Approved: 2-4-09
Date

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 a.m. on January 22, 2009, in Room 136-N of the Capitol.

All members were present.

Committee staff present:
Beverly Beam, Committee Assistant
Melissa Calderwood, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Bruce Kinzie, Office of the Revisor of Statutes

Conferees appearing before the committee:

John Federico, Lobbyist, Kansas Credit Union Association
Ron Hein, Mental Health Credentialing Coalition
Larry Magill , KAIA
Brad Smoot, Blue Cross & Blue Shield of Kansas and KC (Attachment 1)
Marlee Carpenter, Kansas Association of Health Plans (Attachment 2)
Rachelle Colombo, Sr. Director of Legislative Affairs, Chamber of Commerce (Attachment 3)
Amy Campbell, Kansas Mental Health Coalition (Attachment 4)
Michelle Sweeney, Association of Community Mental Health Centers of Kansas (Attachment 5)
Rick Cagan, Executive Director, National Alliance on Mental Illness (Attachment 6)
Ira Stamm, Phd. (Attachment 7)
Dan Murray, Kansas State Director, NFIB (Written only) (Attachment 8)

Others attending:
See attached list.

The Chair welcomed everyone to the meeting and called for bill introductions.

Bill introductions

John Federico, Kansas Credit Union Association, stated that during the 2008 legislative session, the KCUA engaged in negotiations seeking changes to the credit union statute. He said they were encouraged to sit down with the proponents of the bill in hope of finding compromise language. Late in the session, they did, he said, and eventually the bill was signed into law. He noted, however, that since that time, it was discovered that there were some ambiguities in the new law. He said the bill being introduced is a clean-up bill that seeks to remove those ambiguities and do nothing more than capture the intent of the agreement reached last year. He said the language in this bill draft was agreed upon after three or four meetings with KBA and after consultation with the Community Bankers, Heartland Community Bankers Association and the Credit Union Administration. We seek introduction as a committee bill, he said.

Senator Masterson moved introduction of the bill. Senator Kelsey seconded. Motion passed.

Ron Hein, representing Kansas Mental Health Credentialing Coalition, said he was only requesting introduction of Sub HB 2601. He noted that currently, the law requires reimbursement of two of the mental health providers licensed by the regulatory board which are social workers and psychologists. Mr. Hein said this bill would add the other three master's level providers who are licensed by the BSLC which diagnose and treat mental disorders and would make it so insurance companies could not discriminate against them with regard to reimbursement of such mental health services.

Senator Steineger moved introduction of the bill. Senator Masterson seconded. Motion passed

Larry Magill, KAIA, requested legislation that would close the records maintained by the Division of Workers's Compensation. Mr. Magill said it was discovered last session that this was not closed currently and the division has had some people request the entire data base of all Kansas businesses, which we don't think was the intent of the Kansas Legislature. Our amendment would simply close the records except for the purpose it was intended which is to identify individual employer coverage and for administration of the act by the Division of Worker's Compensation.

Senator Brownlee moved introduction of the bill. Senator Barnett seconded. Motion passed.

COMMENTS ON HEALTH INSURANCE MANDATES

Brad Smoot, representing Blue Cross and Blue Shield of Kansas and Blue Cross and Blue Shield of Kansas City, commented that Kansas statutes regarding health insurance framework provide an orderly and studious methodology for considering the endless list of mandates proposed each year. The required cost/benefit analysis; test tracking of any proposed mandate on the state employees' health care plan and the five-year review of existing mandates reflect the Legislature's respect for the premium payers, and those employers, employees and families who must pay for the cost of health insurance. Mr. Smoot discussed three questions: First, What is Health Insurance? Second, Where to Draw the Line? Third, Who is affected by state mandates? Mr. Smoot said BCBS understands the needs and desires of those who advocate for state mandates. He said BCBS employees have the same ailments and healthcare cost issues that other Kansans have but, BCBS also understands that the biggest problem in health insurance is the rising cost of coverage for many. He said BCBS is appreciative that the Kansas Legislature is willing to be careful about adding additional burdens to premium payers across the state. (Attachment 1)

Marlee Carpenter, Executive Director, Kansas Association of Health Plans, commented that health insurance mandates were enacted to force health insurance companies to cover a service or type of provider that companies have refused to cover. She said many of the health insurance mandates that have been offered over the last few years are services currently covered by health plans in Kansas. Ms. Carpenter said there is much debate around the cost of health insurance mandates. She said while actuaries, insurers, and health economists agree that virtually all mandates increase the cost of health insurance, the magnitude of their effects has been subject to debate. She noted that every health insurance mandate is brought to the legislature with good intention, but as additional mandates have been enacted, health insurance companies have become limited in the types of lower cost plans they can offer. She said mandates place additional requirements upon health insurance companies in Kansas and limit their ability to offer new, innovative and lower cost health insurance products. In conclusion, she said Kansas Association of Health Plans requests that as the committee looks at newly proposed health insurance mandates, it consider the impact they will have on the health and insurance market and ability to offer cost effective insurance products to Kansas citizens. (Attachment 2)

