

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3870-01
Bill No.: SB 1035
Subject: Insurance - Medical; Health Care Professionals
Type: Original
Date: March 2, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(Unknown exceeding \$13,699,779)	(Unknown exceeding \$13,699,779)	(Unknown exceeding \$13,699,779)
Total Estimated Net Effect on General Revenue Fund	(Unknown exceeding \$13,699,779)	(Unknown exceeding \$13,699,779)	(Unknown exceeding \$13,699,779)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Other State Funds	(Could exceed \$2,266,630)	(Could exceed \$2,266,630)	(Could exceed \$2,266,630)
Total Estimated Net Effect on <u>All</u> State Funds	(Could exceed \$2,266,630)	(Could exceed \$2,266,630)	(Could exceed \$2,266,630)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Federal Funds	(Could exceed \$3,673,503)	(Could exceed \$3,673,503)	(Could exceed \$3,673,503)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Could exceed \$3,673,503)	(Could exceed \$3,673,503)	(Could exceed \$3,673,503)

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	(Up to \$2,637,869)	(Up to \$2,637,869)	(Up to \$2,637,869)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance** and **Missouri Department of Conservation** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the fiscal impact of this proposal on their organization.

Officials from the **Missouri Department of Transportation (DOT)** state the proposal prohibits discrimination against any provider who is willing to meet the terms and conditions for participation established by a health insurer or health carrier. This proposal will have no fiscal impact on the MHTC/DOT. Since the Highway and Patrol Medical Plan does not establish terms and conditions for participation by providers, the proposal will have no fiscal impact on the Medical Plan.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state the proposed legislation provides that no health insurer or health carrier shall discriminate against any provider who is located within the geographic coverage area of the health benefit plan and

ASSUMPTION (continued)

who is willing to meet the terms and conditions for participation established by the health insurer or health carrier.

The DMS is affected by this proposal because it administers a managed care program, which contracts with health maintenance organizations (HMOs) for the purpose of providing health care services through capitated rates. These HMOs are subject to the regulations in this proposal.

The legislation affects the shape of the HMOs' networks and also reduces the ability of the HMOs to negotiate terms. It is not possible to estimate the amount of the impact at this time. The cost impact will be incurred during the bidding process and contract renewals. Capitation payments to managed care plans in FY 03 were over \$743 million. For perspective, an increase of one percent in the capitation rate will result in an additional annual cost of \$7.4 million. Therefore, there is a fiscal impact to the DMH of unknown greater than \$100,000 to the General Revenue Fund and unknown greater than \$150,000 to Federal Funds.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state according to a Minnesota report, an Any Willing Provider Law would increase costs as much as 29%. A few years ago, several studies were done on this issue with a wide range of impacts. A study by the Barents Group states the impact to be between 13%-16% for HMOs and by 6.6%-8.6% across all types of managed care health plans. Another study done by Arthur Anderson & Company estimates the impact has ranges from a 15% increase in per member per month (PMPM) cost to a nearly 29% increase in HMO premium costs. In response to this proposal, HCP is taking a conservative approach and assuming a 10% increase in potential costs.

In 2003, managed care plans cost a total of \$264,052,867 for the state members and \$26,378,699 for the Public Entities. Currently, the state contributes approximately 74% towards the state member's premium. The total fiscal impact for the first year could be \$19,539,912 for the state share and \$2,637,869 for the Public Entity portion, including the member's portion.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
<u>Costs - Department of Social Services</u>			
Increase in capitated payment rates	(Unknown exceeding \$100,000)	(Unknown exceeding \$100,000)	(Unknown exceeding \$100,000)
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in State share of premiums	<u>(Could exceed \$13,599,779)</u>	<u>(Could exceed \$13,599,779)</u>	<u>(Could exceed \$13,599,779)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown exceeding \$13,699,779)</u>	<u>(Unknown exceeding \$13,699,779)</u>	<u>(Unknown exceeding \$13,699,779)</u>
OTHER STATE FUNDS			
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in State share of premiums	(Could exceed \$2,266,630)	(Could exceed \$2,266,630)	(Could exceed \$2,266,630)
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>(Could exceed \$2,266,630)</u>	<u>(Could exceed \$2,266,630)</u>	<u>(Could exceed \$2,266,630)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
FEDERAL FUNDS			
<u>Income - Department of Social Services</u>			
Reimbursements for increased program payments	Unknown exceeding \$150,000	Unknown exceeding \$150,000	Unknown exceeding \$150,000
<u>Costs - Department of Social Services</u>			
Increase in capitated program payment rates	(Unknown exceeding \$150,000)	(Unknown exceeding \$150,000)	(Unknown exceeding \$150,000)
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in State share of premiums	(Could exceed \$3,673,503)	(Could exceed \$3,673,503)	(Could exceed \$3,673,503)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(Could exceed \$3,673,503)</u>	<u>(Could exceed \$3,673,503)</u>	<u>(Could exceed \$3,673,503)</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2005 (10 Mo.)	FY 2006	FY 2007
ALL LOCAL GOVERNMENTS			
<u>Costs - All Local Governments</u>			
Increase in insurance premiums	(Up to \$2,637,869)	(Up to \$2,637,869)	(Up to \$2,637,869)
ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS	<u>(Up to \$2,637,869)</u>	<u>(Up to \$2,637,869)</u>	<u>(Up to \$2,637,869)</u>

FISCAL IMPACT - Small Business

This proposal could directly impact small business insurance premium costs.

DESCRIPTION

This proposal proposes an "any willing provider" provision which would prohibit health insurers or health carriers from discriminating against (refusing to contract with) providers who are willing to meet the terms and conditions established by the health insurer or health carrier.

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

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



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Director
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