

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1383-12  
Bill No.: Truly Agreed To and Finally Passed CCS for HCS for SS for SB 262  
Subject: Insurance - Medical  
Type: Original  
Date: June 10, 2013

Bill Summary: This proposal changes the laws regarding health insurance.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	Could exceed \$1,520,000	Could exceed \$15,713,832	Could exceed \$17,213,832
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>Could exceed \$1,520,000</b>	<b>Could exceed \$15,713,832</b>	<b>Could exceed \$17,213,832</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
County Foreign Insurance*	\$0	\$0	\$0
County Stock*	\$0	\$0	\$0
Insurance Dedicated	(Up to \$245,662)	(\$261,283)	(\$264,144)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Up to \$245,662)</b>	<b>(\$261,283)</b>	<b>(\$264,144)</b>

\* Savings and Losses net to \$0.

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 13 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</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 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Insurance Dedicated	5 FTE	5 FTE	5 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>5 FTE</b>	<b>5 FTE</b>	<b>5 FTE</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 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Local Government</b>	<b>(Unknown, up to \$1,300,000)</b>	<b>(Unknown, up to \$1,300,000)</b>	<b>(Unknown, up to \$1,300,000)</b>

## FISCAL ANALYSIS

### ASSUMPTIONS

#### Section 338.321:

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** state that this section establishes the Missouri Oral Chemotherapy Parity Interim Committee to study the disparity in patient co-payments between oral and intravenous chemotherapy.

The department believes the provisions of this section can be handled within our current appropriations; however, should the cost be more than anticipated, the department would request an increase to our appropriations through the budget process.

#### Sections 354.410 - 354.430:

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** provide the following assumptions:

The legislation allows HMO to have coinsurance and deductibles. HMO plans have historically not been allowed to use coinsurance and deductibles in Missouri. Since HMOs do not pay premium tax (HMOs pay income tax), some of the Missouri's current 411 PPO plans could establish HMO plans and cease writing under the PPO. Of the 411 plans, 214 primarily write individual policies and could have incentive to move the business from the PPO to the HMO model. Of the 214, 60 have premiums in excess of \$2 million and are estimated to be the most likely to move their business.

A reduction of premium tax revenues up to \$2.6 million dollars as a result of the PPOs to HMOs change is possible. It is unknown how much in income taxes the newly established HMOs would pay; therefore the department cannot estimate the gain in income tax general revenue vs. the loss of premium tax general revenue. A reduction of up to \$1.3 million to the County Foreign Insurance Fund may occur as premium tax is split 50/50 between General Revenue and County Foreign Insurance Fund.

If 10 or more of the PPOs establish new Missouri domestic HMOs, the department would require one (1.00) Insurance Financial Analyst FTE to complete the ongoing financial analysis that would be needed to meet accreditation standards established by the National Association of Insurance Commissioners (NAIC), which requires analysis to be completed within certain time frames, generally 60-90 days from receipt. Many insurers prefer to establish HMOs specific to a state because state laws can vary considerably with regard to health insurance from a market

ASSUMPTIONS (continued)

conduct perspective. Analysts are currently assigned 8-9 companies each. There are some different requirements for HMOs, but all companies must follow statutory accounting practices. Should workload be greater than anticipated the department would request additional appropriation and/or FTE through the budget process.

In addition, under Missouri law, HMOs are subject to network adequacy requirements. The department must ensure that consumers have adequate access to all types of providers and specialists within that network arrangement. Depending upon the workload the department may need at least one (1.00) Planner II FTE to perform the additional network adequacy reviews for HMOs.

Section 376.325:

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** assume this section requires health carriers to accept any qualified willing provider under certain conditions. This will create no fiscal impact to their department.

Sections 376.405 - 376.777 and 376.1363:

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** provide the following assumptions:

This proposal would institute a review deadline of 45 days for health policy forms and modify the department's duties and ability to ensure compliance with state law, if a noncompliant provision is identified after this time period. For example, if a provision excluding a state mandated benefit were not caught during the department's initial review, this legislation would prohibit the department from directing the health carrier to make consumer or provider restitution for those unpaid benefits, or to pay fines based on that behavior. The department will have to focus greater resources to the front end review of policy forms to ensure all potential compliance issues are identified and addressed.

