

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3419-06
Bill No.: SCS for HCS for HB 1695
Subject: Insurance - Medical; Health Care; Health Care Professionals; Medical Procedures and Personnel
Type: Original
Date: May 14, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
All Funds	(Unknown)	(Unknown)	(Unknown)
General Revenue	(\$0 to \$50,000)	(\$0 to \$50,000)	(\$0 to \$50,000)
Highway Fund	(Unknown)	(Unknown)	(Unknown)
Insurance	\$9,850	\$0	\$0
Conservation	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Income and costs of \$0 to \$50,000 would net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 12 pages.

FISCAL ANALYSIS

ASSUMPTION

All sections

In similar proposals, **Department of Insurance (INS)** officials state that insurers and HMOs would be required to amend their policies to comply with this legislation. Amendments must be filed with INS. INS estimates that 171 insurers and 26 HMOs would be required to file at least one amendment to their policy form with a filing fee of \$50, resulting in revenue of \$9,850 in FY 2003. INS has reached capacity in policy form reviews and the additional workload created by this legislation would cause delays in policy form reviews. Additional staff are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form amendments, the department would need to request additional staff to handle the increase in workload.

Section 34.375

In a similar proposal, officials from the **Departments of Corrections, Economic Development, Mental Health, Insurance, Social Services, Health and Senior Services, Transportation, Natural Resources, Public Safety, Office of the Governor, University of Missouri, Harris-Stowe State College, Truman State University, Missouri Senate, State Auditor's Office, Office of the Attorney General, Office of the State Courts Administrator** and the **Missouri Tax Commission** assume the proposed legislation would have no fiscal impact on their agencies.

Officials from the **Missouri House of Representatives, Department of Higher Education, Department of Conservation, Office of the Lieutenant Governor, State Treasurer's Office, Department of Revenue, Missouri Gaming Commission, Central Missouri State University, Secretary of State's Office,** and **Department of Labor and Industrial Relations** assume this proposed legislation would have no fiscal impact on their agencies.

In response to a similar proposal, officials from the **Department of Elementary and Secondary Education (DES)** state that passage of this proposal would result in a minimal cost to their agency. DES assumes that the School Food Services Section would develop and provide guidelines to school districts concerning foods high in calcium and foods available for purchase meeting the criteria outlined in the proposal. DES assumes that such guidance would likely be posted on the DES website. DES also assumes that there could be a minimal cost to the school districts to rewrite their purchasing guidelines.

In response to a similar proposal, officials from the **Office of Administration - Division of Purchasing and Materials Management (COA)** state they would need to create bid language that informs potential bidders and offerors that a preference would be given for foods enriched with calcium. COA assumes this can be done with no fiscal impact to their agency.

ASSUMPTION (continued)

In response to a similar proposal, officials from the **School District of Kansas City** assume if the District is only required to purchase a higher calcium concentrated food product when the price is not higher, based on current market prices of foods with high calcium concentrated, there would be no additional cost to purchase the products. Officials also state that if the proposal were to pass, they would have to change bid specifications but assume the cost to be negligible.

In response to a similar proposal, officials from the **Department of Agriculture - Missouri State Fair (AGR)** assume that they would continue to receive bids which may require allowing an option to bid without noting calcium levels. AGR assumes reviewing the additional information and developing a composite score or ranking would take an estimated additional 16 hours per contract. AGR estimates the salary cost to be \$326 in FY 2003, \$401 in FY 2004, and \$412 in FY 2005.

Oversight assumes the costs related to this proposal could be absorbed with existing resources.

Section 354.603

Officials from the **Department of Public Safety - Missouri State Highway Patrol**, the **Department of Transportation**, the **Missouri Consolidated Health Care Plan**, and the **Missouri Department of Conservation** assume this proposal would not fiscally impact their agencies.

Officials from the **Department of Social Services (DOS)** assume this legislation would have a fiscal impact on the Division of Medical Services. DOS states the effect of this proposal is that if a health carrier has one of these certifications, then their network is deemed adequate. DOS has relied on the network access filing as the way to determine network adequacy for MC+ health plans to avoid duplicating requirements across departments. The Center for Medicare and Medicaid Services (CMS) has approved the Department of Insurance's network access filing as Missouri's method of monitoring adequate networks. If the CMS will not approve the method of assuring network adequacy described in this legislation, the Division of Medical Services estimates the cost of looking separately at the networks which would be exempt under this new legislation.

