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January 29, 2019

Senator Robert Olson  
Kansas State Capitol  
300 SW 10<sup>th</sup> St, RM 236-E  
Topeka, KS 66612

**Re: Non-Insurance Healthcare Benefits, SB 32: Opposed**

Dear Chairman Olson and Committee Members:

I am writing today to convey Medica's position on Senate Bill 32 and alternative health insurance products broadly.

Medica is an independent and nonprofit health care organization with approximately 1.6 million members in nine states, and has offered coverage in the Kansas individual market since 2017. Medica's mission is to be the trusted health plan of choice for our customers, members, partners, and our employees.

Medica supports market-based innovations which increase access to quality, affordable health care coverage. We support the ability of employers to band together to form Multiple Employer Welfare Arrangements (MEWAs). With proper oversight, particularly of solvency, these are proven ways to offer more affordable coverage to Kansas small businesses and their employees.

Medica also supports the ability of associations to form fully-insured association health plans (AHPs) subject to state law and regulatory oversight. In fact, Medica worked with a member-based agricultural organization in Nebraska to create such an offering for farmers, ranchers, and others connected with the agricultural community, and we welcome the opportunity to do so in Kansas and other states in our service area. To our knowledge, the collaboration in Nebraska was the first association health plan created under the new regulatory flexibility made available by the U.S. Department of Labor last year. The association health plan is guarantee issue, meaning it cannot deny applicants for pre-existing conditions. Within the association health plan, members have the option of several plan types and networks with robust benefits, while costing less than individual ACA coverage without subsidies. Our AHP in Nebraska has unlocked another option for individuals desperate for more affordable solutions in our individual health insurance market. As Kansas contemplates solutions, we strongly encourage lawmakers to consider the statutory and regulatory framework that allowed for the AHP to be offered in Nebraska.

We have concerns, however, about legislation that exempts certain types of health insurance offerings from state and federal oversight, as could be allowed under SB 32. In our reading of the bill, SB 32 could exempt a specific organization's health care coverage from state and federal law, thereby allowing them to deny coverage to Kansans with pre-existing medical conditions and further destabilize the individual health insurance market. These forms of insurance siphon healthy risk from the existing market, which results in higher premiums for consumers with pre-existing conditions in the regulated individual health

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insurance market. If this is not the intent of the bill, we are committed to working with the Committee to adjust the bill to match the intent.

Regulatory oversight is a fundamental consumer protection for Kansas consumers. Without it, consumers are left with no recourse if an organization misrepresents the benefits covered, defrauds its members, or terminates coverage after a consumer becomes ill. State and federal regulation and oversight ensure there is a consistent application of the law, enrollees receive the protections promised to them under their contracts, solvency is monitored, and fraudulent activity is investigated.

We stand ready to work with the Committee, the Kansas Insurance Department, and Governor Kelly to create a regulatory path for self-funded MEWAs and fully-insured association health plans. Current legislative proposals and existing law should be refined to create a regulatory framework for these arrangements and unlock other forms of coverage for Kansas consumers.

Thank you for the opportunity to offer comment on SB 32 and association health plans and I am happy to answer any questions.

Respectfully,



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