

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0742-01  
Bill No.: HB 262  
Subject: Insurance - Medical; Interstate Cooperation  
Type: Original  
Date: February 15, 2011

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Bill Summary: Establishes the Foreign Health Insurance Purchase Act which allows Missouri residents to purchase or enroll in a health insurance policy or health benefit plan that is licensed in certain other states.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	(Up to \$23,333,333)	(Up to \$28,000,000)	(Up to \$28,000,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Up to \$23,333,333)</b>	<b>(Up to \$28,000,000)</b>	<b>(Up to \$28,000,000)</b>

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

\*Savings and losses up to \$28,000,000 net to \$0.

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

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Local Government</b>	<b>(Up to \$23,333,333)</b>	<b>(Up to \$28,000,000)</b>	<b>(Up to \$28,000,000)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Missouri Consolidated Health Care Plan, Department of Revenue, and State Tax Commission** assume the proposal would have no fiscal impact on their organizations.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state this proposed legislation would exempt certain foreign insurers (namely those health insurers licensed in Illinois, Arkansas, Kansas, Kentucky, Nebraska, Oklahoma, Tennessee and Iowa) selling health insurance in this state, under certain criteria, from compliance with any provision of chapter 375 or 376, RSMo ( Missouri Insurance laws). These chapters include, among other things, requirements to obtain a certificate of authority from the department in order to transact the business of insurance, the unfair claims settlement practices act, the unfair trade practices act for insurance and requirements for health insurance policies.

Consumers purchasing coverage from an exempted foreign insurance company would not be afforded:

- (1) financial protection of the state's life and health guaranty association in the event the insurance company became insolvent;
- (2) assistance of this department's consumer services representatives;
- (3) protection afforded by this department's review of policy forms to make sure that the policies have required provisions; and
- (4) Missouri mandated insurance coverage may not be enforced.

Instead, Missouri consumers would not have any source for the payment of claims in the event the insurance company becomes insolvent and for other consumer protections. Missouri consumers would be totally reliant on the oversight provided by the insurance department of another state. The insurance department of another state may not be willing or have sufficient resources to deal with complaints or questions from consumers from another state. The insurance coverage mandates in the eight surrounding states in the bill may not mirror Missouri's mandated coverage, leaving Missouri consumers with varying policy protections. Listed below are examples of differences in mandated coverage:

<u>Benefit:</u>	<u>Covered in:</u>	<u>Not covered in:</u>
Alcoholism	MO	IA and OK
Autism	MO	AR, NE, OK
Bone Marrow Transplant	MO	AR, IA, IL, KS, NE, OK
Cervical Cancer Screening	MO	AR, IA, KY, NE
Drug Abuse Treatment	MO	IA, IL, KY, NE, OK
Mastectomy Min Stay	MO	IA, KY, NE
Prostate Cancer Screening	MO	IA, KY, NE
Well Child Care	MO	IL, KY, TN

ASSUMPTION (continued)

In addition, this bill would involve a loss of premium tax revenue because of difficulties in getting an insurance company which does not have, and is not required to have, a certificate of authority to make a premium tax return or pay premium taxes. Due to the exemption granted, insurers licensed in the eight foreign states, and based on the total premium tax received on health insurance, the estimated loss of Premium Tax is unknown, but estimated to be as high as \$56 million (the premium amount collected in CY08).

Premium tax revenue is split 50/50 between GR and the County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal officer of the insurer is located. It is unknown how each of these funds may be impacted.

Finally, Missouri could potentially lose insurance company licensure fees as companies in surrounding states would no longer need to be licensed to do business in Missouri. At this time, the loss to the Insurance Dedicated Fund is unknown.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>GENERAL REVENUE FUND</b>			
<u>Loss - DIFP</u>			
Reduction in premium taxes collected	<u>(Up to \$23,333,333)</u>	<u>(Up to \$28,000,000)</u>	<u>(Up to \$28,000,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Up to \$23,333,333)</u></b>	<b><u>(Up to \$28,000,000)</u></b>	<b><u>(Up to \$28,000,000)</u></b>
<b>INSURANCE DEDICATED FUND</b>			
<u>Loss - DIFP</u>			
Reduction in licensure fees	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>COUNTY FOREIGN/COUNTY STOCK FUND</b>			
<u>Savings - DIFP</u>			
Reduction in premium taxes transferred to schools	Up to \$23,333,333	Up to \$28,000,000	Up to \$28,000,000
<u>Loss - DIFP</u>			
Reduction in premium taxes collected	(Up to \$23,333,333)	(Up to \$28,000,000)	(Up to \$28,000,000)
<b>ESTIMATED NET EFFECT ON COUNTY STOCK/FOREIGN STOCK FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>SCHOOL DISTRICTS</b>			
<u>Loss - School Districts</u>			
Reduction in premium taxes distributed to county treasurers	(Up to \$23,333,333)	(Up to \$28,000,000)	(Up to \$28,000,000)
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<b><u>(Up to \$23,333,333)</u></b>	<b><u>(Up to \$28,000,000)</u></b>	<b><u>(Up to \$28,000,000)</u></b>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact on small business insurance companies selling health insurance policies.

FISCAL DESCRIPTION

This proposal establishes the Foreign Health Insurance Purchase Act which changes the laws regarding health insurance benefit plans purchased outside Missouri. The proposal allows a Missouri resident to purchase or enroll in a health insurance policy or health benefit plan from a health carrier that is licensed to sell health insurance in the state of Illinois, Arkansas, Kansas, Nebraska, Kentucky, Oklahoma, Tennessee, or Iowa even if the health carrier is not licensed or in compliance with Missouri state laws, commonly known as foreign insurers. A foreign insurer can be exempt from holding a license or certificate of authority, if it: (1) Offers, sells, or

FISCAL DESCRIPTION (continued)

renews a health benefit plan in Missouri that complies with all of the health plan requirements of the state in which it is domiciled; (2) Is authorized to issue the plan in the state where it is domiciled and to transact business there; and (3) Maintains a process to resolve disputes between it and a Missouri resident regarding the health insurance policy or health benefit plan.

A health benefit plan or health insurance policy offered, sold, or renewed in this state by a foreign insurer that qualifies for exemption will not be subject to the requirements of Missouri's insurance laws; however, the health carrier will be subject to regulation by the Director of the Department of Insurance, Financial Institutions and Professional Registration regarding the enforcement of the contractual benefits under the policy or plan.

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 Revenue  
Missouri Consolidated Health Care Plan  
State Tax Commission



Mickey Wilson, CPA  
Director  
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