

INTERIM JOINT COMMITTEE ON BANKING AND INSURANCE

Minutes of the First Meeting of the 2025 Interim

September 16, 2025

Call to Order and Roll Call

The first meeting of the Interim Joint Committee on Banking and Insurance was held on September 16, 2025, at 9:30 AM in Room 149 of the Capitol Annex. Representative Michael Meredith, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jared Carpenter, Co-Chair; Representative Michael Meredith, Co-Chair; Senators Julie Raque Adams, Donald Douglas, Greg Elkins, Rick Girdler, Jason Howell, Steve Rawlings, and Brandon Smith; and Representatives Chad Aull, Jared Bauman, Adrielle Camuel, Mike Clines, Robert Duvall, Jim Gooch Jr., Deanna Gordon, Tony Hampton, Erika Hancock, Samara Heavrin, Shawn McPherson, Michael Sarge Pollock, Steven Rudy, and Tom Smith.

Guests: Timothy A. Schenk, General Counsel, Kentucky Bankers Association (KBA); John Cooper, Governmental Affairs Consultant, Capital Link Consultants; Sharon P. Clark, Commissioner, Department of Insurance (DOI); Shaun Orme, Executive Advisor, DOI; Traci Hughes, Vice President and Principal, Lewis & Ellis, LLC; Representative Kimberly Poore Moser; Dr. Leslie Aslam, Director of Behavioral Health, Sterling Health Care; Rebecca Redd, Licensed Clinical Social Worker, Sterling Health Care; Representative Ken Fleming; Dr. Andrea Krause, MD, FAAP, Professor of Pediatrics, University of Louisville School of Medicine; Jennifer Hughes, Constituent; and Dr. Shelley Moats, Pediatric Audiologist.

LRC Staff: Jessica Sharpe, Breanna Patterson, Anita Zipfel, and Sasche Allen.

Kentucky Banking Industry Update

Timothy A. Schenk, General Counsel, KBA, and John Cooper, Governmental Affairs Consultant, Capital Link Consultants, outlined the KBA's priorities for the 2026 legislative session. Mr. Schenk explained the KBA's proposal to address the housing crisis in Kentucky in a way that also helps banks meet regulatory requirements under the Community Reinvestment Act. The KBA also supports legislative proposals relating to new markets tax credits and historic tax credits.

Mr. Schenk and Mr. Cooper discussed the purchase of state-chartered banks by credit unions, including the impact these purchases have on local tax revenue and legislative initiatives in other states to prohibit the purchases. The KBA does not support allowing credit unions that do not pay deposit taxes to accept public deposits.

In response to Senator Douglas, Mr. Cooper explained the state has historically faced an inadequate supply of housing, but recent economic conditions have intensified the shortage. He said the General Assembly may consider making critical infrastructure updates across the state but those updates are expensive and have a slow rate of return on investment. Mr. Schenk concurred that stringent local regulations are a barrier in housing development and offered specific examples. Mr. Cooper stated utility easements are particularly problematic.

In response to Senator Rawlings, Mr. Cooper commented that allowing credit unions to acquire banks without being subject to the same taxes puts credit unions at a competitive advantage.

In response to Senator Elkins, Mr. Cooper explained that when banks were transitioned to the corporate income tax, the deposit tax at the local level was maintained.

Chair Meredith explained that banks were transitioned from paying a tax based upon their respective deposits to the state income tax after analysis showed the tax rate for Kentucky banks was much higher compared to other states. At the time of the transition, banks committed to maintaining the local franchise deposit tax.

How to Read and Understand KRS 6.948 Health Mandate and Federal Cost Defrayal Impact Statements

Sharon P. Clark, Commissioner, DOI; Shaun Orme, Executive Advisor, DOI; and Traci Hughes, Vice President and Principal at Lewis & Ellis, LLC, explained the requirements of KRS 6.948 relating to health mandate and federal cost defrayal impact statements and how to read the fiscal impact statements. Commissioner Clark provided a brief history on the origin of health mandate statements in Kentucky. The health mandate statement evaluates a mandated health benefit's impact on the administrative expenses of insurers, premiums in the applicable health benefit plan markets, and the total cost of health care for plan insureds, including any potential cost savings.

