

## KPERS—bills enacted

### **Insurance Policy-Military Service Provisions**

**Sub. for SB 103** enacts new law relating to property and casualty insurance and health insurance policies issued to Kansas residents deployed in the military service. Specifically, the bill provides that a Kansas resident activated for military service, and the spouse or dependents of the resident, who become eligible for a federal government health insurance program as a result of activation for military service, not be denied reinstatement into the same individual coverage with the same health plan that the resident had lapsed as a result of activation or coverage by the federal program. The reinstatement provisions also include:

- Right to reinstatement in the same individual coverage without medical underwriting and in the same rating tier held prior to activation or coverage by the federal program, subject to payment of the current premium charged to other persons of the same age and gender under the same individual coverage;
- Reinstatement must be, except in the cases of birth or adoption that occur during the period of activation, into the same membership type, or a membership type covering fewer persons, the resident had prior to the lapse of individual coverage. Reinstatement must be at the same or higher deductible level;
- Reinstatement rights are not available to the insured or dependents if the activated person is discharged from the military for other than honorable conditions;
- Reinstatement request for coverage under the individual's health plan must be received no later than 30 days following the later of deactivation or loss of coverage under the federal program. The effective date of individual coverage would be the first of the month following receipt of the request;
- A health plan would not be required to reinstate a resident if the health plan requires residency in an enrollment area and those residency requirements are not met after deactivation or loss of coverage under the federal program; and
- All terms, conditions and limitations of the individual coverage into which reinstatement is made would apply equally to all insureds enrolled in such coverage.

The bill also requires health plans provide written notice to the policyholders of the reinstatement provisions of this act. Written notices not included in the individual policy would be required to include either a single written notice to a policyholder initially enrolling into the individual coverage after the effective date of this act, as part of the enrollment process; or the mailing of a written notice to policyholders whose coverage was effective prior to the effective date of this act. The bill limits the reinstatement provisions of this act, by providing that the provisions not apply to any policy or certificate providing coverage for any specified disease, accident or accident33 only coverage, credit, dental, disability income, hospital indemnity, long-term care, Medicare supplement, vision care, short-term nonrenewable health policies, or other limited-benefit supplemental insurance, as well as any coverage issued as a supplement to liability insurance, including workers compensation. The bill also provides that no personal line of insurance issued to a Kansas resident on active military deployment beyond the borders of the United States or the spouse or any dependent of Kansas residents in the active military, subject to cancellation, non-renewal, premium increase or adverse tier placement for the term of the resident's deployment based solely on the resident's military deployment. Personal line of insurance, as defined in the bill, includes passenger automobile, motorcycle, mobile homeowners, homeowners, renters and non-

commercial dwelling fire insurance policies, and boat, personal watercraft, snowmobile and recreational vehicle policies. The Commissioner of Insurance is authorized to adopt rules and regulations as may be necessary to carry out the provisions of this act.

### **Health Savings Accounts**

**Sub. for SB 257** amends four statutes that are a part of an act under which refundable tax credits may be claimed by certain small employers who contribute to health benefit plans made available to eligible employees. In general, the amendments change the schedule of tax credits and add health savings accounts to the employer contributions that qualify for a tax credit. The bill applies to small employers (those employing at least two and not more than 50 eligible employees, a majority of whom are employed in Kansas) who have not contributed to a covered employee's health insurance premium or health savings account in the previous two years. A definition of health savings account is added to the act by the bill. Under existing law, a qualifying small employer may claim a refundable credit against Kansas income taxes for amounts paid during the taxable year on behalf of an eligible employee to provide health insurance or care as noted below:

- For the first two years:
  - \$35 per eligible covered employee or 50 percent of the total amount paid by the employer during the taxable year, whichever is less
- For the third year:
  - 75 percent of the lesser of \$35 per month per employee or 50 percent of the total paid by the employer.
- For the fourth year:
  - 50 percent of the lesser of \$35 per month per covered employee or 50 percent of the total paid by the employer.
- For the fifth year:
  - 25 percent of the lesser of \$35 per month per covered employee or 50 percent of the total paid by the employer.

No further tax credits are allowed for the sixth and subsequent years. The provisions of existing law described above apply to employers that established a small employer health benefit plan after December 1, 1999 and prior to January 1, 2005. Under the new provisions added to the act by the bill, for employers who have established a small employer health benefit plan or made contributions to a health savings account of an eligible covered employee after December 31, 2004, the refundable tax credit that may be claimed as noted below:

- For the first 12 months:
  - \$70 per month per eligible covered employee.
- For the next 12 months:
  - \$50 per month per eligible covered employee.
- For the next 12 months:
  - \$35 per month per eligible covered employee.

After 36 months of participation, no tax credit is allowed. Under prior law, there is a statutorily prescribed procedure involving notification to the Insurance Commissioner and certification by the Commissioner necessary to claim a tax credit. The bill deletes this procedure from the act and replaces it with a directive to the Secretary of Revenue to promulgate rules and regulations for claiming the tax credit.

	State General Fund	Increase over Prior Year		All Funds	Increase over Prior Year	
		\$	%		\$	%
FY 2004	\$ 4,316,451	\$ 178,953	4.3	\$ 10,197,259	\$ 115,221	1.1
FY 2005	4,707,937	391,486	9.1	10,846,476	649,217	6.4
FY 2006	4,879,000	171,063	3.6	11,279,472	432,996	4.0

Major items reflected in the approved FY 2006 budget include the following:

- \$125.2 million from the State General Fund is included to fund the provisions of HB 2247 (school finance). Of the total, \$101.1 million is for general state aid, \$6.4 million is for supplemental general state aid, and \$17.7 million is for special education.
- \$3.2 million from the State General Fund is included in the budget of the Board of Regents to offset lost out district tuition for community colleges and Washburn University.
- The Legislature made several modifications to the Governor's recommended salary and wage adjustments. The currently approved budget includes authorization for a 1.25 percent base salary increase (to be funded from existing agency resources) for all state employees at the beginning of FY 2006 and another 1.25 percent (fully funded), for a total 2.5 percent increase beginning December 4, 2005. The Governor had recommended a 2.5 percent increase for the full year. In addition, the Legislature deleted funding recommended by the Governor for the 27<sup>th</sup> payroll period for consideration at Omnibus. Finally, the Legislature provided for a 0.2 percent Kansas Public Employees Retirement System (KPERs) death and disability increase (to 0.8 percent of salaries) instead of the 0.4 percent increase (to 1.0 percent of salaries) included in the Governor's recommendation. In total, these adjustments reduce State General Fund expenditures for these items by \$50.8 million in FY 2006.

### **KPERs—pending before the Governor**

None applicable.