

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5716-01
Bill No.: HB 1711
Subject: Insurance - Medical; Insurance Dept.
Type: Original
Date: February 27, 2012

Bill Summary: This proposal changes the laws regarding health insurance premium rate reviews by the Department of Insurance, Financial Institutions and Professional Registration.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Insurance Dedicated	(\$368,968)	(\$350,017)	(\$354,621)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$368,968)	(\$350,017)	(\$354,621)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Insurance Dedicated	5	5	5
Total Estimated Net Effect on FTE	5	5	5

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 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Department of Transportation, Missouri Consolidated Health Care Plan** and **Missouri Department of Conservation** assume the proposal would have no fiscal impact on their agency.

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 Insurance, Financial Institutions, and Professional Registration (DIFP)** state the proposal requires independent rate filings any time rates change for an existing policy form, including each separate rider/amendment. The proposal applies to all forms of health insurance, not just major medical. In 2009 (the most recent data available), 440 companies reported some kind of health insurance activity (including 15 non-Medicaid HMOs). Other states that the DIFP has contacted regarding rate review have indicated that rates could be changed and rate filings received up to quarterly per company. Therefore, 440 companies x \$50 filing fee x 4 = \$88,000.

Due to the turn-around time prescribed in the proposal, the DIFP will need at least 1 Actuary and 3 Insurance Product Analyst FTE for policy review, and review of rates for actuarial soundness. The department will need 1 Legal Counsel FTE to oversee the public hearing requirements in the proposal.

The DIFP will require contract computer programming to add the new website requirements. The DIFP anticipates that this can be done under existing appropriations. However, should the programming be greater than anticipated or require additional updates, the DIFP may need to request more expense and equipment appropriation through the budget process.

Oversight notes the proposal has an emergency clause and has adjusted DIFP's FY 13 costs to 12 months for 5 FTE.

<u>FISCAL IMPACT - State Government</u>	FY 2013	FY 2014	FY 2015
INSURANCE DEDICATED FUND			
<u>Income - DIFP</u>			
Form filing fees	\$88,000	\$88,000	\$88,000
<u>Costs - DIFP</u>			
Personal service (5 FTE)	(\$277,904)	(\$280,383)	(\$283,490)
Fringe benefits	(\$141,731)	(\$142,306)	(\$143,729)
Equipment and expense	<u>(\$37,333)</u>	<u>(\$15,028)</u>	<u>(\$15,402)</u>
Total <u>Costs</u> - DIFP	(\$456,968)	(\$437,717)	(\$442,621)
FTE Change - DIFP	5 FTE	5 FTE	5 FTE
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$368,968)</u>	<u>(\$350,017)</u>	<u>(\$354,621)</u>
Estimated Net FTE Change for Insurance Dedicated Fund	5 FTE	5 FTE	5 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2013	FY 2014	FY 2015
	<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

Beginning July 1, 2012, every health carrier that issues a health benefit plan form must file its premium rates, classification of risks relevant to the form, and sufficient information to support the premium to be charged to an enrollee or policyholder with the Director of the Department of Insurance, Financial Institutions and Professional Registration no later than 60 days prior to the premium effective date. Plan forms, rate filings, and supporting information will be public

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DESCRIPTION (continued)

records and posted on the department's website. Each rate filing must include the product form number and the approval date of the form to which the form applies, an actuarial justification, and information sufficient to support the rate including explanations that can be validated by a qualified member of the American Academy of Actuaries (MAAA). A rate filing from a health carrier must be submitted by a MAAA qualified actuary that certifies by a conclusive statement and supporting documentation that the rates are not excessive, inadequate, or unfairly discriminatory.

All health benefit plan premium rates must consider and be in accordance with past and prospective losses, current and projected loss ratios, past and prospective expenses, health services utilization trend projections, current and projected per enrollee per month premium allocations, three year rate increase history, and adequacy of contingency reserves. Any risk classification, premium rates, and all modifications cannot establish an excessive, inadequate, or unfairly discriminatory rate. An excessive rate is a rate that is unreasonably high for the insurance coverage provided and an inadequate rate is a rate that is unreasonably low for the insurance coverage provided and is insufficient to sustain projected losses and expenses. A rate that is unfairly discriminatory is an unfair trade practice. The department director must review the proposed health premium rates including the submitted information and determine if the rates are excessive, inadequate, or unfairly discriminatory within 30 days from the date of the rate filing.

When a health carrier files a significant rate increase for approval by the department, the carrier must notify in writing all affected enrollees and policyholders of the proposed rate increase. Within 10 days of receipt of a significant rate increase filing, the department director must set a date for a public hearing which must be held within 30 days after the department receives the filing to discuss the rate increase and to allow public testimony from proponents and opponents of the rate increase. The department director must consider the public testimony when determining whether to approve or disapprove the rate increase and decide whether to approve the rate within 20 days of the hearing. A health carrier can appeal a decision of the department director to prohibit the proposed rate as specified in the administrative rule process. A health carrier must notify all enrollees and policyholders in writing within 10 days of the department director's determination on a premium rate increase. A policyholder or enrollee can appeal the department director's determination of a proposed premium rate increase through the administrative hearing process if the policyholder or enrollee pays all or a majority of the health insurance premium and the proposed rate increase is 8% or more for the same coverage or 20% or more for expanded coverage. A policyholder or enrollee is limited to one appeal for or during the new policy period.

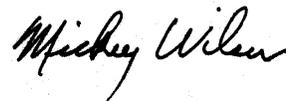
DESCRIPTION (continued)

The bill contains an emergency clause.

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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