

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0994-01  
Bill No.: HB 284  
Subject: Health Care; Insurance - Medical; Hospitals  
Type: Original  
Date: February 6, 2015

Bill Summary: This proposal requires a health carrier to provide access to its standard fee schedules, prohibits a carrier from refusing to contract with any willing provider, and changes the requirements for provider referrals.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Unknown greater than \$1,751,000)	(Unknown greater than \$3,587,032)	(Unknown greater than \$3,587,032)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Unknown greater than \$1,751,000)</b>	<b>(Unknown greater than \$3,587,032)</b>	<b>(Unknown greater than \$3,587,032)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Road Fund	(Unknown)	(Unknown)	(Unknown)
Insurance Dedicated	Up to \$15,000	\$0	\$0
Other State Funds	(Unknown greater than \$399,000)	(Unknown greater than \$798,000)	(Unknown greater than \$798,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown greater than \$384,000)</b>	<b>(Unknown greater than \$798,000)</b>	<b>(Unknown greater than \$798,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
Federal Funds	(Unknown greater than \$725,000)	(Unknown greater than \$1,614,968)	(Unknown greater than \$1,614,968)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(Unknown greater than \$725,000)</b>	<b>(Unknown greater than \$1,614,968)</b>	<b>(Unknown greater than \$1,614,968)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Revenues and expenses net to zero.

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Transportation (MODOT)** assume this proposal will increase the claims costs because it would dilute the efficiencies created by contracted networks. It is difficult to put a dollar amount on the predicted impact because many variables would play into it but it could potentially be several hundred thousand dollars to the medical plan.

Officials from the **Department of Social Services** state that this proposal would impact the MO HealthNet Managed Care program by requiring all health plans to provide contracted providers with access to standard fee schedules. This legislation affects the make-up of the HMO networks and also reduces the ability of the HMOs to negotiate contract terms. The cost impact will be incurred during the bidding process and when contracts are renewed. The first year cost is for an actuarial study to determine the actuarially sound impact of this requirement on rate ranges to ensure actuarial soundness as required by the Centers for Medicare and Medicaid Services. The cost to evaluate would be \$25,000. While the cost increase to the capitated rates is not known, MHD assumes an increase in year 2 and forward of \$300,000 each year. This fiscal impact was prepared after consulting with the state's contracted actuary.

FY16 match rate for the actuarial study is calculated at a 50% federal match, \$12,500.

FY 17 and 18 match rate for capitated rates are calculated at a 63.3225% federal match, resulting in a cost to the state of \$110,032 each year.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration**, the **Missouri Department of Conservation**, the **Department of Mental Health**, and the **Department of Health and Senior Services** each assume the current proposal would not fiscally impact their respective agencies.

Officials from the **Department of Public Safety - Missouri Highway Patrol** defer to Department of Transportation for fiscal impact.

In response to a similar proposal from last year, HB 1145, officials from the **Columbia Boone County Department of Public Health and Human Services (PHHS)** assumed the proposal would result in an unknown fiscal impact to revenues and costs. It is possible that the proposal would make it easier for PHHS to develop provider contracts with health carriers. These contracts could result in additional revenue. As a result, depending on a number of additional provider contracts and the billing structure of each contract, additional bill staff may be needed.

ASSUMPTION (continued)

Section 376.393

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state their department does not have a primary source of research to determine the fiscal impact of this legislation; however, a search of the literature indicates probable fiscal impact as demonstrated in other studies. Research indicates any willing provider laws have increased the cost of health care by varying degrees.

HCP contracts with vendors whose provider networks are subject to these laws, so HCP assumes this legislation will have an impact on its health care expenditures. HCP assumes it will be required to pay increased administrative fees from health carrier vendors to cover the cost of negotiating, credentialing and servicing additional providers. HCP also assumes a decrease in the level of discounts provided by its vendors due to a vendor's inability to selectively contract. HCP assumes the impact to its medical plans may be less compared to plans with more limited networks because HCP networks include a substantial number of providers.