Section 376.429

Officials from the **Department of Social Services - Division of Medical Services (DMS)** assume there will not be a fiscal impact to the DMS from this proposed legislation. Section 376.429.9 exempts Title XIX of the Social Security Act from the provisions of this legislation. However, Title XXI (States Children's Health Insurance Program - SCHIP) is not included in the programs that are exempt. DMS states in Missouri, the Title XXI program is administered through the Title XIX program therefore, the DMS assumes the Title XXI program is also exempt from this proposed legislation.

ASSUMPTION (continued)

In a similar proposal, officials from the **Missouri Department of Conservation (MDC)** state that this proposal mandates insurance coverage for clinical trials for treatment of cancer. MDC assumes this proposed legislation has a unknown fiscal impact on MDC funds.

Officials from **Missouri Consolidated Health Care Plan (HCP)** assume that requiring the medical plan to cover Phase III or Phase IV clinical trials for cancer and other life threatening conditions could result in an increase in the plan's financial risk. Since the treatments may vary and only a few providers would be able to administer the treatments, the cost could be significant. HCP states to reduce this risk, the plan may transfer these additional costs to the members through an increase of premiums. Since the type of treatments, the associated costs and the number of patients cannot be estimated, the overall cost is unknown but could be significant. **Oversight** assumes unknown costs to the Public Entities, also.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer their fiscal note response to the Department of Transportation.

Officials from the **Department of Transportation (DHT)** assume this legislation requires coverage for certain patient care costs for certain clinical trials. This legislation will have no fiscal impact on DHT. The Highway & Patrol Medical Plan is not expressly included in the new legislation, but section 104.801 RSMo. would require the Medical Plan to offer similar coverage.

However, 104.801 only requires similar coverage and the reporting requirements are not included in the mandates of 104.801. Currently, the Medical Plan does not cover costs for clinical trials. As a result, there would be a fiscal impact to the Highway & Patrol Medical Plan.

DHT assumes that if health carriers are required to cover the cost of services needed to administer the drugs or use the device under evaluation in the clinical trial, that manufacturers and distributors or providers of the drugs or devices would no longer pay for any of the related costs. Assuming that this is true, DHT assumes that the fiscal impact to the Medical Plan would be very significant.

Without knowing the types of drugs, procedures, illnesses or how many individuals would participate, DHT finds it is impossible to calculate what a fiscal impact to the Medical Plan would be.

Section 376.1219

In a similar proposal, officials from the **Department of Mental Health, the Department of Health and Senior Services, the Department of Social Services, and the Missouri Department of Conservation** assume this proposal would not fiscally impact their agencies.

ASSUMPTION (continued)

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state low protein food

encompasses a wide variety of foods. The proposal does not limit the amount or the types of low protein foods. HCP states specialty foods are very costly. According to a local home health agency, products include pastas in one-pound packages priced at \$7 per package, crackers in a 6-ounce package priced at \$4 per package, baking mix or flour price at \$9 per one pound box, and low protein breakfast loops, which are priced at \$9 per box. Other products fall in a wide range of products and include raisins, cheese, and soups.

HCP states this proposal does limit the benefit to 50% of up to \$5,000 annually. The limitation reduces the plans' exposure, however, it will still add cost. If the health plans try to recoup this cost through increased premiums, the result is expected to have undetermined impact for the state and public entities.

Officials from the **Department of Public Safety - Missouri State Highway Patrol (MHP)** defer their fiscal note response to the Department of Transportation.

Officials from the **Department of Transportation (DHT)** state that currently the Highway and Patrol Medical Plan provides coverage for appropriate medically necessary services and supplies in the treatment of a condition. The only exception would be food supplements. Due to the low incident rate of amino and organic disorders, DHT assumes there would be no or very minimal fiscal impact to the Medical plan.

Historically, the DHT, MHP and the plan members have shared in any premium increases necessary because of increases in benefits. The costs may be shared in the long run (meaning shared between three categories: absorbed by the plan, state appropriated funds, and/or costs to individuals covered under the plan). However, the DHT (commission) must make a decision on what portion they will provide. Until the commission makes a decision, DHT can only provide the cost to the medical plan.

Section 376.1253

In a similar proposal, officials from the **Missouri Department of Conservation (MDC)** assume this proposal would not fiscally impact their agency.

Officials from the **Department of Public Safety - Missouri State Highway Patrol (MHP)** defer their fiscal note response to the Department of Transportation.

