

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1112-02
Bill No.: HB 666
Subject: Insurance - Medical; State Employees; Health Care; Boards, Commissions, Committees, Councils
Type: Original
Date: March 15, 2011

Bill Summary: Requires bariatric surgery to become a covered benefit under the Missouri Consolidated Health Care Plan.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	\$0	(\$240,667)	(\$507,498)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$240,667)	(\$507,498)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Other	\$0	(\$51,922)	(\$109,489)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(\$51,922)	(\$109,489)

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	(\$94,025)	(\$198,271)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	(\$94,025)	(\$198,271)

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 **Department of Insurance, Financial Institutions, and Professional Registration** and **Missouri Department of Transportation** 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 **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** state the MCHCP Board of Trustees eliminated bariatric surgery benefits effective Jan. 1, 2011 to provide short-term assistance to the state's challenging budget situation.

During the 37-month period of November, 2007 - December, 2010 when bariatric surgery was a covered benefit through the MCHCP, 94 members took advantage of the benefit. The allowed amount of each procedure, on average, was \$18,824.

Assuming 2.5 members per month have the procedure (30 procedures per calendar year) and also assuming an 11% trend; allowed amounts for this procedure, on average would be \$772,329 for CY 13; \$857,285 for CY 14; \$951,586 for CY 15. The MCHCP will need additional appropriations each year in the previously stated amounts until the procedure recoupment can be achieved.

Based on MCHCP experience, and assuming members who have a bariatric procedure remain covered by the plan, the MCHCP estimates that by 39 months post-procedure, member claim reductions will match procedure claim costs, thereby negating the cost of the procedure.

Members that do not remain covered by the plan keep MCHCP from re-cooping any potential savings. The data used in the analysis is based on 94 members' experience which is not a

ASSUMPTION (continued)

statistically significant population. Members experiencing complications or negative outcomes due to the procedure would lengthen the break-even point making cost-neutrality difficult to achieve as each member's experience is different.

Oversight is presenting the additional appropriations the MCHCP will need for the period of this fiscal note. **Oversight** notes the provisions of this proposal are to become effective no later than January 1, 2013. Therefore, the proposal will have no cost for FY 12, 6 months of costs for FY 13 and a full year of costs for FY 14 (6 months of FY 13 costs plus 6 months of FY 14 costs). The MCHCP will continue to experience an increase in costs through FY 15 and will not begin procedure recoupment until FY 16, both of which are outside the period of this fiscal note.

Officials from the **Missouri Department of Conservation** did not respond to **Oversight's** request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
<u>Costs - MCHCP</u>			
Increase in medical costs for bariatric procedures prior to procedure recoupment	\$0	(\$240,667)	(\$507,498)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$240,667)</u>	<u>(\$507,498)</u>
OTHER STATE FUNDS			
<u>Costs - MCHCP</u>			
Increase in medical costs for bariatric procedures prior to procedure recoupment	<u>\$0</u>	<u>(\$51,922)</u>	<u>(\$109,489)</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>\$0</u>	<u>(\$51,922)</u>	<u>(\$109,489)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
FEDERAL FUNDS			
<u>Costs - MCHCP</u>			
Increase in medical costs for bariatric procedures prior to procedure recoupment	<u>\$0</u>	<u>(\$94,025)</u>	<u>(\$198,271)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>(\$94,025)</u>	<u>(\$198,271)</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 the Missouri Consolidated Health Care Plan Board of Trustees to develop a cost-neutral or cost-positive plan by January 1, 2013, to provide bariatric coverage for individuals under the 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
Missouri Department of Transportation
Department of Public Safety -
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Office of Secretary of State

NOT RESPONDING: Missouri Department of Conservation



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Director
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