

BRAD SMOOT
ATTORNEY AT LAW

800 SW JACKSON, SUITE 808
Topeka, Kansas 66612
bradsmoot@smootlawoffice.com

(785) 233-0016 (Office)
(785) 224-1200 (Cell)
(785) 234-3789 (Fax)

STATEMENT OF BRAD SMOOT
LEGISLATIVE COUNSEL
BLUE CROSS AND BLUE SHIELD OF KANSAS, INC.
HOUSE INSURANCE COMMITTEE
REGARDING SENATE BILL 32
MARCH 6, 2019

Mr. Chairman and Members:

Blue Cross Blue Shield of Kansas (BCBSKS) is a locally operated mutual insurance company with more than 1,600 Kansas-based employees. We have offices in 11 different Kansas communities with corporate headquarters located in Topeka, serving approximately 930,000 of your fellow Kansans in 103 of the Kansas counties. The company's service area includes all Kansas counties except Johnson and Wyandotte.

SB 32 is unfair on its face. It exempts one entity from all the federal and state requirements that all others who offer health insurance in Kansas must follow. It creates an uneven playing field where one organization will have a unique product and a unique advantage. But this unfairness is not limited to its impact on the few companies willing to write health insurance in the individual market. The unfairness runs much deeper. SB 32 is unfair to your constituents whether they qualify for one of these "non-insurance" products or are left to pay the increased costs of remaining in a real "insurance" product.

The exemption created by SB 32 creates the following problems for insurers and your constituents:

*Current law requires insurers to offer policies to people with pre-existing conditions. Absent that legal requirement, the S32-exempt organization can "cherry pick" those healthy applicants and reject others. That, of course, leaves the other companies or associations who remain subject to "guaranteed issue" laws to accept the less healthy with the higher costs and premiums that go along with coverage of Kansans with pre-existing conditions. KFB seems to think that their 42,000 policyholders should not share in the risk and costs of insuring less healthy Kansans. They want to shift that burden to other Kansans. See Market pie chart.

*For those who do not have pre-existing conditions and are lucky enough to qualify for an SB 32-exempt policy, there is loss of federal and state protections. Provider mandates are important to health care consumers, providers and you, the Kansas Legislature. Attached, please find a listing of some of the providers that insurers must cover. KFB claims it "may" include many of these and other standard health insurance benefits. However, absent a legal obligation, what guarantee do lawmakers have that chiropractors, optometrists, psychologists or other providers will be covered under these new "noninsurance" policies? None.

***Benefit mandates are equally important to your constituents. Kansas lawmakers thought that immunizations, mental health parity, reconstructive breast surgery, drug and alcohol treatment, maternity stays, telemedicine and the other listed benefits were so essential that they must be part of any health policy issued to Kansans. Again, what guarantee do you have that an organization operating under SB 32 would cover all these benefits? None.**

***Kansas law also requires that insurers have adequate reserves to pay claims. As introduced, SB 32 removed that requirement for one organization. After questions were raised about this issue, KFB accepted an amendment by the Senate committee to require it to file a once-a-year statement of plan reserves. Certainly nothing like the requirements licensed insurers must provide and absolutely nothing granting authority for the Insurance Department to take any action if reserves are inadequate.**

***Kansas law requires that claims be paid to providers within 30 days and that provider claims may be submitted for payment up to 18 months after delivery of the service. An SB 32- exempt organization would not need to follow these rules.**

***When a Kansan is denied approval for a procedure based on medical necessity, he or she has the right to appeal that decision to the Insurance Department for an independent "external review." KFB claims it will follow existing ACA appeals process although that is not guaranteed in statute and it is unclear how the Kansas Insurance Department can perform those functions without legal authority. For your constituents with a policy issued under SB 32, that protection no longer exists.**

***Who approves the policy forms, prevents unfair discrimination or assures that rates are adequate? Who will consumers contact in a dispute with their SB 32 organization? It won't be the insurance department which would no longer have jurisdiction over any of these functions.**

