

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0976-01
Bill No.: HB 455
Subject: Health Care; Insurance - Medical; Insurance Dept.
Type: Original
Date: March 12, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(Unknown exceeding \$110,000)	(Unknown exceeding \$110,000)	(Unknown exceeding \$110,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown exceeding \$110,000)	(Unknown exceeding \$110,000)	(Unknown exceeding \$110,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Insurance Dedicated	\$8,000	\$0	\$0
Conservation Fund	(Unknown)	(Unknown)	(Unknown)
Other Funds	(Unknown exceeding \$11,500)	(Unknown exceeding \$11,500)	(Unknown exceeding \$11,500)
Total Estimated Net Effect on Other State Funds	(Unknown exceeding \$3,500)	(Unknown exceeding \$11,500)	(Unknown exceeding \$11,500)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS
--

FUND AFFECTED	FY 2004	FY 2005	FY 2006
Federal Funds	(Unknown exceeding \$18,500)	(Unknown exceeding \$18,500)	(Unknown exceeding \$18,500)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Unknown exceeding \$18,500)	(Unknown exceeding \$18,500)	(Unknown exceeding \$18,500)

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Department of Conservation (MDC)** state this proposal could have fiscal impact to MDC because of increased health insurance costs. The amount of impact is unknown.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** defer to the Department of Transportation for response regarding the fiscal impact of the proposal on the MHP.

Officials from the **Department of Insurance (INS)** state the department estimates 160 insurers and HMOs would be required to submit amendments to their policies to comply with this proposal. Policy amendments must be submitted to the INS for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$8,000.

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form amendments and review, the INS will need to request additional staff to handle the increase in the workload.

ASSUMPTION (continued)

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the proposal would require the medical plan to cover scalp hair prostheses worn for hair loss due to alopecia. Scalp hair prostheses means artificial substitutes for scalp hair that are made specifically for specific individuals. There are a variety of causes for alopecia including, endocrine conditions (hypo and hyperthyroidism, hypopituitarism, and hypoparathyroidism), drug-induced (chemotherapy, oral contraceptives, antibiotics, vitamin A excess, anticoagulants), some cases of androgenetic alopecia (male pattern baldness, especially in women), iron deficiency, malnutrition, and severe chronic illnesses.

This proposal would provide coverage for expenses for scalp hair prostheses worn for hair loss suffered as a result of alopecia areata or totalis. According to the National Alopecia Areata Foundation, 1.4% of the population has been diagnosed with alopecia areata. Hair prostheses may range in price from \$35 to \$494. The average cost is \$264.50 per prostheses. However, since it is unknown how many people will be diagnosed in each year and how many would utilize a wig, the cost of this bill is unknown, but is expected to exceed \$100,000 annually, assuming HCP's alopecia rate is similar to the overall alopecia rate.

Officials from the **Department of Transportation (DOT)** state currently, the DOT and Highway Patrol Medical Plan does not cover hair prostheses; therefore, there would be a fiscal impact to the DOT and Highway Patrol Medical Plan. Research on Yahoo's Health Encyclopedia: Hair Loss website under alopecia stated that alopecia is the partial or complete loss of hair, which affects men, women and children. This website also stated that 67% of men are bald or have a balding pattern by age 60. DOT and the Highway Patrol currently have 2,500 male members over the age of 60. Merle Norman Cosmetology and Super Hair provided a range of \$750-\$2,000 annually for wigs and \$555-\$1,650 for bonding of hair prostheses, with a replacement life of 3-5 years. Using the average price of \$1,250 $((\$750 + \$2,000 + \$555 + \$1,650)/4 = \$1,250)$ and an estimated 1,665 male members, the annual cost to the Plan is \$2,081,250 $(\$1,250 \times 1,665)$.

DOT assumed an additional 25% of the annual costs for males to determine the costs for women and children, which equals \$520,313. The total potential impact is \$2,601,563 $(\$2,081,250 + \$520,313)$. This does not include costs for men under the age of 30, or for hair implants, which are much more expensive.

Historically, the department 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 Medical Plan, Missouri Highway Transportation Commission (MHTC), ASSUMPTION (continued)

DOT, and Patrol must make a decision on how to fund the increase; until then, the potential fiscal impact for DOT is \$1,977,188 and the impact for MHP is \$624,375.

Oversight assumes, based on the National Alopecia Areata Foundation, 1.4% of DOT's population will be diagnosed with alopecia areata or 35 individuals (2,500 male members X 1.4% = 35). Using the average cost provided by DOT of \$1,250 per prostheses, the estimated fiscal impact of this proposal would be \$43,750 annually for male members. Using DOT's assumptions of an additional 25% of the annual costs for males to determine the costs for women and children, an annual cost of \$10,938 is assumed for women and children.

However, HCP provided an average cost per prostheses of \$264.50. **Oversight** assumes this average would result in a potential cost of \$11,573 [(\$264.50 X 35 = \$9,258 for men) + (\$9,258 X 25% for women and children)].

