

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5149-01
Bill No.: SB 688
Subject: Insurance - Medical; Insurance Department
Type: Original
Date: March 10, 2014

Bill Summary: This proposal requires health carriers to file their premium rates and accompanying information with the Department of Insurance for approval.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Insurance Dedicated	(\$392,318)	(\$358,581)	(\$363,071)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$392,318)	(\$358,581)	(\$363,071)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** assume this 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 2012 (the most recent data available), 404 companies reported some kind of health insurance activity. Other states that the department has contacted regarding rate review have indicated that rates could be changed and rate filings received up to quarterly per company. Therefore, 404 companies x \$50 filing fee x 4 = \$80,800.

Due to the turn-around time prescribed in the proposal, the department 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 also need 1 Legal Counsel FTE to oversee the public hearing requirements in the proposal.

The department will require contract computer programming to add the new website requirements. The department estimates computer programming costs to be \$11,645.

Officials from the **Department of Public Safety - Missouri Highway Patrol** defers to Department of Transportation for fiscal impact.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** and **Missouri Department of Conservation** each assume the current proposal will not fiscally impact their respective agencies.

Officials from the HCP also state that they are not a health carrier and are not subject to the oversight of the Department of Insurance.

Officials from the **Department of Transportation** did not respond to Oversight's request for fiscal impact. In response to a similar proposal from 2012, HB 1711, the department assumed the proposal would not fiscally impact their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2015	FY 2016	FY 2017
INSURANCE DEDICATED FUND			
<u>Revenues - DIFP</u>	<u>\$80,800</u>	<u>\$80,800</u>	<u>\$80,800</u>
<u>Costs - DIFP</u>			
Personal Service	(\$280,532)	(\$283,337)	(\$286,171)
Fringe Benefits	(\$148,234)	(\$149,715)	(\$151,213)
Equipment and Expenses	<u>(\$44,352)</u>	<u>(\$6,329)</u>	<u>(\$6,487)</u>
<u>Total Costs - DIFP</u>	<u>(\$473,118)</u>	<u>(\$439,381)</u>	<u>(\$443,871)</u>
FTE Change - DIFP	5 FTE	5 FTE	5 FTE
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$392,318)</u>	<u>(\$358,581)</u>	<u>(\$363,071)</u>
Estimated Net FTE Change on the Insurance Dedicated Fund	5 FTE	5 FTE	5 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2015	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business health carriers will be required to submit all policy rate changes, along with a \$50 filing fee, to the Department of Insurance for review and approval.

FISCAL DESCRIPTION

This proposal requires health carriers to submit premium rate changes and supporting actuarial information to justify the premium rate increase to the Department of Insurance (the "department") for approval. Information contained in this filing shall be posted on the department's website and available to the public. The filing must be submitted by a qualified Member of the American Academy of Actuaries who certifies that the premium rates are not excessive, inadequate, or unfairly discriminatory.

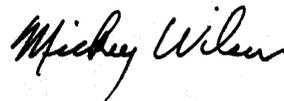
Concurrently with filing the premium rate change with the department, health carriers must notify all affected enrollees and policyholders if the premium rate increase is significant and the factors responsible for the increase. When the premium rate increase is significant the director of the department shall hold a public hearing on the proposed rate change and consider public testimony and comments when determining whether to approve or disapprove the rate change. The director must determine whether the rate change is justified and approve the rate or unjustified and prohibit the use of the premium rate as proposed. Health carriers and enrollees or policy holders may appeal the director's decision. Under certain circumstances an enrollee or policy holder may be entitled to judicial review of the director's decision and the premium rate increase.

The proposal 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
Department of Public Safety - Missouri Highway Patrol
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Department of Transportation



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Director
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