

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1573-01
Bill No.: HB 748
Subject: Health Care; Insurance - General; Insurance - Medical; Insurance Dept.
Type: Original
Date: February 24, 2009

Bill Summary: Modifies the requirements for participation in the Missouri High Risk Insurance Pool.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(Unknown exceeding \$416,667)	(Unknown exceeding \$500,000)	(Unknown exceeding \$500,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown exceeding \$416,667)	(Unknown exceeding \$500,000)	(Unknown exceeding \$500,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state the exact cost impact to the Missouri Health Insurance Pool (MHIP) by this proposal is unknown, but estimated to be over \$500,000 annually. The increase in costs will be assessed to health insurers in the state by the MHIP. The health insurers then may claim these assessments as credits against premium taxes due. These credits do not impact premium tax distributions to school districts; only General Revenue will be impacted.

Two of the provisions contained in the proposal will result in the majority of the fiscal impact. They include the following:

1. The proposal states rates cannot be higher than 125% of standard rates. The financial impact of this provision is assumed to be low to moderate. Rates are currently slightly above 150% of standard. This provision will make the program slightly more accessible for those with moderate incomes and, therefore, will reduce the premium income accordingly;
2. The proposal provides that the pool must establish a premium assistance program, subject to appropriations, for individuals with incomes less than the pool's eligibility limit or who jointly contribute to their premium with their employer. The financial impact of this provision is assumed to be moderate to high. It is difficult to project the fiscal impact, but it could be offset by requirements that employers contribute a premium share for the eligible employee, which is a new requirement. This could have a multi-million dollar impact but is totally dependent on the number of Missourians qualifying for the program.

The proposal will result in a decrease in total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE FUND			
<u>Loss - DIFP</u>			
Increase in premium tax credits	<u>(Unknown exceeding \$416,667)</u>	<u>(Unknown exceeding \$500,000)</u>	<u>(Unknown exceeding \$500,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown exceeding \$416,667)</u>	<u>(Unknown exceeding \$500,000)</u>	<u>(Unknown exceeding \$500,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal changes the laws regarding the Missouri High Risk Health Insurance Pool (MHIP).

A Missouri resident who has exhausted his or her maximum benefits from his or her health insurer or can only obtain health insurance from a carrier at a rate that is more expensive than the pool's eligibility rates will be eligible for coverage under the pool. Currently, after December 31, 2009, a person who has health insurance coverage through an insurer and has experienced a premium rate increase of 300% or more of the individual standard rates established by the MHIP Board is eligible to obtain coverage through the pool. The proposal removes this provision.

An individual who has had prior creditable coverage with a group, governmental, or church plan and is not eligible for certain Social Security or Title XIX benefits; does not have other health insurance coverage; and has exhausted continuation of coverage through COBRA will be eligible for coverage under the pool.

The board is required to offer health benefit plans that are in the best interest of the individuals covered under the pool including, but not limited to, coverage for dental, vision, and limited mandate plans or other flexible benefit plans and can establish a premium rate load to allow enrollees to buy down creditable coverage. An individual's premium rate for the pool must be based on the individual's family size. The proposal removes the lower limit requirement for pool coverage for applicants. Pool coverage rates cannot exceed 125% of those applicable to individual standard risks for individuals who have had prior creditable coverage with a group, governmental, or church plan; are not eligible for certain Social Security or Title XIX benefits; do not have other health insurance coverage; and have exhausted continuation of coverage through COBRA. Pool coverage rates cannot exceed 125% of rates applicable to individual standard risks for all others covered in the pool.

The pool must establish a premium assistance program, subject to appropriations, for individuals with incomes less than the pool's eligibility limit or who jointly contribute to their premium with their employer. The premium assistance will be based on a sliding income scale established by the pool along with any cost-sharing requirements, such as deductibles, co-payments, and co-insurance.

FISCAL DESCRIPTION (continued)

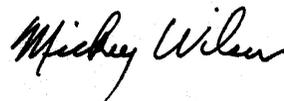
When implementing the provisions regarding the coverage for pool enrollees and provider payments, the board is required to make sure that the special needs of Missouri's Tier I Safety Net providers are not disproportionately impacted by its rules.

Insurance agents and brokers selling or renewing pool policies will receive a 5% commission.

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



Mickey Wilson, CPA
Director
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