Therefore, **Oversight** assumes the proposal could have a total fiscal impact ranging between \$11,573 and \$54,688 annually for the DOT and Patrol Medical Plan (\$8,795 to \$41,563 for DOT; \$2,778 to \$13,125 for Highway Patrol Medical Plan).

Oversight assumes the Medical Plan, Missouri Highway Transportation Commission (MHTC), DOT, and Patrol must make a decision on how to fund the increase.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state DMS contracts with managed care health plans to provide medical assistance to individuals eligible under Section 208.151, RSMo. The managed care health plans are subject to the proposed legislation; therefore, this proposal will have a fiscal impact to the DMS.

The proposed legislation requires health plans to provide coverage for scalp prostheses for certain health conditions. This proposal only affects Medicaid recipients who are enrolled in managed care plans. However, in order for the State to receive federal matching funds, the service would need to be provided to all Medicaid eligibles - fee for service eligibles as well as managed care eligibles. It is assumed the service would become a Medicaid covered service so that federal matching funds would be available.

The service cost is unknown. The managed care capitation rates will increase due to the addition of this service while the costs of providing this service to fee-for-service eligibles is dependent upon the number of Medicaid recipients with this condition.

ASSUMPTION (continued)

Administration costs would increase. One-time costs are expected to be over \$100,000. The current managed care contracts would need to be re-negotiated to include this cost. The

estimated cost of this re-negotiation could reach \$75,000. The cost of mailing a notification to enrollees of the new service is expected to be \$88,000. System work will need to be done so that the claims can be processed and paid. On-going costs would increase also. If a recipient is denied a service, he/she can appeal and receive a State Fair Hearing. It is assumed some recipients will be denied this service and appeal which will increase the number of hearings and increase the administration costs.

The cost of the proposed legislation is unknown greater than \$100,000.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in insurance premiums	(Unknown exceeding \$70,000)	(Unknown exceeding \$70,000)	(Unknown exceeding \$70,000)
<u>Costs - Department of Social Services</u>			
Increase in medical assistance payments	(Unknown exceeding \$40,000)	(Unknown exceeding \$40,000)	(Unknown exceeding \$40,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown exceeding \$110,000)</u>	<u>(Unknown exceeding \$110,000)</u>	<u>(Unknown exceeding \$110,000)</u>
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Policy form filing fees	<u>\$8,000</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$8,000</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
CONSERVATION FUND			

Costs - Missouri Department of
 Conservation

Increased insurance contribution	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
----------------------------------	------------------	------------------	------------------

**ESTIMATED NET EFFECT ON
 CONSERVATION FUND**

<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
-------------------------	-------------------------	-------------------------

OTHER FUNDS

Costs - Missouri Consolidated Health
 Care Plan

Increase in insurance premiums	<u>(Unknown exceeding \$11,500)</u>	<u>(Unknown exceeding \$11,500)</u>	<u>(Unknown exceeding \$11,500)</u>
--------------------------------	---	---	---

**ESTIMATED NET EFFECT ON
 OTHER FUNDS**

<u>(Unknown exceeding \$11,500)</u>	<u>(Unknown exceeding \$11,500)</u>	<u>(Unknown exceeding \$11,500)</u>
--	--	--

FISCAL IMPACT - State Government

FY 2004
 (10 Mo.)

FY 2005

FY 2006

FEDERAL FUNDS

Income - Department of Social Services

Increase in Medicaid reimbursements	Unknown exceeding \$60,000	Unknown exceeding \$60,000	Unknown exceeding \$60,000
<u>Costs - Department of Social Services</u>			
Increase in medical assistance payments	(Unknown exceeding \$60,000)	(Unknown exceeding \$60,000)	(Unknown exceeding \$60,000)
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in insurance premiums	(Unknown exceeding \$18,500)	(Unknown exceeding \$18,500)	(Unknown exceeding \$18,500)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(Unknown exceeding \$18,500)</u>	<u>(Unknown exceeding \$18,500)</u>	<u>(Unknown exceeding \$18,500)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
ALL LOCAL GOVERNMENTS			
<u>Costs - All Local Governments</u>			
Increase in insurance premiums	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent that they may incur additional health insurance costs due to the requirements of this proposal.

DESCRIPTION

Effective January 1, 2004, this proposal requires health insurance policies to provide coverage for scalp hair prostheses worn as a result of hair loss due to alopecia areata or alopecia totalis (areas of hair loss or total hair loss).

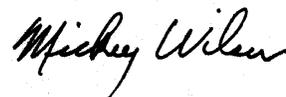
The insurance coverage for the scalp hair prostheses cannot require any greater deductibles or co-payments than similar health care services covered by a policy, contract, or plan.

Certain insurance policies such as supplemental policies and specified disease policies are excluded from the provisions of the proposal.

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 Transportation
Department of Social Services
Department of Public Safety -
 Missouri Highway Patrol
Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation



MICKEY WILSON, CPA
DIRECTOR
MARCH 12, 2003