

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4284-01
Bill No.: HB 1570
Subject: Health Care; Insurance Dept.
Type: Original
Date: February 26, 2010

Bill Summary: Makes necessary changes to comply with the federal Health insurance Portability and Accountability Act.

FISCAL SUMMARY

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Road	(Unknown greater than \$83,333)	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown greater than \$83,333)	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 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 **Missouri Consolidated Health Care Plan, Department of Insurance, Financial Institutions, and Professional Registration, 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 potential fiscal impact of this proposal on their organization.

Officials from the **Missouri Department of Transportation (DOT)** state section 376.397 has the potential to fiscally impact the DOT/Patrol Medical Plan (Plan). The term “insurer” is not defined. According to DOT’s legal counsel, the definition used for “group policy” would not include the Plan, but if the Plan had to comply under the term “insurer”, continued coverage would have to be granted to employees and their dependents. The Plan would have to cover either \$250,000 in benefits, or 80% of medical expenses until \$100,000 is reached, and then 100% of covered expenses.

Section 376.426 changes “effective” to “enrollment”. This serves to lengthen the time by which a claim can be made. This makes it so the individual must have just enrolled, as opposed to whenever the policy became effective for the individual. This potentially opens the door for more claims to be made as there is a longer period for which an individual can make a claim.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
ROAD FUND			
<u>Costs - DOT</u>			
Increase in medical plan costs	<u>(Unknown greater than \$83,333)</u>	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>
ESTIMATED NET EFFECT ON ROAD FUND	<u>(Unknown greater than \$83,333)</u>	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>

FISCAL IMPACT - Local Government

FY 2011
(10 Mo.)

FY 2012

FY 2013

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Some of the changes may impact small business that provide health insurance coverage for their employees.

FISCAL DESCRIPTION

This proposal changes the laws regarding health insurance to comply with the federal Health Insurance Portability and Accountability Act (HIPAA).

GROUP HEALTH INSURANCE POLICIES

Currently, an insurer can refuse to renew a converted group policy health benefit plan if the covered individual qualifies for services covered by any state or federal law. The proposal removes this provision making it unlawful for a health insurer to refuse to renew a converted policy for these individuals.

Currently, when an employee retires prior to being eligible for Medicare benefits, the retiree's converted employer group health benefit plan can be reduced or terminated by the insurer when the retiree becomes eligible for Medicare. The proposal removes this provision.

The provision is repealed which allows health insurers the ability to exclude or limit coverage on group health benefit policies issued to certain groups with less than 10 members in the group including employers and employees, creditors and debtors, and labor unions and members. The proposal also removes the provision which allows health insurers to exclude or limit coverage for group health benefit plan recipients when the recipient cannot prove satisfactory insurability to the insurer. Health insurers will be required to comply with HIPAA regulations regarding reduced-rate premiums or deductibles on policies for employees who do not smoke or use tobacco products.

Currently, group health insurance policies must specify any exclusions and limitations to the policy regarding a disease or physical condition that an individual was treated for during the 12 months prior to the effective date of the coverage. The proposal limits the exclusions and limitations to the prior six months before the enrollment date of the coverage. Exclusions and limitations cannot apply to a loss or disability that occurred 12 months after the enrollment date

FISCAL DESCRIPTION (continued)

or, in the case of a late enrollee, 18 months from the enrollment date. Proof that a dependent child is incapable of maintaining employment due to a mental or physical handicap and is dependent upon the policy holder for support and maintenance must be submitted to the health insurer within 31 days, instead of the current at least 31 days, after the dependent child has attained the age when coverage is to be terminated.

MISSOURI HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT

The State Children's Health Insurance Program (SCHIP) is added to the list of credible coverages for individuals under the Missouri Health Insurance Portability and Accountability Act, and the definition for "waiting period" as it relates to the proposal is revised to be the time period that must pass before coverage for an employee or dependent who is otherwise eligible to enroll in a group health plan can become effective. Any time period before late or special enrollment is not considered a waiting period for late or special enrollees. A waiting period begins on the date an individual submits a substantially complete application for coverage and ends on the date coverage begins or when the application is denied or lapses.

Health insurance issuers offering group coverage will be required to provide a special enrollment period for a dependent in the case of a placement for adoption for an employee or an employee's dependent who loses health insurance coverage previously provided by Medicaid or SCHIP and requests coverage within 60 days of becoming eligible for the group plan.

EMPLOYER REQUIREMENTS FOR HEALTH REIMBURSEMENT ARRANGEMENT ONLY PLANS

The Director of the Department of Insurance, Financial Institutions and Professional Registration is authorized to allow employees to use funds from one or more employer health reimbursement arrangement (HRA) only plans to help pay for individual health insurance coverage. HRAs are employer-provided employee benefit plans that establish an account or trust which is funded solely by the employer and not through a salary reduction or under a cafeteria plan to reimburse the employee for qualified medical expenses incurred by the employee and his or her spouse and dependents. The HRAs establish a maximum defined coverage amount for a defined coverage period and carry forward any unused funds at the end of the coverage period to subsequent coverage periods.

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



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Director
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