Rachelle Colombo, Senior Director of Legislative Affairs, Kansas Chamber of Commerce, commented that the Chamber represents small, medium and large employers all across Kansas. She said managing health care costs remains one of the top three issues affecting profitability as identified by Kansas CEOs surveyed in the Chamber's annual CEO poll. She said the Kansas Chamber supports meaningful health care reform aimed at lowering the overall cost of health care so it is more affordable for employers. She continued that because of the increased cost they often induce, the Chamber generally opposes health care mandates and supports efforts to reduce the number of cost-increasing mandates insurers are required to provide in policies. She said before employers are burdened with increasing premium costs fattened by mandates and forced to shoulder the cost of an even greater health care bill, we should study the financial and physical impact of new mandates on the market and the health of individuals. She said the Kansas Chamber and its members believe that before higher premiums on employers are imposed, additional mandates should meet the financial impact requirements paid out in statute so their cost can be accurately determined. (Attachment 3)

Amy Campbell, Kansas Mental Health Coalition, commented that in 1977, the Kansas Legislature recognized the importance of treating mental illness and required health insurance policies to provide such treatment under a specifically prescribed formula. She said stigma against people with mental health issues was prevalent at the time, and without the action of the Legislature, coverage for treatment was nonexistent. She said coverage for nervous and mental conditions includes very specific coverage specifications for the treatment of mental conditions not covered by the 2001 Kansas Mental Health Parity Act. She said this statute includes annual and lifetime limits that are much more restrictive than those applied to other health conditions, but were considered progressive at the time. She noted that in 2001, the legislature amended the statutes to pass the Kansas mental health parity act, which attempts to provide equal coverage for diagnosis and treatment of certain mental illnesses. She said equal coverage requires the same deductibles, coinsurance and other limitations as apply to other covered services. She said the goal of parity is to provide coverage that is no more and no less than coverage provided for other medical treatment. She said passage of the 2001

legislation fell just short of this goal. She said covering mental health treatment is crucial to maintaining employment and independence and empowering families to care for their children with mental health needs. She noted that in 2005, Governor Sebelius asked the Governor's Mental Health Services Planning Council to create a group to study the implementation of the mental health parity statutes. In 2008, Congress passed a new Federal Parity Act which makes changes to the way that mental health coverage is regulated for corporations providing insurance under federal regulations. Finally, she said the Kansas Mental Health Coalition supports retaining Kansas statutes that require coverage for mental health treatment. (Attachment 4)

Michelle Sweeney, Policy Analyst, Association of Community Mental Health Centers of Kansas, commented that one in four adults experience a mental health disorder in a given year. She said group health insurance companies who offer coverage in the state must offer a minimum package of mental health services and care, both inpatient and outpatient, to policyholders. She said coverage directed under K.S.A. 40-2,103, 40-2,105 and 40-19C09, is not truly comparable with the physical health coverage provided by insurers. She said there are limits on the number of outpatient treatments and inpatient days available to insured members. She said there are also lifetime dollar limits on coverage and higher co-payments than physical coverage. She said when employees are provided treatment for mental and physical illness, the total cost of health care may be decreased for the employer. Finally, she noted that the State Employees Benefit Plan for 2008 increased coverage for mental health treatment, both inpatient and outpatient and, decreased co-payments. She said this expansion is beyond the mandate in the statute and provides state employees with better coverage and more access to mental health care treatment. She said this shows a realization that coverage for mental health treatment is as important as physical health treatment, and that the cost to provide such coverage has proven to be minimal. (Attachment 5)

Ira Stamm, Phd, commented that his main purpose for being there is to share information about how important mental health treatment is to our health care system. He said in 2006, he served as co-chair person of the Mental Health Services Planning Council. He said when the Kansas legislature passed mental health parity legislation in 2001, it requested that the Kansas Insurance Department do a follow-up study of the impact of mental health parity on the costs of health care in Kansas. Reviewing health care claims provided by providers from 1999 to 2002, the KID found that the costs of health care as reflected in these claims, rose less than 1% per year for preferred provider organizations and less than three-fourths of a percent a year for health maintenance organizations. Dr. Stamm said a different study published in 1999 in the Journal of the American Psychological Association reviewed the outcomes of 91 cost-offset studies between 1967 and 1997. This study of cost-offset concluded that when mental health services are available, average savings resulting from implementing psychological interventions was estimated to be about 20%. He said one study that was reviewed indicated that when patients visit a doctor with a physical complaint, 50-80% of the time the doctor can find no physical cause. He said another study showed that 20-40% of patients who report fatigue in primary care medicine suffer from depression. In summary, Dr. Stamm said the scientific data and weight of the evidence support the importance of mental health and other mandates as good public health policy. (Attachment 6)

Rick Cagan, National Alliance on Mental Illness, said millions of Americans are affected by mental illness, yet remain untreated or under-treated for their conditions. He said half of all lifetime cases of mental illness begin by age 14, three-quarters by age 24. He said despite effective treatments, there are long delays, sometimes decades, between first onset of symptoms and when people seek and receive treatment. He noted that individuals with serious mental illness face an increased risk of having chronic medical conditions. He said adults with serious mental illness die 25 years younger than other Americans, largely due to treatable medical conditions. (Attachment 7)

Dan Murray, Kansas State Director, National Alliance on Mental Illness (Written Only) (Attachment 8)

The next meeting is scheduled for 9:30 a.m., January 27, 2009.

The meeting was adjourned at 10:30 a.m.