Officials from the **Department of Transportation (DHT)** state that the Highway and Patrol Medical Plan is not mentioned in the legislation but section 104.801 RSMo. 2000 would require similar coverage. Currently, the Medical Plan does cover a second opinion, whether the specialist is in the provider network or out of the provider network. The only difference is that ASSUMPTION (continued)

charges with a provider in the network are paid at a 90% co-insurance with the maximum out-of-pocket for the patient at \$750 and charges with an out-of-network provider are paid at an

80% co-insurance with the maximum out-of-pocket for the patient increasing to \$1,500. In addition, DHT states office visit charges with an in-network provider have a \$15 co-pay for the patient without being applied to their deductible and co-insurance. Out-of-network office visit charges are applied to the patients deductible and co-insurance.

DHT assumes there are two ways of looking at this legislation. One way is to assume that if a patient is seen by an in-network doctor and then referred to an out-of-network specialist that both provider's charges would have to be paid at 90% co-insurance with the maximum out-of-pocket for the patient at \$750 and the office visits would have a \$15 co-payment only. Likewise, DHT states if the patient is seen by an out-of-network provider and then referred to a specialist within the network the charges would have to be paid at the 80% co-insurance with the maximum out-of-pocket for the patient at \$1,500 and there would be no office visit co-payment applied. This assumption would probably have a fiscal impact to the Medical Plan.

DHT states the second assumption could be, because the medical plan does not limit coverage to in-network providers only, and the Medical Plan would cover the services with an out-of-network provider, there would be no fiscal impact to the Medical Plan. The legislation states, "Such coverage shall be subject to the same deductible and co-insurance conditions applied to other referrals and all other terms and conditions applicable to other benefits". DHT assumes, based on this statement, that the Medical Plan's current provisions would be applicable, because the 80-20 co-insurance is currently applied to other referrals and other benefits when seen by an out-of-network provider. DHT assumes the first assumption if the legislation read, "Such coverage shall be subject to the same deductible, co-insurance and co-payments as coverage for an in-network provider".

Based on the current language, DHT assumes there would be no fiscal impact to DHT or the Highway and Patrol Medical Plan.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** assume the proposed legislation requires insurance companies to provide coverage for a second opinion by a specialist for a patient that has been newly diagnosed with cancer. The specialist, referred by the physician, may be within or outside of the patient's provider network.

The proposed legislation will not have a fiscal impact to the DMS. Currently, second opinions for cancer patients is already a covered service for Missouri Medicaid in the fee for service program and the managed care program.

For the fee for service program, section 1.5 (Restricted Benefits) in the Missouri Medicaid ASSUMPTION (continued)

provider manual does not include second opinions; therefore, Missouri Medicaid does cover second opinions. Section 13.30 of the provider manual specifically references coverage for second opinions on surgeries. For the managed care program, the MC+ managed care contracts

paragraph 2.13 provide for second opinions.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state this proposal requires the physician to inform patients of their right to a one time referral for a second opinion by an appropriate board certified specialist in the network, if available. If a network provider is not available in network, a referral must be made out of network. Current legislation provides for care outside of network if a network provider is not available. HCP states this provision, therefore, does not fiscally impact HCP.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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ALL FUNDS

Costs - Missouri Consolidated Health Care Plan

Increased state contributions 376.429	(Unknown)	(Unknown)	(Unknown)
Increased state contributions 376.1219	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON ALL FUNDS

<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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GENERAL REVENUE

Costs - Department of Social Services

Review of network adequacy 354.603	<u>(\$0 to less than \$50,000)</u>	<u>(\$0 to less than \$50,000)</u>	<u>(\$0 to less than \$50,000)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE

<u>(\$0 to less than \$50,000)</u>	<u>(\$0 to less than \$50,000)</u>	<u>(\$0 to less than \$50,000)</u>
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HIGHWAY FUND

Costs - Department of Transportation

Increased state contribution 376.429	(Unknown)	(Unknown)	(Unknown)
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<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Costs - Department of Public Safety- Missouri State Highway Patrol</u>			
Increased state contribution 376.429	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>(UNKNOWN)</u>	<u>(UNNOWN)</u>	<u>(UNKNOWN)</u>
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Form filing fees—all sections	<u>\$9,850</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$9,850</u>	<u>\$0</u>	<u>\$0</u>
CONSERVATION FUND			
<u>Costs - Missouri Department of Conservation</u>			
Increased state contributions 376.429	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
 FEDERAL			
<u>Income - Department of Social Services</u>			
Medicaid reimbursements 354.603	\$0 to less than \$50,000	\$0 to less than \$50,000	\$0 to less than \$50,000