Based on these assumptions, HCP applied a conservative estimate of a 1.5 percent increase in overall health care costs, including prescription drugs, to calculate fiscal impact. The fiscal impact to HCP is unknown but greater than \$5.7 million annually.

The fiscal impact to state employees and retirees is estimated at \$1.8 million annually. For HCP's public entity membership, the annual fiscal impact of this legislation is unknown but greater than \$121,000.

**Oversight** assumes the costs estimated by MCHCP would be distributed across state funds in the following percentages:

General Revenue	61% of \$5,700,000 = \$3,477,000
Other State Fund	14% of \$5,700,000 = \$798,000
Federal Funds	25% of \$5,700,000 = \$1,425,000

Oversight assumes the provisions of this proposal would become effective January 1, 2016; therefore, we will reflect six months of impact in FY 2016.

Section 376.1425

HCP already requires health plans to provide member access to an online provider network directory. HCP also encourages members to verify provider network status by accessing the

ASSUMPTION (continued)

online directories or by contacting their health plan or provider prior to receiving services. The provisions in this section do not fiscally impact HCP.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (6 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE FUND</b>			
<u>Transfer In</u> - From Federal Funds; DSS	\$12,500	\$189,968	\$189,968
<u>Costs</u> - DSS			
Actuarial Study	(\$25,000)	\$0	\$0
<u>Costs</u> - DSS			
Capitated Rates	\$0	(\$300,000)	(\$300,000)
<u>Costs</u> - HCP			
Increased health care expenditures	(Unknown greater than \$1,738,500)	(Unknown greater than \$3,477,000)	(Unknown greater than \$3,477,000)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown greater than \$1,751,00)</u></b>	<b><u>(Unknown greater than \$3,587,032)</u></b>	<b><u>(Unknown greater than \$3,587,032)</u></b>
<b>OTHER STATE FUNDS</b>			
<u>Costs</u> - HCP			
Increased health care expenditures	(Unknown greater than \$399,000)	(Unknown greater than \$798,000)	(Unknown greater than \$798,000)
<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>	<b><u>(Unknown greater than \$399,000)</u></b>	<b><u>(Unknown greater than \$798,000)</u></b>	<b><u>(Unknown greater than \$798,000)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2016 (6 Mo.)	FY 2017	FY 2018
<b>FEDERAL FUNDS</b>			
<u>Transfer Out</u> - DSS; Matching Funds	(\$12,500)	(\$189,968)	(\$189,968)
<u>Costs</u> - HCP			
Increased health care expenditures	(Unknown greater than \$712,000)	(Unknown greater than \$1,425,000)	(Unknown greater than \$1,425,000)
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>(Unknown greater than \$724,500)</u></b>	<b><u>(Unknown greater than \$1,614,968)</u></b>	<b><u>(Unknown greater than \$1,614,968)</u></b>
<b>INSURANCE DEDICATED FUND</b>			
<u>Revenues</u> - DIFP			
Amendment Filing Fees	<u>Up to \$15,000</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>Up to \$15,000</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>ROAD FUND</b>			
<u>Expenses</u> - MODOT			
Increase in medical claim costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON ROAD FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (6 Mo.)	FY 2017	FY 2018
<b>LOCAL PUBLIC HEALTH CENTERS</b>			
<u>Revenues</u> - Increase in health carrier provider contracts	Unknown	Unknown	Unknown
<u>Expense</u> - Costs associated with an increase to provider contracts	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL PUBLIC HEALTH CENTERS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

Health Care providers will be required to inform patients of all possible medical facilities to be treated, when making referrals.

FISCAL DESCRIPTION

This proposal makes new requirements of health carriers and health care providers.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration  
Department of Mental Health  
Department of Health and Senior Services  
Department of Social Services  
Department of Public Safety - Missouri Highway Patrol  
Department of Transportation  
Missouri Consolidated Health Care Plan  
Missouri Department of Conservation  
Columbia Boone County Department  
of Public Health and Human Services



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