state pool contains approximately 10,000 lives, including retirees but before the inclusion

of school employees, making it one of the largest pools in the state. This makes providing and negotiating rates very complicated.

Commissioner Sebelius also included information from the National Council of State Legislatures showing the results of the 1997 Segal Company study. She feels with this information, structures budget and staffing allocations, and plan participant numbers of other states, she should have some perspective of the better practices of other states. The commissioner went on to state she did not feel the current structure of the Surety Bond Committee is the proper administrative structure for the health plan, but her office would be supportive and would work with any interim study or oversight group to, "research and identify alternatives for Kansas. With this the Commissioner stood for questions from the committee.

Questions were Representatives Empson, Boston, and Chairman Tomlinson. Questions ranged from: how often the committee met, decision on companies bidding on competitive rates, how significant the complaint problem is on the matter, to agents of record on long term care and who was qualified to bid, to the role of the committee in the contracts, and does the committee approve the manuals that go out in regard to the matter. Ms. Terry Bernatis answered questions for the Commissioner on some of the questions.

With no further questions of the Commissioner, the Chairman recognized Mr. Dan Stanley, Secretary of the Department of Administration. Mr. Stanley offered the committee Proponent Testimony. A copy of the testimony is (Attachment #2) attached hereto and incorporated into the Minutes by reference. Mr. Stanley offered the committee related numbers and analysis of the bids. He also included a summary of the information as was found in the Annual Reports from 1995 through 1999.

Mr. Stanley showed the committee the Health Care Commission had been working to assure a quality and cost effective Health Benefits Plan. Mr. Stanley informed the committee that **HB 2950** would not change the way to do business, while **HB 2951**, he stated, "The Insurance Commissioner should head a regulatory committee." He suggested other state programs be looked at. He feels maybe it should be put under KPERS rather than an organization of advocates. Mr. Stanley highlighted the last five years from the transition from a one state wide fully insured program with voluntary HMO options to a predominately self insured program providing employer contributions for all plan options; Design and implementation of a Statewide student Insurance Plan with an employer contribution for graduate teaching and research assistant; Design and implementation of a Long Term Care Insurance Plan extending eligibility to dependent children, retirees and parents of active employees; Development of guidelines for voluntary participation of Unified School Districts, Community Colleges, Vocational Technical Schools and Colleges; Proactive steps to limit future increases in prescription drug costs with a plan design change for 2000; to, continuing to search for solutions for the cost of the direct bill continuation option.

Mr. Stanley felt it was unfortunate there had been misreporting regarding the actions of the Health Care Commission. Examples of the misreporting were cited by Mr. Stanley. Mr. Stanley continued on to discuss the staffing problems. He explained staffing was established to administer, process and assist with group health program, employees membership, and agency personnel officers. In the past five years only one position has been added to the staff performing services. The commission is not staffed for telephone support to the 37,000 employees and their dependents, plus 10,000 retirees and their dependents. Mr. Stanley attached points on "Non-Competitive Bidding", also stating, "If the assumption is that 'non-competitive bidding' is driving up the cost, the real issue is that utilization is driving cost increases. Since 99% of retirees participate in the self insured traditional plan, utilization increases directly result in cost of coverage increases". Mr. Stanley also attached "USDs", "There are still vocal school districts out there that believe they ought to be able to enter the state plan without participation or contribution requirements"; "Retiree Cost of Coverage", "The real issue is not cost of living increase under KPERS. Retirees have gone to the right place, is. The Legislature to get money to help defray costs" "Everyone's cost of coverage went up for PY 2000 unless enrolled in single only HMO coverage. This is not a retiree specific issue."; "Customer Service", "Expected internal customer service from a group that is not designed, staffed or funded for customer service. We provided customer service as available but not to the satisfaction of some direct bill participants.

Until Fiscal Year 1999, total administrative budget was about \$1MM. A little over 1/2 of 1 percent of total plan costs....."

With this testimony completed Mr. Stanley stood for questions. Questions from the committee were asked by Rep. Kirk, Cox, Chairman Tomlinson. Questions ranged from complaints from schools, people against adverse selection, Universal Funds, to state self funded pool. Answers included: Disagreement with opinion explaining KNEA same rules state has, suggestion to do individual claim history study, there were rates provided for rural areas, otherwise used a blended rate, schools pays less and the teacher pays more and finally responded to the Chairman's question. With all questions asked and answered, the Chair addressed the rest of the attendee's as to whether anyone else wanted to address the bill or committee. With no further discussions the meeting was adjourned. Time 4:57 p.m.

The next meeting will be held March 2, 2000 at 3:30 p.m.