

KHPA Board
Health Reform Bill Descriptions

Part I. KHPA Reforms (SB 541)

Section 1: Adding Commissioner of Education to KHPA Board. This section adds the Commissioner of Education to the KHPA Board as a non-voting ex officio member. The KHPA Board understands the importance of promoting healthy behaviors at an early age and the addition of the Commissioner of Education will provide a source of knowledge for the implementation of any school programs.

Section 2: Medical Home Definition. This section sets out a framework for defining a medical home in Kansas for state-funded health programs in order to increase care coordination, improve health outcomes, and decrease health care costs.

Section 3: Small Business Wellness Program. This section establishes within the Kansas Health Policy Authority a small business wellness grant program. The purpose of this section is to develop a community grant program that provides technical assistance and funds to assist small businesses in establishing wellness programs for their employees.

Section 4: Expansion of Premium Assistance. This section expands on the premium assistance program passed in SB 11 – slated to begin January 2009 – to include low income adults without children. Premium Assistance, called Kansas Healthy Choices, is a new health insurance program that provides private health insurance to very low income Kansas families. After full phase in of the premium assistance for low income families up to 100% of the Federal Poverty Level (in FY 2011), childless adults under 100% of poverty (about \$10,700 in 2007) will be eligible to participate (in FY 2012).

Section 5: Creating the Health Reform Fund. This section creates a “Health Reform Fund” within the State treasury. Revenues from a proposed increase in the state tobacco user fee will be deposited in the interest bearing fund and the funds will be utilized solely to pay for health reforms. (Also referenced in SB 542 Section 8)

Part II. Insurance Reforms (Bill Number 540)

Section 1: Establishing Very Small Employer. This section defines and creates a group for very small employers. Very small employers are defined as employers who employ at most 10 employees and includes sole proprietors.

Section 2: Creating Young Adult Policies. This section defines and creates a separate group for young adults for the purposes of health insurance. A young

adult is defined as an individual who has attained the age of 18 through the age of 25 (under the age of 26). Creating a specific group in insurance law for young adults will lead to creation of more affordable insurance products with benefit packages tailored to the needs of young adults and will expand health insurance access among the 20% of young adults who are uninsured.

Sections 3, 4, & 5: Increasing Age of Dependents on Parent's Health Insurance. These sections amend current insurance law by permitting that parents can keep their children on their insurance plan until the children reach the age of 26, as long as the children are dependents. Allowing individuals who are under the age of 26 to remain on their parent's health insurance policy will reduce the 20% of young adults who are uninsured.

Sections 6, 7, 8, & 9: Creating the Kansas Small Business Health Policy Committee. These sections reorganize the Kansas Business Health Partnership Act (BHP) by (1) establishing the Kansas Small Business Health Policy Committee and (2) removing the subsidy function of the BHP (which was not operational). The purpose of this new committee is to establish a voluntary health insurance clearinghouse for small businesses to assist with the acquiring of insurance for their employees and accessing cafeteria plans (Section 125 plans) and also analyze the use of reinsurance. The committee will report to the KHPA Board and provide annual reports to the Board and Commissioner of Insurance.

Sections 10 & 11: Transfer Cafeteria Plan Promotion Program from Commerce to KHPA. Sections 10 and 11, moves from the Department of Commerce to the Kansas Health Policy Authority the section 125 cafeteria plan promotion that was established as part of SB 11. The newly created Kansas Small Business Health Policy Committee will direct the cafeteria plan promotion with the goal of encouraging and expanding the use of cafeteria plans.

Part III. Tobacco Fee Assessment (*Bill Number 542*)

Section 1: Fee Increase on Cigarettes. This section increases the tax on a package of cigarette by \$.50 to \$1.29, beginning on July 1, 2008. It includes an increase of the tax on cigarettes by 4 cents annually (to adjust for inflation) for the following five years, to a total increased tax of \$1.49 in 2013. Increasing the fee on cigarettes will help to reduce the number of adults and teens who smoke, thereby improving health and reducing health care costs. In Kansas, tobacco related deaths and illness are associated with \$930 million health care costs annually.

Section 2, 3, and 4: Preventing Stockpiling of Cigarettes and Offsetting Cost to Wholesalers. These sections require all wholesale dealers, retail dealers and vending machine operators to file a report detailing all cigarettes, cigarette stamps and meter imprints on hand at 12:01 a.m. on July 1, 2008 and increases the tax imposed on such items from \$.575 to \$.625. The provisions of this section will

apply to each July 1st prior to subsequent increases in the cigarette tax in order to prevent stockpiling of cigarettes that have been marked with the previous tax stamp. In addition, it provides for discounted tax stamps for wholesale dealers in order to offset the cost of requiring the application of new tax stamps each year the tax is increased, and permits wholesale dealers to sell back any unused tax stamps to the state for a period of 6 months after time of purchase.

Section 5: Fee Increase on Smokeless Tobacco products. This section raises the tax on the distribution of tobacco products from a rate of 10% of the wholesale sales price to 57%.

Section 6: Preventing Stockpiling of Smokeless Tobacco. This section requires all distributors to report the tobacco products on hand as of July 1, 2008 and imposes a 47% tax on those products. This section is intended to prevent the stockpiling of tobacco products to be sold under the lower previous tax.

Section 7: Accounting for all Tobacco Products Within the State. This section every distributor with a place of business in Kansas file a return to the director of taxation on or before every 20th day of each calendar month detailing the quantity and wholesale sales price of each tobacco product brought, made, and sold in this state during the prior month.

Section 8: Creating the Health Reform Fund. This section creates the new Health Reform fund within the state treasury with the Kansas Health Policy Authority or its designee approving vouchers from the fund. The section also requires certain transfers to be made out of the State General Fund to the Health Reform Fund with \$61.57 million in 2009, \$68.62 million in 2010, \$68.24 million in 2011, \$67.8 million in 2013, and \$66.95 million in 2014. With the revenue generated from the cigarette and smokeless tobacco tax going directly into the State General Fund this section requires only the amount needed for health reform is actually placed within the Health Reform fund. Therefore, if the tobacco tax takes in more than expected the State General Fund will reap the benefits and not the Health Reform Fund. (Also referenced in SB 541 Section 5)

Part IV. Smoking Ban: *Pending KHPA Board discussion on 2-19-08*

Part V. Appropriations Requests

- 1. Increase Medicaid Provider Reimbursement for Use of Medical Home.**
- 2. Wellness Grant Program for Small Businesses.** Legislative request of \$100,000 new appropriation.
- 3. Dental Coverage for Pregnant Medicaid Beneficiaries.** Legislative request of \$543,833 of SGF.

4. **Provide Tobacco Cessation Support for Medicaid Beneficiaries.** Legislative Request of \$200,000 of SGF.
5. **Access to Care for Kansas Children and Young Adults.** Legislative request of \$1,008,647 of SGF.
6. **Physical Fitness & School Health Programs.** Legislative request of \$550,728.
7. **Improve Access to Cancer Screening.** Legislative request of \$6,666,939.

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