Reducing the review time and modifying the department's duties and enforcement authority will require additional staffing to ensure policies are in compliance with state statutes and regulations. A minimum of three additional FTEs are needed to ensure compliance before the policies are deemed approved - two (2.00) Insurance Product Analysts II FTEs will be needed to review group health policy filings and one (1.00) Insurance Product Analyst II will be needed to review individual health policy filings. If the filing workload is greater than anticipated, additional appropriation and FTE will be requested through the budget process.

ASSUMPTIONS (continued)

Sections 376.961 - 376.973 - MO Health Insurance Pool:

Officials from the **DIFP** state this legislation would phase out the Missouri Health Insurance Pool (MHIP). MHIP is a non-profit organization, created by state statute, which provides medical and drug coverage to Missourians who cannot get insurance in the standard market because of health conditions, exhaustion of COBRA benefits, or other lack of availability. MHIP assesses all health insurers in the state the difference between premiums collected and actual pool costs. Insurers are then allowed a tax credit for this assessment. The credit is taken against General Revenue. Since this legislation would phase out MHIP the assessments would phase out as well. The fiscal impact is dependent upon when the final assessment would be; the department estimates a fiscal impact savings of up to \$3,000,000 in FY14, up to \$17,013,832 in FY15 and \$18,513,832 in FY16.

Section 376.1192 - Actuarial analyses:

Officials from the **Oversight Division** note this proposal provides that the Committee on Legislative Research, Oversight Division shall perform an actuarial analysis of the cost impact to: 1) health carriers, 2) insureds with a health benefit plan, and 3) other private and public payers if state mandates were enacted to provide health benefit plan coverage for 1) orally administered anti-cancer medications and 2) the diagnosis and treatment of eating disorders. Each actuarial analysis is limited to a maximum cost of \$30,000. Oversight assumes a total of six actuarial analyses are to be done. Oversight further assumes the fiscal impact of this proposal will be up to \$180,000 to the General Revenue Fund for FY 14.

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** state Section 376.1192 does not fiscally impact MCHCP. However, an actuarial analysis to examine the cost impact to health carriers, insureds with a health benefit plan, and other private and public payers if state mandates were enacted to provide health benefit plan coverage is likely to be greater than \$30,000 for each analysis if utilizing any actuary contracted to perform services for the Missouri Consolidated Health Care Plan.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** would not request additional staff and expenses due to this part of the proposal.

ASSUMPTION (continued)

Sections 376.1575 - 376.1578 - Contracts between physicians and health carriers:

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state these sections are anticipated to have no fiscal impact on the department. If the adoption of these sections result in an increase in consumer inquiries, the DIFP believes it could absorb the workload within existing appropriations. However, should the extent of the work be more than that anticipated, the DIFP would request additional appropriation and/or FTE through the budget process.

Section 376.1900 - Telemedicine:

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state insurers would be required to submit amendments to their policies to comply with the legislation. Policy amendments must be submitted to the department for review along with a \$50 filing fee. The number of insurance companies writing these policies in Missouri fluctuates each year. One-time additional revenues to the Insurance Dedicated Fund are estimated to be up to \$5,700.

Additional staff and expenses are not being requested due to this part of the proposal, but if multiple proposals pass during the legislative session which require policy form reviews the department will need to request additional staff to handle the increase in workload.

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** state the MCHCP does not currently provide coverage for telehealth services or electronic visits (e-Visits). This legislation would require us to cover the telehealth benefit if the same services would be covered if provided through an office visit. Appropriate healthcare utilization may be increased in underserved areas by the presence of telemedicine services. However, the outcome created by this availability, is the early identification of an issue preventing hospitalization and emergency room visits. This section does not fiscally impact MCHCP.

ASSUMPTION (continued)

Section 376.2000 - 376.2014:

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** assume these sections create new requirements for licensing navigators in Missouri. Due to these new regulatory requirements, the department will need one (1.00) Licensing Technician I FTE to review and process navigator licensure applications and one (1.00) Investigator II FTE to ensure compliance with these new requirements and investigate consumer complaints against navigators. The department will require minimal contract computer programming to add these new requirements to our current licensing system and can do so under existing appropriations.

