KBA
Kansas Bankers Association

Date: January 31, 2013

To: Senate Financial Institutions & Insurance Committee
Senator Rob Olson, Chairman

From: Doug Wareham, Senior Vice President-Government Relations

Re: Support for Senate Bill 51 (Health Insurance)

Mr. Chairman and members of the committee, I am Doug Wareham appearing on behalf of the Kansas Bankers Association (KBA). Our organization's membership includes 99% (286 of 289) of the commercially chartered banks in Kansas. This legislation has been requested by the Board of Directors of our organization for the benefit of our member banks and their employees.

Since 1948, KBA has offered a statewide health insurance program for its member banks. The program currently covers over 6,300 bank employee lives throughout the state and over 15,000 lives in total. Annual premiums for our group plan are currently in excess of $61 million, and the plan is financially sound with over $9 million in our combined group contingency/escrow reserve. The plan, which is fully-funded by the premiums paid by participating Kansas banks, is the largest fully-insured group with Blue Cross/Blue Shield (BCBS) of Kansas. BCBS is paid a retention fee for providing administration services for our group plan.

By banding together, the 250+ Kansas banks that belong to our group health plan have been able to pool our risk and benefit from a very efficient program. Because the sole purpose of our association is to serve the needs of our member banks, KBA's administrative fee for coordinating the group plan is nominal at one-quarter (0.25) of 1% of annual premium. Additionally, our plan has consistently maintained a retention rate of 9%, meaning 91% of premium dollars paid goes toward the payment of claims. The retention rate for the average health care plan is closer to 15%. Our plan is time-tested and we are committed to working collectively with our participating banks to continue that tradition.

In the wake of the federal government's adoption of the Affordable Health Care Act, we believe it would be prudent to have the alternative of becoming self-funded if we deem it necessary. The Affordable Health Care Act has placed new burdens and requirements for association-sponsored group health plans, creating uncertainty regarding our participating banks with fewer than 50 employees. With over 80% of our participating banks having fewer than 50 employees, our top priority is ensuring their continued eligibility in our group plan.

Senate Financial Institutions & Ins.
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Senate Bill 51 will specifically authorize our organization to establish a self-insurance program. Granting this authority is not unprecedented as noted by the additional association-sponsored plans that were granted the same authority in K.S.A. 40-2222. We firmly believe the successful track record (64 years) of our group plan warrants this request and we would respectfully ask this committee to act favorably on Senate Bill 51.

At this time, I would like to introduce Mr. Herb Iams, President of KBA Insurance Inc., a wholly-owned subsidiary of the KBA. Mr. Iams has directed our insurance programs for the past three decades and he will provide some additional information regarding our self-funding authority request. Mr. Iams' comments are reflected in the bullet points included within the testimony submitted by our organization.

KBA Group Health Plan – Self-Funding Option
Herb Iams, KBA Insurance, Inc.

- Do other states allow self-funded group plans? Self-funded group health plans are commonplace in the state banking association realm. Successful self-funded plans are currently being administered by the Nebraska Bankers Association, Iowa Bankers Association and Missouri Bankers Association.

- What is the difference between a self-funded and a fully-insured plan? A self-funded plan is different from a fully-insured plan in that instead of paying premium to an insurance company, the plan is responsible itself for paying the stop loss insurance premiums, fees for administrative services and medical claims for plan participants. In the case of the KBA plan, it would be funded by participating employers (banks) making monthly contributions to a Trust based on actuarial projections. Becoming self-funded would also allow us to maintain a specific stop loss policy that would limit our exposure to any one claim at a manageable level.

- If Senate Bill 51 becomes law and KBA's group plan becomes self-funded, who would provide regulatory oversight for the program? The United States Department of Labor.

- What would occur if claims exceeded premiums for a KBA self-funded health plan? The Plan will have contracts with each participating bank that allows for additional premium charges if the plan has a potential shortfall.