Commissioner Clark provided an overview of federal requirements for states to defray the cost of certain health insurance mandates and noted that 2024 RS HB 186 prohibited any mandate that triggered cost defrayment from being implemented.

Ms. Hughes provided an overview of the format and content of health mandate impact statements and federal cost defrayal impact statements, including the methods used in calculating the respective fiscal impacts. Commissioner Clark described the department's role in preparing the fiscal impact statements as legislation moves through the legislative process.

In response to Representative Aull, Commissioner Clark stated the department pays for preparation of the health mandate and federal cost defrayal impact statements and the department will ask for an additional appropriation if needed. Commissioner Clark noted there are approximately 330,000 individuals insured in the commercial market regulated by the department, limiting the impact of health mandate legislation.

In response to Chair Meredith, Commissioner Clark confirmed that the DOI compensates contracted actuaries on an hourly-basis to complete analyses.

Proposed Amendments to Kentucky's Essential Health Benefit-Benchmark Plan

Commissioner Clark discussed the department's proposed amendments to Kentucky's essential health benefit-benchmark plan following the passage of several health mandates and being denied waivers by the Centers for Medicare and Medicaid. Mr. Orme outlined the proposed amendments which include eliminating visit limits for all speech therapy, expanding coverage for cancer screenings, adding coverage for biomarker testing, and adding coverage for fertility preservation when medical treatment may cause infertility. The department initially considered adding coverage for adult dental services but ultimately removed this coverage from the request due to costs.

Mr. Orme discussed the timeline for filing proposed amendments, the stakeholder and public comment process, and the anticipated federal approval and implementation timeline. Commissioner Clark and Ms. Hughes described the actuarial requirements and analysis used to determine compliance with federal requirements for the essential health benefit-benchmark plan.

In response to Chair Meredith, Commissioner Clark explained that if health insurance mandates are passed in excess of the ceiling amount of benefits permitted under federal law, then other benefits would need to be eliminated.

In response to Representative McPherson, Commissioner Clark stated the department could not request the inclusion of feeding and eating disorders in the benchmark plan because legislation was not passed during the last legislative session.

In response to Representative Duvall, Commissioner Clark stated she has never seen a health mandate result in decreased premiums. Ms. Hughes stated potential cost savings are considered but there are challenges in finding supporting data. However, there was one health mandate impact statement this past legislative session that noted a study regarding cost savings.

Proposed Health Insurance Legislation for the 2026 Session

A. Reimbursement for Covered Benefits Delivered Through the Psychiatric Collaborative Care Model

Representative Moser discussed a legislative proposal to require health plans to reimburse services provided through the Psychiatric Collaborative Care Model, an evidence-based team approach that integrates primary care providers, behavioral-health specialists, and consulting psychiatrists. Dr. Leslie Aslam, Director of Behavioral Health, Sterling Health Care, discussed how the model can improve mental healthcare treatment and provider burnout.

In response to Representative Smith, Representative Moser concurred that there are missed opportunities to prevent mental health issues in youth and noted the influence of social media on mental health. School based health centers may be an area that can be expanded. A comprehensive approach is required.

Senator Elkins commented on the importance of streamlining services and thanked the speakers for presenting the proposal.

B. Coverage of Eating or Feeding Disorders

Representative Fleming and Dr. Andrea Krause, MD, FAAP, Professor of Pediatrics, University of Louisville School of Medicine, discussed a legislative proposal to require health plans to cover the diagnosis and treatment of eating or feeding disorders and prohibit the use of body mass index (BMI) to limit coverage. Dr. Krause provided information regarding the prevalence of eating or feeding disorders and the limitations of using body mass index (BMI) in treatment. Representative Fleming discussed the impact of the current and proposed benchmark plan on the legislation.

C. Coverage of Hearing Loss

Representative Heavrin; Jennifer Hughes, a constituent; and Dr. Shelley Moats, Pediatric Audiologist, discussed a legislative proposal that would establish minimum coverage requirements for hearing aids. Ms. Hughes gave her personal account of having a child with hearing loss and described challenges with hearing

aid insurance coverage. Dr. Moats discussed data related to pediatric hearing loss, the challenges with insurance coverage, and the fiscal impact of the proposal. Representative Heavrin commented that she would continue to work with stakeholders on the proposal.

Adjournment

There being no further business before the committee, the meeting adjourned at 11:07 AM.