Bill as a whole:

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

Although the legislation does revise Chapter 376, RSMo, the MHD Managed Care program has determined that the proposal legislation will not have a fiscal impact on MHD.

Officials from the **Missouri Highway Patrol** state that the Department of Transportation Employee Benefits Section will be responding on behalf of the Highway Patrol.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized 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 office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost 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 **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

ASSUMPTIONS (continued)

Officials from the **Department of Mental Health (DMH)** assume this proposal should create no fiscal impact for their department. However, it is noted that the bill does not specify what types of health care services may be delivered through telemedicine. Without more specificity, consistent application of the law would be difficult and coverage disputes would increase. In addition, the equipment costs to enable telemedicine could be significant. As a result, if the department's providers decided to deliver any services via telemedicine, the legal and fiscal impacts would be unknown.

Officials from the **Office of Administration (OA) - Division of Budget and Planning (BAP), OA - Accounting, OA - Personnel, the Department of Corrections, the Department of Health and Senior Services, Missouri Department of Conservation and the Department of Revenue** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>GENERAL REVENUE FUND</b>			
<u>Income - DIFP</u>			
Increase in income taxes received (§§354.410 - 354.603)	Unknown	Unknown	Unknown
Elimination of MHIP tax credits (§ 376.961 - §376.973)	Up to <u>\$3,000,000</u>	Up to <u>\$17,013,832</u>	Up to <u>\$18,513,832</u>
<u>Total Income - DIFP</u>	Unknown, could exceed <u>\$3,000,000</u>	Unknown, could exceed <u>\$17,013,832</u>	Unknown, could exceed <u>\$18,513,832</u>
<u>Costs - DIFP</u>			
Loss of premium taxes (§§ 354.410 - 354.603 )	(Unknown, up to \$1,300,000)	(Unknown, up to \$1,300,000)	(Unknown, up to \$1,300,000)
<u>Costs - Oversight Division of the Joint Committee on Legislative Research</u>			
Actuarial studies (§ 376.1192)	Up to <u>(\$180,000)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>Could exceed</u> <u>\$1,520,000</u></b>	<b><u>Could exceed</u> <u>\$15,713,832</u></b>	<b><u>Could exceed</u> <u>\$17,213,832</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>COUNTY FOREIGN INSURANCE FUND</b>			
<u>Savings - DIFP</u>			
Reduced distributions to schools (§§ 354.410 - 354.430 )	Unknown, up to \$1,300,000	Unknown, up to \$1,300,000	Unknown, up to \$1,300,000
<u>Loss - DIFP</u>			
Loss of premium tax because of new split requirements with General Revenue (§§ 354.410 - 354.430 )	(Unknown, up to <u>\$1,300,000</u> )	(Unknown, up to <u>\$1,300,000</u> )	(Unknown, up to <u>\$1,300,000</u> )
<b>ESTIMATED NET EFFECT ON COUNTY FOREIGN INSURANCE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>COUNTY STOCK FUND</b>			
<u>Savings - DIFP</u>			
Reduced distributions to counties (§§ 354.410 - 354.603 )	Unknown	Unknown	Unknown
<u>Loss - DIFP</u>			
Loss of premium tax because of new split requirements with General Revenue (§§ 354.410 - 354.603 )	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON THE COUNTY STOCK FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>INSURANCE DEDICATED FUND</b>			
<u>Income</u> - DIFP			
Policy form amendments (§376.1900)	<u>Up to \$5,700</u>	<u>\$0</u>	<u>\$0</u>
<u>Costs</u> - DIFP (§§354.410 - 354.603 and 376.405 - 376.1363)			
Personal service	(\$132,100)	(\$160,105)	(\$161,706)
Fringe benefits	(\$69,802)	(\$84,599)	(\$85,445)
Equipment and expense	<u>(\$49,460)</u>	<u>(\$16,579)</u>	<u>(\$16,993)</u>
<u>Total Costs</u> - DIFP	<u>(\$251,362)</u>	<u>(\$261,283)</u>	<u>(\$264,144)</u>
FTE Change - DIFP	5 FTE	5 FTE	5 FTE

