

SESSION OF 2017

**SUPPLEMENTAL NOTE ON SENATE SUBSTITUTE FOR  
HOUSE BILL NO. 2130**

As Recommended by Senate Committee on  
Ways and Means

**Brief\***

Senate Sub. for HB 2130 would increase the annual privilege fees assessed on every health maintenance organization to 5.77 percent for the reporting period beginning January 1, 2017, retroactively, and ending December 31, 2020. On or after January 1, 2021, the privilege fee would be assessed at 3.31 percent.

The bill would direct the moneys collected from the assessment to 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 period beginning January 1, 2015, and ending December 31, 2017, and 2.0 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 these moneys are to be deposited to the credit of the Medical

---

\*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>

Assistance Fee Fund during the period beginning July 1, 2015, and ending on June 30, 2018.

## **Background**

### ***HB 2130***

HB 2130 was introduced in the House Committee on General Government Budget. In the House Committee hearing, the Director of Legislative and Public Affairs for the Department of Administration testified in support of the bill. The Director indicated the bill was a product of the Office of the Repealer and the goal was to remove a redundant contractual cover page requirement after the development of alternative contractual approval procedures in the Statewide Management Accounting and Reporting System. No other testimony was provided. The House Committee recommended the bill be placed upon the consent calendar.

The Senate Committee on Ways and Means removed the contents of HB 2130; inserted the contents of SB 94, as amended by the Senate Committee; and recommended a substitute bill.

According to the fiscal note prepared by the Division of the Budget, enactment of HB 2130, as introduced, would have no fiscal effect on agency operations.

### ***SB 94***

SB 94 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 of Chain Drug Stores, Kansas Association for the Medically Underserved, 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., the Kansas Association of Osteopathic Medicine, the Kansas Medical Society, the Kansas Optometric Association, the 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 to the bill. The opponents noted concerns with the fee increase and stated the retroactive implementation of the fee would not allow health insurance companies 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 bill was later amended further by the Senate Committee of the Whole; however, the Senate Committee inserted the contents of SB 94, as amended by the Senate Committee, into HB 2130 and a substitute bill was recommended.

According to the fiscal note prepared by the Division of the Budget on SB 94, 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 (SGF). Additional revenue generated in FY 2019 would total \$144.5 million and result in increased expenditures of \$220.7 million, with SGF savings of \$114.9 million. The fiscal effect associated with the bill is not reflected in *The FY 2018 Governor's Budget Report*.