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Costs - Department of Social Services</u>			
Review of network adequacy 354.603	<u>(\$0 to less than \$50,000)</u>	<u>(\$0 to less than \$50,000)</u>	<u>(\$0 to less than \$50,000)</u>

ESTIMATED NET EFFECT ON FEDERAL FUNDS **\$0** **\$0** **\$0**

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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POLITICAL SUBDIVISION

<u>Cost - Political Subdivision</u>			
Increased local contributions 376.429	(Unknown)	(Unknown)	(Unknown)
Increased local contributions 376.1219	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS **(UNKNOWN)** **(UNKNOWN)** **(UNKNOWN)**

FISCAL IMPACT - Small Business

Section 34.375

This proposal may affect businesses who contract with local school districts to provide food services. In addition, small businesses that do not carry products with a higher level of calcium or price that is equal or lower to other business could recognize a fiscal impact.

Various other sections

Small businesses could be fiscally impacted as a result of this proposal.

DESCRIPTION

Section 34.375

This proposal creates a Missouri Calcium Initiative. The proposal requires that a purchasing agent for any state governmental entity or school district that purchases food or beverages which are served in a building or room operated or owned by the entity give preference to high calcium foods and beverages that are equal to or lower in price than products of the same type and quality. If a state institution determines that the foods and beverages will interfere with the

proper treatment and care of a patient, it need not make such purchase for that patient. The provisions of the initiative are in addition to any requirements placed upon a governmental entity by the United States Department of Agriculture under the National School Lunch Program or the School Breakfast Program. The proposal does not require voiding the terms of any contract entered before July 1, 2002.

Section 354.085 and 354.405

This proposal holds that whenever a health service corporation submits a policy form to the Director of Insurance, and the Director does not disapprove the form within 45 days, the form is deemed approved. This proposal also holds that whenever an HMO modifies any of the information or procedures in its certificate of authority, the modification shall be deemed approved within 45 days of filing unless the Director of Insurance rejects the modification citing specific reasons.

Section 354.603

This proposal exempts health carriers from filing access plans with the Department of Insurance, which outlines their network adequacy standards, if the health carrier is an eligible Medicare + Choice organization or has received accreditation from National Committee for Quality Assurance (NCQA), the Joint Commission on the Accreditation of Health Organizations, or any other accrediting organization that is approved by the INS.

Section 376.429

This proposal requires health insurance plans to provide coverage for routine patient care costs incurred as a result of participating in phase III or IV clinical trials for the prevention and treatment of cancer. The clinical trial must be approved or funded by one of the entities which are specified in the proposal. A policy, plan, or contract paid under Title 18 or Title 19 of the federal Social Security Act is exempt from the requirements of the proposal.

Section 376.1219

This proposal requires group health insurers to provide low protein modified food products for patients under the age of six with phenylketonuria or any inherited disease of amino and organic acids.

Section 376.1253

DESCRIPTION (continued)

This proposal allows a physician to refer a patient who has been newly diagnosed with cancer to a specialist for a second opinion regarding the patient's treatment. The specialist would be within the network. If there is not an appropriate specialist within the network, then a referral shall be made to a non-network specialist.

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

Departments of Conservation
Department of Corrections
Department of Economic Development
Department of Mental Health
Department of Insurance
Department of Higher Education
Department of Revenue
Department of Social Services
Department of Health and Senior Services
Department of Transportation
Department of Natural Resources
Department of Public Safety
Secretary of State's Office
State Treasurer's Office
Office of the Lieutenant Governor
Office of the Governor
Central Missouri State University
University of Missouri,
Harris-Stowe State College
Truman State University
Missouri Senate
Missouri Gaming Commission
State Auditor's Office
Office of the Attorney General
Office of the State Courts Administrator
Missouri Tax Commission
Missouri Consolidated Health Care Plan
Missouri House of Representatives
Department of Labor and Industrial Relations
Department of Elementary and Secondary Education

SOURCES OF INFORMATION (continued)

Office of Administration-Division of Purchasing and Materials Management
School District of Kansas City
Department of Agriculture- Missouri State Fair

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A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large initial 'M' and a long, sweeping underline.

Mickey Wilson, CPA
Acting Director
May 14, 2002

CM:LR:OD (12/01)