<b>ESTIMATED NET EFFECT ON THE INSURANCE DEDICATED FUND</b>	<b><u>(Up to \$245,662)</u></b>	<b><u>(\$261,283)</u></b>	<b><u>(\$264,144)</u></b>
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Estimated Net FTE Change to the Insurance Dedicated Fund	5 FTE	5 FTE	5 FTE
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<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>LOCAL GOVERNMENTS - SCHOOLS DISTRICTS</b>			

<u>Loss</u> - Schools			
Reduction in premium taxes distributed (§§ 354.410 - 354.430 )	(Unknown, up to \$1,300,000)	(Unknown, up to \$1,300,000)	(Unknown, up to \$1,300,000)
Reduction in premium taxes distributed (§§ 354.410 - 354.430 )	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - SCHOOL DISTRICTS</b>	<b><u>(Unknown, up to \$1,300,000)</u></b>	<b><u>(Unknown, up to \$1,300,000)</u></b>	<b><u>(Unknown, up to \$1,300,000)</u></b>
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### FISCAL IMPACT - Small Business

This proposal may positively impact small business medical providers that use telemedicine technology to provide medical services. In addition, the proposal may positively impact small business pharmacies by allowing certain eye drop prescriptions to be refilled.

### FISCAL DESCRIPTION

#### Sections 354.410 - 354.430:

Under this proposal, HMO organizations will be allowed to have coinsurance and deductibles.

#### Sections 376.405 - 376.777 and 376.1363:

Under this proposal, the Missouri Health Insurance Pool tax credit is phased-out.

#### Section 376.1192:

Under this proposal, the Oversight Division of the Joint Committee on Legislative Research must conduct an actuarial analysis of the cost impact to consumers, health insurers, and other private and public payers if a state mandate was enacted to provide health benefit plan coverages for anti-cancer oral medications and the diagnosis and treatment of eating disorders that include residential treatment and access to psychiatric and medical treatments.

Under the terms of the proposal, the division director must submit a report of the actuarial findings to the Speaker of the House of Representatives, President Pro Tem of the Senate, and the chair of the House Special Committee on Health Insurance and the Senate Small Business, Insurance and Industry Committee by December 31, 2013. The actuarial analysis shall assume that the mandated coverage will not be subject to any greater deductible or copayment than other health care services provided under a health benefit plan and will not apply to a supplemental insurance policy. The cost for each actuarial analysis cannot exceed \$30,000 and the division may utilize any actuary contracted to perform services for the Missouri Consolidated Health Care Plan to perform the analysis required under the proposal. The provisions regarding the actuarial analysis expire December 31, 2013.

#### Section 376.1900 - Telemedicine:

Under this proposal, health carriers issuing or renewing health benefit plans on or after January 1, 2014, shall not deny coverage for a health care service on the basis that the service was provided through telemedicine if the same service would be covered when delivered in person.

The proposal does not require a health carrier to reimburse a telemedicine provider or a consulting provider for technological fees or costs for the provision of telemedicine services.

FISCAL DESCRIPTION (continued)

However, a health carrier must reimburse an telemedicine provider for the diagnosis, consultation, or treatment of an insured delivered through telemedicine on the same basis that the health carrier covers the service when it is delivered in person.

Under the proposal, a health care service provided through telemedicine services shall not be subject to any greater deductible, copayment, or coinsurance amount than would be applicable if the same health care service was provided through face-to-face diagnosis, consultation, or treatment.

The proposal has an effective date of January 1, 2014 for certain provisions.

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

Office of Administration -  
    Division of Budget and Planning  
    Division of Accounting  
    Division of Personnel  
Department of Insurance, Financial Institutions,  
    and Professional Registration  
Department of Mental Health  
Department of Health and Senior Services  
Department of Revenue  
Department of Social Services  
Missouri Department of Transportation  
Missouri Consolidated Health Care Plan  
Joint Committee on Administrative Rules  
Missouri Department of Conservation  
Oversight Division  
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