

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3562-01
BILL NO.: HB 1485
SUBJECT: Employees - Employers; Insurance - Medical; Insurance Department
TYPE: Original
DATE: February 21, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$8,600,000 to \$12,300,000)	(\$8,600,000 to \$12,300,000)	(\$8,600,000 to \$12,300,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$8,600,000 TO \$12,300,000)	(\$8,600,000 TO \$12,300,000)	(\$8,600,000 TO \$12,300,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Conservation**, the **Department of Transportation**, the **Missouri Consolidated Health Care Plan**, and the **Department of Public Safety - Missouri State Highway Patrol** assume this proposal would not fiscally impact their agencies.

Department of Social Services - Division of Medical Services (DMS) officials state this proposal does not have a fiscal impact to DMS. However, the language in the existing statute at Section 376.966.3 (2) still states that individuals who are receiving health care benefits pursuant to Section 208.151 (Medicaid) are ineligible for pool coverage. Section 1902(a)(25)(G) of the Social Security Act requires that a state plan for medical assistance must provide that the state prohibits any health insurer, when enrolling an individual, from taking into account that the individual is eligible for or receiving Medicaid. Therefore, DMS believes that if passed, the state would still be out of compliance with federal law and would be at risk of losing over \$2 billion in federal matching funds for being considered non-compliant with federal law.

Officials from the **Department of Insurance (INS)** state the 1997 calendar year assessment charged was \$2,671,000 for existing pool members(1,032). INS states the premium tax credits taken in 1997 for the Health Pool were \$1,514,579. The estimated assessment in excess of premium taxes paid would be \$1,156,421. This would be for existing pool members at the 200% rate. Reducing the premium cap to a range of minimum 125% - maximum 175% of the standard rate would require an increase in assessments or charge to General Revenue. INS states a finders fee of \$50 would also increase the administration of the pool and therefore increase the assessments by \$125,000 (2,500 new members x \$50). Based on 1997 assessments, the INS estimates that at the 125% rate members would require an assessment of \$4,274 each and at the 175% rate an assessment of \$3,205 each. Pool membership is capped at 3,500. A range is being submitted for pool membership of 3,500 from 125% to 175% rates. INS assumes that all increases in costs would be from General Revenue due to the cap on assessments not exceeding the premium tax paid the previous year.

125% Rate

Additional cost for existing 1,000 pool members	\$1,603,000
Cost for 2,500 new members at \$4,274 each	<u>\$10,685,000</u>
Total	\$12,288,000

ASSUMPTION (continued)

175% Rate

Additional cost for existing 1,000 pool members	\$534,000
Cost for 2,500 new members at 3,205 each	<u>\$8,012,500</u>
Total	\$8,546,500

Typically pool membership consists of individuals with medical conditions and very high costs of care. Increased pool membership would likely reduce the cost per member, as "less sick" individuals would share the cost of coverage for the more expensive members. MDI cannot estimate how much the cost per member may be reduced as a result of a "healthier" pool, but reduction in cost could be substantial.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

Costs - Department of Insurance

Excess costs above assessments	<u>(\$8,600,000 to \$12,300,000)</u>	<u>(\$8,600,000 to \$12,300,000)</u>	<u>(\$8,600,000 to \$12,300,000)</u>
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**ESTIMATED NET EFFECT ON
GENERAL REVENUE FUND**

<u>(\$8,600,000 TO \$12,300,000)</u>	<u>(\$8,600,000 TO \$12,300,000)</u>	<u>(\$8,600,000 TO \$12,300,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

MPW:LR:OD:005 (9-94)

This proposal would modify several provisions of law relating to health insurance. In its provisions relating to the Missouri Health Insurance Pool (also referred to as the "high risk" pool), the proposal would: (1) Prohibit assessments of members in excess of the amount paid in premium tax for the previous year. Any deficits incurred by the pool and not recouped through assessments of members must be paid from the General Revenue Fund or another source designated for this purpose; (2) Require information on the pool to be available on an Internet web site; (3) Allow individuals to apply for coverage through the pool when their premiums have increased to an amount greater than the premium charged for the pool's least expensive plan. Currently, individuals may participate in the pool if their premiums have increased to 300% or more of the rates established for standard risks; (4) Require the pool administrator to pay insurance agents a fee of \$50 to \$75 for referring participants to the pool; (5) Require the pool to offer plans that are similar to plans offered in the regular health insurance market; (6) Prohibit establishing initial rates for coverage through the pool at less than 125% of the standard rates. In addition, pool rates may not exceed 175% of the standard rates. Currently, initial rates may not be less than 150% of the standard rates and pool rates may not exceed 200% of the standard rates. Premium rates above 125% of the standard rates may be adjusted based on the applicant's income, but no discounts may apply to individuals with incomes above 250% of the poverty level; and (7) Limit health coverage offered by the pool to 3,500 participants.

In provisions relating to the market for individual health benefit plans, the proposal would: (1) Prohibit health carriers from establishing a rate for one block of business that exceeds by more than 20% the rate for another block of business, after making adjustments for variations in benefits and rating characteristics. This requirement may be suspended when it is reasonable due to the financial condition of the carrier. Also, the rate for one block of business may not exceed by more than 30% the rate for another block of business due to rating characteristics; (2) Require a carrier to disclose to individuals at the time of offering a health benefit plan the extent to which premium rates are adjusted based on rating characteristics, the carrier's right to increase rates, policy provisions relating to renewal, preexisting condition provisions, and descriptions of all the plans offered by the carrier; (3) Require a carrier to maintain in its principal place of business a description of its rating practices; and (4) Require health benefit plans to be renewable at the individual's option except for nonpayment of premiums, fraud, or a decision by the carrier to discontinue offering a particular plan or all of its individual plans in the state's health insurance market. Carriers may modify the individual's health insurance coverage at the time of renewal and refuse to renew coverage to an individual who is no longer employed or residing in the carrier's service area.

In provisions relating to the Small Employer Health Insurance Availability Act, the proposal would: (1) Allow part-time employees who regularly work 20 or more hours a week to be DESCRIPTION (continued)

considered eligible employees under the Act, except for purposes of meeting a carrier's minimum

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participation requirements; (2) Require carriers to disclose the reasons for not issuing coverage to a group; and (3) Allow a small employer that has been denied coverage or offered coverage at a rate exceeding 125% of its standard rate to apply for coverage again after one or more employees have applied for coverage through the Missouri Health Insurance Pool. If an employee obtains coverage through the pool, the employer would be required to pay a portion of the employee's pool premiums so that the employee's contribution for premiums is no greater than it would have been through the small employer's carrier.

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 Social Services
Department of Transportation
Department of Conservation
Missouri Consolidated Health Care Plan
Department of Insurance
Department of Public Safety
Missouri State Highway Patrol



Jeanne Jarrett, CPA
Director
February 21, 2000