

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3862-01
Bill No.: SB 715
Subject: State Employees; State Departments; Transportation Dept.; Retirement - Local Government; Conservation Dept.; Health Care; Highway Patrol; Insurance - Medical; Insurance Dept.
Type: Original
Date: March 1, 2010

Bill Summary: Reorganizes the state health care system.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Conservation Commission	(Could exceed \$2,350,000)	(Could exceed \$4,700,000)	(Could exceed \$4,700,000)
Road	(Unknown, up to \$13,361,621)	(Unknown, up to \$26,723,241)	(Unknown, up to \$26,723,241)
Total Estimated Net Effect on Other State Funds	(Could exceed \$15,711,621)	(Could exceed \$31,423,241)	(Could exceed \$31,423,241)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
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 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health and Senior Services, Department of Insurance, Financial Institutions and Professional Registration, Missouri Consolidated Health Care Plan, Missouri Senate, Office of State Treasurer, Cass County, St. Louis County, City of Centralia, City of Kansas City, Kansas City Metropolitan Community College, Missouri State University, and Truman State University** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Missouri House of Representatives (MHR)** assume expenses for House members on the Committee will be reimbursed by the Missouri Consolidated Health Care Plan and the proposal will have no fiscal impact on the MHR.

Officials from the **Department of Public Safety (DPS) - Director's Office** defer to the Missouri Consolidated Health Care Plan for response regarding the potential fiscal impact of this proposal on their organization.

Officials from the **DPS - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the potential fiscal impact of the proposed legislation on their organization.

Officials from the **Department of Social Services (DOS) - Division of Legal Services (DLS)** assume they will be able to comply with the provisions of this proposal using existing resources.

Officials from the **DOS - MO HealthNet Division, DOS - Information Technology Services Division, and DOS - Family Support Division** assume the proposal will have no fiscal impact on their organizations.

Officials at the **Missouri Department of Transportation (DOT)** assume the proposed legislation in SB 715 places the administration of medical benefits for MHTC/DOT employees in Missouri Consolidated Health Care Plan's (HCP) hands.

Currently the Missouri Highway Transportation Commission (MHTC) and the Patrol are paying a state contribution for medical coverage for its employees, retirees, Work-Related Disability (WRD) members, Long-Term Disability (LTD) members, and Survivors. The proposed legislation could increase the cost of the state contributions for the MHTC and the Patrol assuming the cost would be based on other state agencies contributions.

ASSUMPTION (continued)

For purposes of this legislation, the DOT assumes that the MHTC/Patrol would continue to cover the cost of the state contributions currently paid by other state agencies under HCP. Since the HCP's retiree rates are based on years of service, the DOT is assuming all retirees have 30 years of service, based on figures from the past ten fiscal years of the MoDOT and Patrol Employees' Retirement System (MPERS) annual report that states the average years of service for retirees is 29.67. In order to determine the closest equivalent benefit structure, the DOT compared the DOT/MHP Medical Plan benefit structure to HCP benefit structure. The PPO 300 Plan is the closest equivalent to the DOT/MHP Medical Plan.

Currently MHTC/Patrol contributes \$372/month towards an active employee Subscriber Only rate category, and \$980/month towards an active employee Subscriber/Family rate category. The HCP contributes \$451/month towards an active employee Subscriber Only rate category, and \$1236/month towards an active employee Subscriber/Family rate category. The other rate categories fall somewhere in between.

Also, MHTC/Patrol currently contributes \$236/month towards a retiree Subscriber Only rate category and \$558/month towards a retiree Subscriber/Family rate category. HCP contributes \$544/month towards a retiree Subscriber Only rate category and \$1,262/month towards a retiree Subscriber/Family rate category. The other rate categories fall somewhere in between.

The DOT/MHP Medical Plan membership count for December 2009 consisted of 14,283 subscribers, which included active, retirees, LTD, WRD, Vested, Survivors and COBRA members. Based on 2010 rates listed above, the MHTC/Patrol contributes \$6,849,429/month for the subscriber's premiums. Assuming the MHTC/Patrol will continue the contribution at the HCP rate, the MHTC/Patrol would contribute \$9,779,609/month for the subscriber's premiums, or an additional \$2,930,180 /month (annual total of \$35,162,160).

The Medical Plan consists of 76% DOT and 24% Patrol participants. Therefore, there would be a fiscal impact of \$26,723,241 ($\$35,162,160 \times 76\%$) due to DOT participation and \$8,438,918 ($\$35,162,160 \times 24\%$) due to Patrol participation.

For purposes of the legislation, the DOT is assuming the DOT/MSHP subscribers would pay the same premiums as other state employees under HCP and elect the HCP PPO 300 Plan.

Currently DOT/MHP active subscribers pay \$12/month towards an active employee Subscriber Only rate category, and \$187/month towards an active employee Subscriber/Family rate category. HCP subscribers pay \$46/month towards an active employee Subscriber Only rate category, and \$311/month towards an active employee Subscriber/Family rate category. The other rate

ASSUMPTION (continued)

categories fall somewhere in between. An active employee in the Subscriber Only category would see a \$34/month increase in premiums. An active employee in the Subscriber/Family category would see a \$124/month increase in premiums.

