February 19, 2020

The Honorable Robert Olson, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 236-E
Topeka, Kansas  66612

Dear Senator Olson:

SUBJECT:  Fiscal Note for SB 387 by Senate Committee on Financial Institutions and Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning SB 387 is respectfully submitted to your committee.

SB 387 would require the Kansas State Employees Healthcare Commission to establish a new package of healthcare benefits for state employees. The healthcare benefits could not be covered by or affiliated with a health insurer or health benefit plan. The Commission would be authorized to contract directly with a healthcare organization to provide services to state employees. A “healthcare organization” would be defined to mean any entity delivering healthcare services, including, physician-owned practices, hospitals, health systems, rural health clinics, federally qualified health centers, rehabilitation clinics and infusion centers. The new plan could include, the following benefits:

1. Relationship-based care coordination provided by a licensed registered nurse;
2. Mobile applications to provide pharmacy information; and
3. Healthcare services delivered via telemedicine by healthcare providers.

The bill would include billing procedures for healthcare organizations and the state healthcare benefits program. The bill would also include requirements for providing pricing information and calculating healthcare service costs. The Commission would be required to adopt rules and regulations implementing the bill by July 1, 2021.

The Kansas Department of Health and Environment (KDHE) indicates the bill would require it to create a self-administered health benefit program within the State Employee Health
Plan (SEHP). Currently, KDHE outsources administrative services to health plan vendors. KDHE estimates that the SEHP would incur additional costs totaling $10.8 million from special revenue funds in FY 2022. While the bill would become effective on July 1, 2020 (FY 2021), it is assumed that the new program would go into effect July 1, 2021 (FY 2022) corresponding with the implementation of rules and regulations. The total cost includes:

1. One-time, startup costs of $4.7 million and ongoing support and maintenance costs of $1.5 million for a claims processing system;

2. Salaries and wages expenditures of $300,000 for 4.00 new FTE positions ($75,000 per position X 4.00 FTE positions) to maintain the claims processing system and negotiate benefits;

3. Relationship care service costs of $2.7 million per year, ($230,778 per month X 12 months). The cost per month includes a relationship care per employee per month (PEPM) rate of $6 PEPM and a state employee count of 38,463 under a group plan ($230,778 = 38,463 employees X $6 PEPM); and

4. Nurse advocacy service costs of $1.5 million ($300 per hour X 5,000 nurse hours).

KDHE estimates that costs for the self-administered plan would decrease to $6.3 million from special revenue funds in FY 2023. This amount includes all FY 2022 ongoing costs of $6,069,336 plus a cost trend increase of $215,387, or 2.0 percent. KDHE notes that services offered in SB 387 are currently available to SEHP members under existing contracts. Any fiscal effect associated with SB 387 is not reflected in The FY 2021 Governor’s Budget Report.

Sincerely,

Larry L. Campbell
Director of the Budget

cc: Dan Thimmesch, Health & Environment