

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1911-01
Bill No.: SB 622
Subject: Insurance - Medical; Mental Health
Type: Original
Date: March 31, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(Unknown exceeding \$40,000)	(Unknown exceeding \$40,000)	(Unknown exceeding \$40,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown exceeding \$40,000)	(Unknown exceeding \$40,000)	(Unknown exceeding \$40,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Insurance Dedicated Fund	\$8,000	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$8,000	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Federal Funds	\$0	\$0	\$0
Total Estimated Net Effect on All Federal Funds*	\$0	\$0	\$0

* Revenues and expenses Unknown exceeding \$60,000 annually and net to \$0.

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 **Department of Economic Development - Division of Professional Registration** state the proposal will have no fiscal impact on their organization.

Officials from the **Missouri Department of Conservation** state the proposed legislation would not appear to have a fiscal impact on MDC funds.

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 Transportation** state currently the Medical Plan provides coverage for mental health conditions on the same basis as the services and medical care for physical conditions. As a result, this proposal will have no fiscal impact on the Medical Plan.

ASSUMPTION (continued)

Officials from the **Department of Mental Health (DMH)** state to the extent that DMH consumers have insurance coverage, there could be minimal savings to the DMH. However, it is likely that any savings would be offset by increased service utilization of individuals who are currently underserved. At this time, the DMH is unsure of the number of consumers that would be affected by this proposal, the type of coverage involved and/or the amount of insurance coverage. Based on the current understanding that any savings would be offset by additional service utilization costs, the resulting fiscal impact to the DMH would be zero.

Officials from the **Department of Health and Senior Services (DOH)** state the proposal will have no fiscal impact on their organization. However, the extent of mental health services needed and the cost to insurance rates is unknown. The DOH assumes an unknown fiscal impact to local governments, small businesses and/or state agencies.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the HCP HMO and Copay plans cover mental health and chemical dependency as any other medical benefit under the plan. Therefore, this proposal does not fiscally impact the state.

The HCP public entity PPO plan applies some limitations (Inpatient Mental Health: 90 days/year; Chemical Dependency: 21 days/year; Detoxification: 6 days/year; and Chemical Dependency: \$50,000 lifetime maximum) to the Mental Health/Chemical Dependency benefit. Therefore, this may result in the acquisition of additional risk and could produce a minimal premium increase (e.g. A 0.5% increase would equate to approximately \$141,125).

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 the legislation. 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 workload.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state the language in the proposal relating to chemical dependency coverage will have a fiscal impact on the DMS. The cost is unknown but greater than \$100,000. The Medicaid program has a fee-for-service ASSUMPTION (continued)

program and a managed care program - MC+. Currently there is not a benefit cap for chemical dependency on either fee-for-service or MC+ and it is assumed the benefit cap will not be

reduced by this proposal. If the proposal passes, the contracts with the managed care plans will need to be amended to carve out days in excess of 26 days. There is some concern as to whether the Centers for Medicare and Medicaid (CMS) will approve this amendment. If the amendment is not approved, federal funds would not be available for MC+.

The MC+ contracts will need to be amended, the managed care rates will need to be recalculated by the contractor (actuary) and changes would be needed to the payment system. Costs would be in excess of \$100,000.

Language in the proposal concerning mental health conditions would have no fiscal impact on the DMS. The DMS currently covers mental health conditions as medically necessary. The DMS assumes this proposal allows for the continued use of prior authorization of services and performing utilization reviews by DMS for both physical and mental health conditions to ensure payment for only medically necessary conditions. Only those medically necessary are eligible for federal match. The DMS assumes this proposal is not intended to require coverage of non-medically necessary services which would have to be paid 100% from General Revenue.

This proposal will result in an increase in Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
<u>Costs - Department of Social Services</u>			
Increase in program service costs	<u>(Unknown exceeding \$40,000)</u>	<u>(Unknown exceeding \$40,000)</u>	<u>(Unknown exceeding \$40,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown exceeding \$40,000)</u>	<u>(Unknown exceeding \$40,000)</u>	<u>(Unknown exceeding \$40,000)</u>
<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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>
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FEDERAL FUNDS

Income - Department of Social Services

Increase in program reimbursements	Unknown exceeding \$60,000	Unknown exceeding \$60,000	Unknown exceeding \$60,000
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Costs - Department of Social Services

Increase in program costs	<u>(Unknown exceeding \$60,000)</u>	<u>(Unknown exceeding \$60,000)</u>	<u>(Unknown exceeding \$60,000)</u>
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ESTIMATED NET EFFECT ON FEDERAL FUNDS*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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* Revenues and expenses Unknown exceeding \$60,000 annually and net to \$0.

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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ALL LOCAL GOVERNMENTS

Costs - All Local Governments

Increase in insurance premiums	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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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

This proposal revises the current law with respect to health insurance coverage for mental health

conditions and chemical dependencies.

CHEMICAL DEPENDENCY COVERAGE - Under this proposal, coverage offered under a group health insurance policy for outpatient treatment through a nonresidential treatment program shall not exceed 26 days per policy benefit period. Under the current law, 26 days is the minimum number of days. Under this proposal, the lifetime frequency cap on chemical dependency coverage is limited to 5 episodes of treatment (current law requires a minimum of 10 episodes of treatment). The provision of law which allows insurers to limit inpatient hospital treatment for mental illness to 90 days per year is repealed (Section 376.811.2, RSMo). The proposal provides that these chemical dependency provisions only apply to group policies and not individual accident and sickness insurance policies.

MENTAL HEALTH CONDITION - This proposal requires health carriers that offer health benefit plans in this state on or after January 1, 2004, shall provide covered services for mental health conditions. Mental health conditions are defined as those listed in the most recent edition of the Diagnostic and Statistical Manual of Mental Disorders IV. Coverage for mental health conditions cannot have rates, terms, or conditions that place a greater financial burden on an insured for mental health treatment than for a physical health condition. Any deductible or out-of-pocket limits required by a health carrier shall be comprehensive for coverage for all health conditions, whether mental or physical. Coverage and treatment of mental health conditions may be provided through a managed care organization. The proposal does not apply to supplemental insurance policies.

The proposal also repeals several sections relating to mental illness and addictive disorders. The sections repealed include current exceptions to the requirement that health insurers who cover services for mental illness and addictive disorders provide the same coverage as they do for physical illness. These sections (Sections 376.825 - 376.840) are collectively known as the "Mental Health and Chemical Dependency Insurance Act".

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 Economic Development -
 Division of Professional Registration
Department of Transportation
Department of Mental Health
Department of Health and Senior Services

HW-C:LR:OD (12/02)

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

A handwritten signature in cursive script that reads "Mickey Wilson".

MICKEY WILSON, CPA
DIRECTOR
MARCH 31, 2003