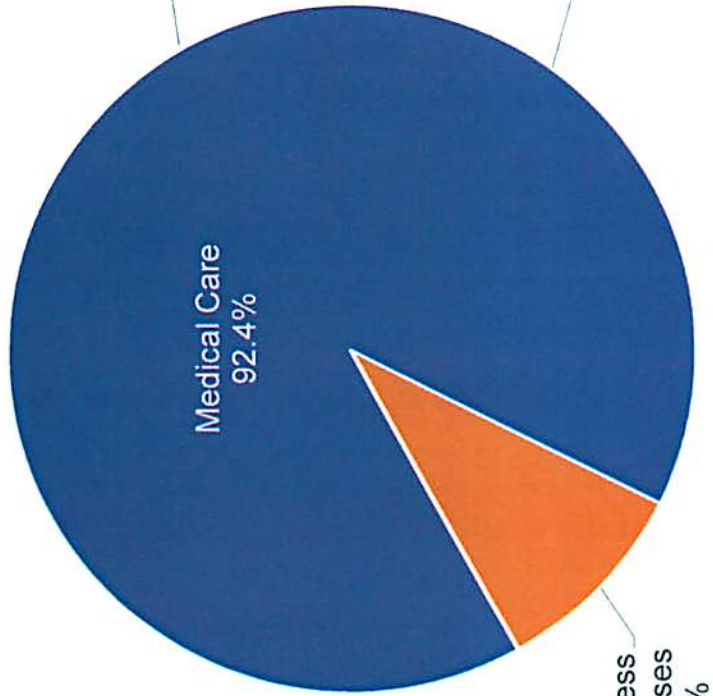
***Finally, is it any wonder that proponents want to be out from under state and federal law? Among other government costs, licensed insurance companies selling in the individual market will be paying a 2% to 3% federal health insurance tax in addition to other federal and state taxes. An SB 32 plan will not. Seem unfair to your constituents who must pay that tax as part of their premium? Of course, it is.**

It is easy to see why proponents of SB 32 would want to be exempt from all these requirements and the costs that go along with them. We can't blame Farm Bureau or health insurance consumers for wanting to reduce their premiums. BCBSKS knows full well that health insurance costs in the individual market are high and rising. Unfortunately, SB 32 doesn't magically make those costs disappear. It only shifts the health care costs of the less healthy to other insurers or organizations or removes the benefit, provider and oversight guarantees that the Legislature has enacted, and Kansans have come to expect. See Health Costs chart. Fairness in the marketplace is commerce at its best. Fairness to your constituents, whether eligible for SB 32 policies or not, is essential.

We would hope that Kansas Farm Bureau would take a tip from the Nebraska Farm Bureau and operate as an AHP to develop policies that protect the unhealthy and healthy alike. But until that happens, we must respectfully urge you to reject SB 32. Thank you.

How BCBSKS Spends Health Insurance Premiums

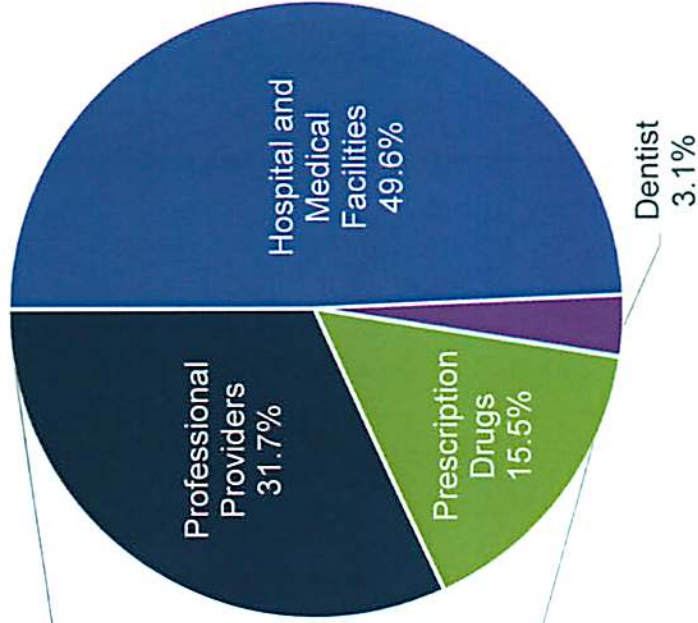
Premiums



Business expenses include:

- Customer service
- Claims administration
- Health & wellness programs
- Taxes & reserves

Paying for Medical Care





What is Health Insurance? Where do You Draw the Line?

