

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0760-02  
Bill No.: SB 98  
Subject: Insurance - Medical; Health Care Professionals  
Type: Original  
Date: January 28, 2011

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Bill Summary: Prohibits agreements between health carriers and health care providers from containing Most Favored Nation Clauses.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>       |                                     |  |  |
|---|-------------------------------------|--|--|
| FUND AFFECTED   | FY 2012                             | FY 2013                                | FY 2014                                |
| General Revenue   | (Unknown less than \$50,000)        | (Unknown greater than \$36,710)        | (Unknown greater than \$36,710)        |
|   |                                     |  |  |
| <b>Total Estimated Net Effect on General Revenue Fund</b> | <b>(Unknown less than \$50,000)</b> | <b>(Unknown greater than \$36,710)</b> | <b>(Unknown greater than \$36,710)</b> |

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

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> |
| Federal Funds*  | \$0            | \$0            | \$0            |
|   |                |                |                |
| <b>Total Estimated Net Effect on <u>All</u> Federal Funds</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

\* Income and expenditures unknown greater than \$60,000 and net to \$0.

| <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>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration, Department of Health and Senior Services, Missouri Consolidated Health Care Plan, Missouri Department of Transportation** and **Missouri Department of Conservation** assume the proposal would have no fiscal impact on their agencies.

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 **Department of Social Services (DSS)** state Section 376.444, Any Willing Provider, will have the following fiscal impact on the DSS:

This legislation does not revise Chapter 208, RSMo, and therefore, does not affect MO HealthNet eligibility or benefits.

This legislation does revise Chapter 376, RSMo. The MO HealthNet Division (MHD) assumes 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.

This legislation affects the make-up of the HMO networks and also reduces the ability of the HMOs to negotiate contract terms. The cost impact will be incurred during the bidding process and when contracts are renewed. The first year cost is for an actuarial study to determine if any change is needed in the capitated rates to ensure actuarial soundness as required by the Centers for Medicare and Medicaid Services. The cost of the actuarial study depends on the complexity of the analysis and could be up to \$100,000. While it is not known how much additional cost would occur in the second and third years, an increase of only \$0.06 per Managed Care participant per month would result in an annual fiscal impact of \$321,799 (\$118,132 GR), ((446,943 participants x \$0.06) x 12 months).

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

FY13: Total cost is unknown > \$100,000 (GR unknown > \$36,710);

FY14: Total cost is unknown > \$100,000 (GR unknown > \$36,710).

| <u>FISCAL IMPACT - State Government</u>             | FY 2012<br>(10 Mo.)                        | FY 2013                                       | FY 2014                                       |
|---|--|---|---|
| <b>GENERAL REVENUE FUND</b>                         |  |   |   |
| <u>Cost - DSS</u>                                   |  |   |   |
| Increase in program costs (§376.444)                | <u>(Unknown less than \$50,000)</u>        | <u>(Unknown greater than \$36,710)</u>        | <u>(Unknown greater than \$36,710)</u>        |
| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b> | <b><u>(Unknown less than \$50,000)</u></b> | <b><u>(Unknown greater than \$36,710)</u></b> | <b><u>(Unknown greater than \$36,710)</u></b> |
| <b>FEDERAL FUNDS</b>                                |  |   |   |
| <u>Income - DSS</u>                                 |  |   |   |
| Increase in program reimbursements                  | Unknown less than \$50,000                 | Unknown greater than \$63,290                 | Unknown greater than \$63,290                 |
| <u>Costs - DSS</u>                                  |  |   |   |
| Increase in program costs (§376.444)                | <u>(Unknown less than \$50,000)</u>        | <u>(Unknown greater than \$63,290)</u>        | <u>(Unknown greater than \$63,290)</u>        |
| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>        | <b><u>\$0</u></b>                          | <b><u>\$0</u></b>                             | <b><u>\$0</u></b>                             |
| <br>  |  |   |   |
| <u>FISCAL IMPACT - Local Government</u>             | FY 2012<br>(10 Mo.)                        | FY 2013                                       | FY 2014                                       |
|   | <b><u>\$0</u></b>                          | <b><u>\$0</u></b>                             | <b><u>\$0</u></b>                             |

FISCAL IMPACT - Small Business

The proposal may impact small businesses that provide insurance coverage for their employees if HMOs or health insurers adjust premiums as a result of this bill.

### FISCAL DESCRIPTION

This proposal prohibits any agreement between a health carrier and a participating licensed health care provider from containing a provision which: (1) Prohibits a provider from contracting with another health carrier to provide health care services at a lower price than the payment specified in the agreement; (2) Requires the provider to accept a lower reimbursement from the carrier in the event the provider agrees to provide health care services to another health carrier at a lower price; (3) Requires or allows the health carrier to terminate or renegotiate an existing agreement if the participating provider agrees to provide health care services to another health carrier at a lower price; or (4) Requires the participating provider to disclose his or her reimbursement rates with other health providers.

A violation of any of these provisions will make an agreement void and unenforceable.

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



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Director

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