Also, DOT/MHP retirees pay \$148/month towards a retiree Subscriber Only rate category and \$609/month towards a retiree Subscriber/Family rate category. Since HCP's retiree rates are based on years of service, the DOT assumes that all retirees have 30 years of service, based on figures from the past ten fiscal years of the MPERS annual report that states the average years of service for retirees is 29.67. HCP retirees pay \$308/month towards a retiree Subscriber Only rate category and \$762/month towards a retiree Subscriber/Family rate category. The other rate categories fall somewhere in between. A retiree in the Subscriber Only category would see a \$160/month increase in premiums. A retiree in the Subscriber/Family category would see a \$153/month increase in premiums.

The DOT/MHP Medical Plan December 2009 membership consists of 14,283 subscribers, which included active, retirees, LTD, WRD, Vested, Survivors and COBRA members. Based on 2010 rates listed above, DOT/MHP Medical Plan subscribers pay \$2,159,828 month for their premiums. Assuming that DOT/MHP Medical Plan subscriber's premiums would be the HCP rate, the Plan's subscribers would pay \$3,109,043/month for their premiums, or an additional \$949,215/month (total annual increase of \$11,390,580).

Officials from the **Missouri Department of Conservation (MDC)** state if this proposed legislation requires the MDC to provide health insurance for employees and retirees through the Missouri Consolidated Health Care Plan (HCP), the fiscal impact would be greater than \$4.7 million annually based on current HCP Plan rates. However, this estimate could be significantly higher due to possible HCP Plan increases in employer premiums.

Officials from the **City of West Plains** assume the proposal will have an unknown negative impact on cities.

Oversight assumes the City of West Plains is in a different health care plan and will not have a fiscal impact as a result of this proposal.

Officials from the **Linn State Technical College** assume the proposal will have an unknown fiscal impact on their organization.

Officials from the **Missouri Southern State University (MSSU)** state that when the University Healthcare Consortium dissolved approximately six (6) years ago, it would have cost MSSU approximately \$500,000 more annually to become part of the state healthcare system as opposed

ASSUMPTION (continued)

to purchasing a contract in the open market. Without knowing the proposed consolidated healthcare plan rates, it is not possible to determine the exact financial impact to the University, but unless the rate structure has changed significantly, the financial impact would be detrimental.

Officials from the **Missouri Western State University** state it is uncertain whether a state negotiated rate would be more or less expensive than what is currently being paid.

Officials from the **University of Missouri (UM)** state to the extent that the 2010 premium rates of the Missouri Consolidated Health Care Plan can be used as a proxy for anticipated costs of coverage under this proposed legislation, enactment of the legislation would increase premium costs to the UM, its faculty, staff, and retirees, between \$55 million and \$62 million per year, based on current enrollment data.

For fiscal note purposes only, **Oversight** is ranging the costs from \$0 to (Unknown) for the potential change in health care premium costs to colleges and universities. Costs paid for by the colleges and universities will depend on funding approved by the Legislature.

No other officials from **Community Colleges/Universities, Hospitals, Cities, or Counties** responded to our request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (6 Mo.)	FY 2012	FY 2013
GENERAL REVENUE FUND			
<u>Costs - Universities</u>			
Health care costs	<u>\$0 to</u> (Unknown)	<u>\$0 to</u> (Unknown)	<u>\$0 to</u> (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 to</u> (Unknown)	<u>\$0 to</u> (Unknown)	<u>\$0 to</u> (Unknown)
CONSERVATION COMMISSION FUND			
<u>Costs - MDC</u>			
Increase in state share of health insurance premiums	<u>(Could exceed</u> <u>\$2,350,000)</u>	<u>(Could exceed</u> <u>\$4,700,000)</u>	<u>(Could exceed</u> <u>\$4,700,000)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Could exceed</u> <u>\$2,350,000)</u>	<u>(Could exceed</u> <u>\$4,700,000)</u>	<u>(Could exceed</u> <u>\$4,700,000)</u>
ROAD FUND			
<u>Costs - DOT</u>			
Increase in state share of health insurance premiums	<u>(Unknown, up</u> <u>to \$13,361,621)</u>	<u>(Unknown, up</u> <u>to \$26,723,241)</u>	<u>(Unknown, up</u> <u>to \$26,723,241)</u>
ESTIMATED NET EFFECT ON ROAD FUND	<u>(Unknown, up</u> <u>to \$13,361,621)</u>	<u>(Unknown, up</u> <u>to \$26,723,241)</u>	<u>(Unknown, up</u> <u>to \$26,723,241)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2011 (6 Mo.)	FY 2012	FY 2013
	<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 provides that on January 1, 2011, the health care programs of all state employees, including the department of conservation and transportation, University of Missouri employees and state-supported colleges and universities be assimilated into the Missouri Consolidated Health Care Plan (HCP).

After July 1, 2011, the Board of Trustees of HCP shall investigate coordinating and purchasing health care benefit plans for employees and dependents of community colleges as well as investigate the lack of availability of health insurance coverage and the issues associated with the uninsured population of this state.

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
Department of Health and Senior Services
Department of Social Services
Missouri Department of Transportation
Department of Public Safety -
 Director's Office
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Missouri House of Representatives
Missouri Senate
Office of State Treasurer
University of Missouri
Missouri Southern State University
Missouri Western State University
Linn State Technical College
Kansas City Metropolitan Community College
Missouri State University
Truman State University

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SOURCES OF INFORMATION (continued)

Cass County
St. Louis County
City of Centralia
City of Kansas City
City of West Plains



Mickey Wilson, CPA
Director
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