

**Kansas Health Policy Authority Written Testimony on Requested Topics  
Joint Committee on Health Policy Oversight December 13, 2007 Meeting**

**Kansas-Iowa Comparison on the Commonwealth Fund's State Scorecard  
on Health System Performance:**

The attached document "Results from the Commonwealth Fund's State Scorecard on Health System Performance—Kansas in comparison to Iowa" provides comparisons between the two states on 32 health system performance indicators.

**State Employee Health Plan Health Savings Accounts:**

**History:** The option of enrolling in a Health Savings Account (HSA) began on January 1, 2006. At that time, 64 state employees chose to utilize this option. A barrier to enrollment was the lack of employer contribution to the HSA, making it unaffordable for many. An employer contribution of \$900 for employee only coverage and \$1350 for employee and dependent(s) was added in plan year 2007 to encourage utilization of this plan option, resulting in increased enrollment to 174. For plan year 2008, the employer contribution of \$900 for employee only coverage and \$1350 for employee and dependent(s) will continue. The employee contribution allows for a maximum of \$2,000 for a total HSA of \$2900 (employer plus employee contribution). The employee and dependent(s) contribution is a maximum of \$4450 for a total of \$5800 (employer plus employee contribution). Enrollment during this period increased to 185 enrollees. The federal government sets the ceiling on total contributions to a HSA and it varies slightly from year to year. Employees are not required to contribute the maximum amount to their HSA. The range of contribution is a minimum of \$25 every pay period (24) up to a maximum of \$83.33 per pay period for single plans. For employee and dependent(s) plans, the range is \$25 up to \$185.42 per pay period.

**Next Steps:** While enrollment has increased annually since the inception of the program, it is not to the degree anticipated. The KHPA is taking several steps to determine the reasons behind lower than expected interest and what course of action is needed to build participation. Beginning this month, a survey of all currently enrolled employees will be conducted, as well as a random sample from employees not enrolled in the HSA. Going directly to the source serves as a first step in determining the utilization and desirability of this program. The next step is to develop solutions to any concerns that surface as part of the survey responses. These solutions may include providing additional financial incentives and plan flexibility to achieve greater participation. We look forward to working with legislators on their suggested improvements to the HSA plan.

**Reinsurance:**

Reinsurance is a policy mechanism that transfers risk from the primary insurer to a third party which can result in stabilization of premiums for the insured group.

Data gathered through the original State Planning Grant provided strong evidence that in order to achieve the goal of making access to health insurance available to all Kansans, policy solutions must both increase the willingness of businesses to offer health care coverage and expand the ability of the low wage

employee to afford the cost of coverage. Two-thirds of all uninsured Kansans (158,900) reside in families with household incomes at or below 200% of the Federal Poverty Level and of the 77,700 low-income working adults half are employed by small firms with the dependents of those workers comprising over half of all uninsured Kansas children.

As part of a 2000 Health Resources and Services Administration study, information about health insurance offerings was obtained through focus groups and personal interviews with small business owners. A much repeated concern among small employers participating in focus groups was the volatility of health insurance premium increases. It was seen as a disincentive to offer insurance because employers did not want to begin a benefit they were unable to continue.

This information and that gained through a subsequent Small Employer survey provided strong evidence that to achieve the maximum reduction in the number of uninsured Kansans a variety of the policy options must be employed, allowing capitalization on the additive effect the options have on one another. In 2004 Kansas undertook a feasibility study to examine the impact of integrating reinsurance into the cumulative small employer policy strategies with the goal of providing valuable premium price stability and creating an additional incentive for small employers to offer health insurance to their employees.

In 2004 the Kansas Department of Insurance was awarded a State Planning Grant Pilot Planning Limited Competition grant. The Kansas pilot project was designed to model the impact of four distinct reinsurance mechanisms on premium price stability and take-up among small employers in offering health insurance to their employees. The first mechanism tested was prospective reinsurance with defined corridors and the reinsurance premium paid by the ceding carrier. This tested the National Association of Insurance Commissioners Model. The second mechanism was prospective reinsurance with first dollar coverage, but with reinsurance premium paid by the ceding carrier. This was the original design for the Connecticut mechanism. The third mechanism was retrospective reinsurance for all paid claims applicable to a set of selected diagnosis codes. The fourth mechanism was retrospective reinsurance for all paid claims in excess of a specific attachment point on all small employer business. The goal of the pilot project was to test the cost/benefit implications of controllable claim fluctuations, pricing stability, and risk acceptance by carriers using alternative reinsurance mechanisms and risk or cost spreading methodologies. Results from that reinsurance modeling using Kansas specific health insurance data provided strong support for the inclusion of reinsurance as a policy approach to assist small employers in accessing affordable health insurance.

The Updated Sequential Reform Plan recommended by the KHPA board to provide and protect affordable health insurance for Kansans includes reinsurance

in the program design of the small business component. In that component a voluntary insurance clearinghouse is established for the new Very Small Group (VSG) which includes sole proprietors and employers with ten and fewer employees and subsidized reinsurance will be provided for this new VSG market.