

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0087-01
Bill No.: SB 44
Subject: Insurance - Medical; Insurance Dept.
Type: Original
Date: January 24, 2011

Bill Summary: Requires health carriers to devote a certain percentage of health insurance premiums to be used for the payment of health care services.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	\$0 or (Unknown up to \$50,000)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0 or (Unknown up to \$50,000)	\$0 or (Unknown)	\$0 or (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* \$0 or Unknown reimbursements and costs net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Consolidated Health Care Plan** assume the proposal would have no fiscal impact on their agency.

Officials from the **Missouri Department of Conservation (MDC)** state the proposed legislation would appear to have no fiscal impact on MDC funds.

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 this proposal on their organization.

Officials from the **Missouri Department of Transportation (MoDOT)** state while the MoDOT/MSHP Plan would not fall under the health carrier definition, there may be an argument that the Plan would still be required to comply with the bill's requirements pursuant to Section 104.801 RSMo, which states that any legislation enacted by the general assembly which mandates the coverage of specific health benefits, services, or providers in the policies or contracts of insurers, health services corporations, HMOs, or other third party payors on or after January 1, 1991, shall also apply to the health benefit plans of the Missouri state employees' retirement system, the Missouri state transportation department retirement system, and any other health benefit plan provided by the state on behalf of its employees.

There will not be a fiscal impact to the MHTC (Missouri Highway Transportation Commission); however, there would be a financial impact to the Plan. The impact cannot be determined; however, it would be less than \$100,000 annually. The fiscal impact would consist of the cost of the audit performed each year if the Plan was selected from the ten percent of health carriers.

Oversight assumes due to the uncertainty of the MoDOT/MSHP Plan being selected for an audit, that the MoDOT will not incur significant costs related to this proposal.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state the DIFP will be required to audit 10% of health carriers each year. The department believes it can do so under existing appropriation levels. However, should the extent of the audits require more work than anticipated, the DIFP would request additional expense and equipment appropriations through the budget process.

ASSUMPTION (continued)

Officials from the **Department of Social Services (DSS)** state this legislation does not revise Chapter 208, RSMo. Therefore, it does not affect MO HealthNet eligibility or benefits.

This legislation does revise Chapter 376, RSMo. The MO HealthNet Division (MHD) assumes that since there is no specific exemption for contracts with the state, the legislation will pertain to HMOs that contract with the state to provide health benefits to MO HealthNet Managed Care participants.

Currently, HMO contracts with the state have a certain percentage built in to the capitated rate that may be used for administrative services versus health expenditures. This percentage is based on actuarial soundness. In addition, HMOs already report the data required in the proposal to the National Association of Insurance Commissioners and undergo periodic audits. However, it is not known if the requirements of this proposal would exceed what the HMOs are already doing. It is also not known if there will be any increase in their cost of doing business.

If this legislation passes and these requirements do result in an increase in the cost of doing business, then these costs may be passed on to the MHD. The MHD may incur additional costs for an actuarial analysis to determine if capitated rates should be adjusted for the additional costs incurred by the HMO.

If an actuarial analysis is needed, it will occur in the first year and is a one-time cost. The cost of the analysis will depend on the complexity of the changes that may need to be made. This cost is unknown but may be as high as \$100,000. Since this is an administrative cost, there will be a 50% federal match rate.

If the cost of doing business for the HMOs is increased and the MHD's current rates don't support those costs, the actuary may require an increase in capitated rates to ensure actuarial soundness.

If this occurs the cost to the MHD is unknown. These additional costs would occur in the second and third years.

FY12: Total cost is unknown < \$100,000 (GR unknown < \$50,000)

FY13: Total cost is unknown

FY14: Total cost is unknown

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
<u>Costs - DSS</u>			
Increase in program expenditures	<u>\$0 or (Unknown up to \$50,000)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 or (Unknown up to \$50,000)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
FEDERAL FUNDS			
<u>Income - DSS</u>			
Increase in program reimbursements	\$0 or Unknown up to \$50,000	\$0 or Unknown	\$0 or Unknown
<u>Costs - DSS</u>			
Increase in program costs	<u>\$0 or (Unknown up to \$50,000)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<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 requires all health carriers providing health insurance coverage for at least 50,000 people to expend at least 90% of their total annual Missouri-associated revenues on health care services in any given calendar year (non-health expenditures must not exceed 10% of their

FISCAL DESCRIPTION (continued)

Missouri-associated revenue). This percentage is known as the Missouri care share under the proposal. The proposal also requires health carriers insuring at least 25,000 persons but less than 50,000 persons to expend at least 85% of their total annual Missouri-associated revenues on health care services in any given calendar year.

The proposal requires the director to audit the books and records of a random sample of 10% of health carriers that have more than 25,000 persons insured under health benefit plans. The director may appoint an independent auditor to conduct the audit and shall assess each health carrier a fee to pay the reasonable costs of such audit.

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 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

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Director
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