Hospitalization Physician Visits Pharmacy Dental
Emergency Room Maternity Benefits Mental Health Vision

Cognitive Services Nutrition Training
Health Clubs Aroma Therapy

CURRENT STATE MANDATES

EXPANDED COVERAGE

Required Eligible Providers

- » Dentists
- » Chiropractors
- » Podiatrists
- » Psychologists
- » Social Workers
- » Pharmacists
- » Advanced Registered Nurse Practitioners
- » *Optometrists*
- » Midwives
- » Athletic Trainers
- » Physical Therapists
- » Marriage Therapists
- » Professional Counselors
- » ..and more

Benefit Mandates

- » Newborn & Adopted Children
- » Alcoholism
- » Drug Abuse
- » Nervous & Mental Conditions
- » Mammograms & Pap Smears
- » Immunizations
- » Maternity Stays
- » Prostate Screening
- » Diabetes Supplies & Education
- » Reconstructive Breast Surgery
- » Dental Care in a Medical Facility
- » Off-Label Use of Prescription Drugs
- » Osteoporosis Diagnosis, Treatment & Management
- » Mental Health Parity for Certain Brain Conditions
- » Contraceptives
- » Clinical Trials
- » Autism Treatment
- » Oral Chemotherapy
- » Orthodontics
- » Telemedicine

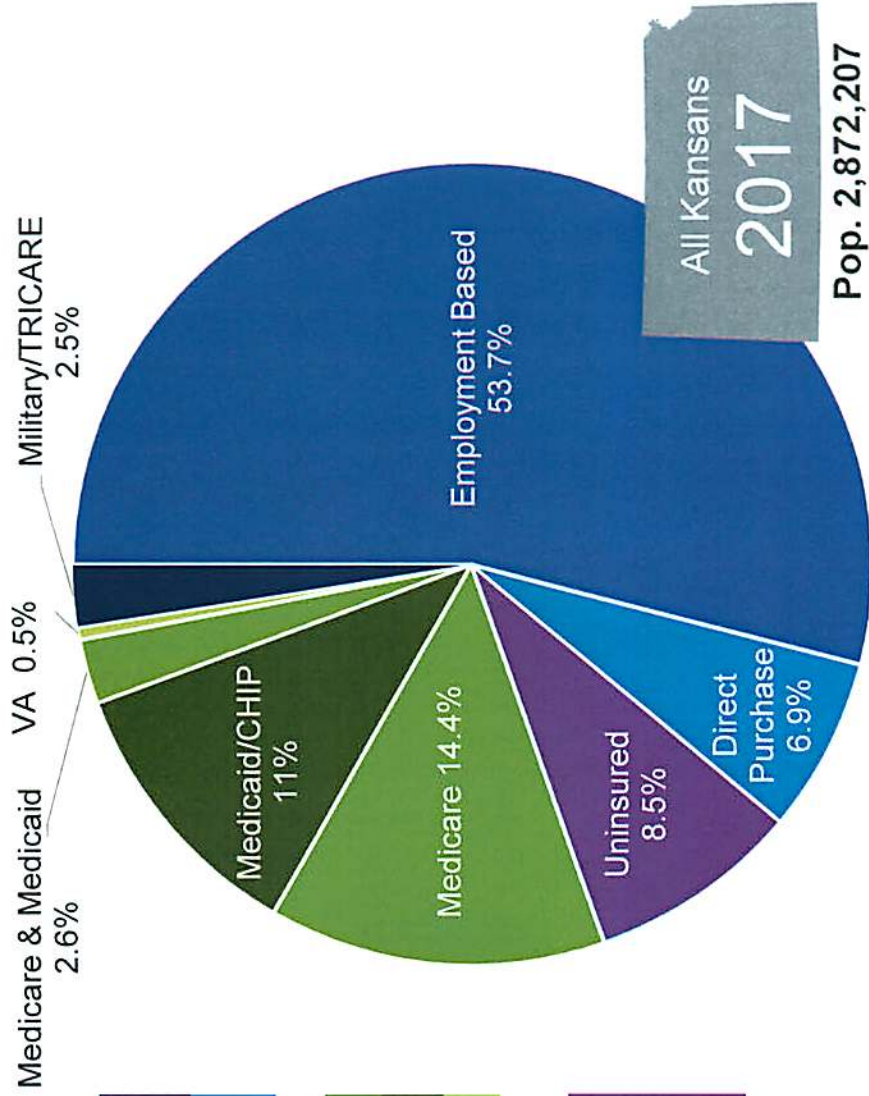
Pending Mandates

- » Colorectal Screening
- » PKU/Formula
- » Bariatric Surgery
- » Ambulance Transportation
- » Hearing Aids

Other Possible Mandates

- » Bone Mass Measurement
- » Hair Prosthesis
- » Morbid Obesity Surgery
- » Infertility
- » Second Opinions
- » TMJ Dysfunction
- » Acupuncture
- » Weight Loss Treatment
- » Massage Therapy
- » Hormone Replacement
- » Varicose Vein Removal
- » ...and more

Sources of Health Insurance



Private Coverage **63.1%**

Public Coverage **28.4%**

Uninsured **8.5%**