

SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE**February 6, 2017****Testimony to oppose Senate Bill 94****Coni Fries*****Vice-President Government Affairs*****Blue Cross and Blue Shield of Kansas City**

Chairman McGinn and Members of the Committee, my name is Coni Fries and I am here today on behalf of Blue Cross and Blue Shield of Kansas City to testify in opposition of Senate Bill 94.

Blue Cross and Blue Shield of Kansas City is a not-for-profit health plan serving residents in the greater Kansas City area, including Johnson and Wyandotte counties in Kansas and 30 counties in Northwest Missouri. Our mission is to use our role as the area's leading health insurer to provide affordable access to healthcare and improve the health and wellness of our members. The ability to provide affordable coverage is difficult given the uncertainty of the Affordable Care Act (ACA), also known as Obamacare. As many of you are aware, the never ending regulations stemming from Obamacare have made health insurance plans more expensive. In addition to the burdensome Federal regulations, State benefit mandates and increases in premium taxes have also contributed to the increase in health insurance premiums. The current environment of Repeal and Replace only adds to carriers' uncertainty to remain in certain markets in 2018.

In 2015, legislation was enacted that more than **tripled** the HMO privilege fee from 1% to 3.31%. The increased fee was retroactive and resulted in increased health insurance premiums for our HMO customers in Kansas the following year.

This legislation would again increase the privilege fee from 3.31% to 5.77%, **an increase of 477%** in just 2 years.

In addition, this bill would again require that the fee be imposed retroactively to January 1, 2017 thus eliminating our ability to include the fee increase in the premiums our customers are paying for their 2017 coverage.

While the original privilege tax increase in 2015 was required to offset the Obamacare Health Insurer Fee that was imposed on the KanCare managed care plans, that fee was suspended for 2017 and we anticipate the Trump Administration and Congress will eliminate that fee shortly. Thus, the Commercial HMOs and their members are being selected to finance the budget deficit in Kansas instead of a specific consequence of the ACA.

HB 2065 which is in the House Health and Human Services Committee increases the tax to 5.77% but defers the effective date to 1/1/18. We are in favor of that bill as we intend to cease selling HMO products in the state of Kansas due to the unsustainable privilege fee increases. We ask that you instead support that bill should it pass the House.

At a time when the health insurance markets are already experiencing uncertainty by the changes at Federal government it is incumbent of those at the state level to do all they can to create environments that encourage a vibrant and competitive health insurance market. I would be happy to answer any questions you may have.

