

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1838-01
Bill No.: HB 713
Subject: Health Care; Health Care Professionals; Insurance - Medical; Insurance Department
Type: Original
Date: February 23, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(More than \$40,000)	(More than \$40,000)	(More than \$40,000)
Total Estimated Net Effect on <u>All</u> State Funds	(MORE THAN \$40,000)	(MORE THAN \$40,000)	(MORE THAN \$40,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Federal	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds*	\$0	\$0	\$0

***Revenues and expenditures of more than \$60,000 annually net to \$0.**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
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 Insurance**, the **Department of Conservation**, and the **Department of Transportation** assume this proposal would not fiscally impact their agencies.

Missouri Consolidated Health Care Plan (HCP) officials state modifications available under this proposal are:

- Adding the definition of "clean claim" to 376.383 RSMo.
- Until April 1, 2002, carriers may return or hold a claim and request additional information necessary to determine if all or part of the claim would be a covered benefit.
- On or after April 1, 2002, carriers would be required to provide a complete description of the additional information or documentation necessary to process the entire claim as a "clean claim".
- Allow carriers to accrue interest due a member until the amount exceeds \$5.
- On or after April 1, 2002, health care professionals would use the HCFA 1500 universal form.
- A health carrier would permit:
 - Non-participating healthcare professionals up to one year after the date of service to file a claim.
 - Participating healthcare professionals up to six months after the date of service to file a claim.
- Any health carrier could not request a refund or offset against a claim more than twelve months after the paid date except for fraud and misrepresentation.
- Issue a confirmation notice to healthcare professionals of receipt of an electronically filed claim.
- On or after January 1, 2003, all claims would be submitted in standard electronic format.

HCP states the fiscal impact of the proposal would: 1) allow carriers to accrue interest until the amount payable reaches five dollars may save the plans some administrative costs, but the savings should be minimal; and 2) allow non-participating healthcare providers up to one year to file a claim may not add any additional costs. HMOs do not cover claims out of the network unless prior approval was granted. The POS and PPO plans allow out of network coverage but the member bears a larger portion of the cost. Therefore, they are encouraged to stay in the network. But allowing participating providers up to six months to file a claim may hamper the plan's ability to estimate the premium for the next year. The plans may rely on older data to determine their premium or may inflate their premium to protect themselves against unknown costs. This cost, however, is too difficult to determine. However, for a one percent impact, the state may experience an increase of \$2,150,000 for the first year. The Public Entities may experience an increase of \$998,265 for a one percent change. There may also be some additional

ASSUMPTION (continued)

cost for all providers to submit claims electronically.

Oversight assumes that participating providers would not wait six months to file a claim with a plan.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state they would be affected by this proposal because it administers a managed care program which contracts with health maintenance organizations (HMOs) for the purpose of providing health care services through capitated rates. These HMOs would be subject to the regulations in this proposal. DMS assumes that any additional costs incurred by managed care contractors because of mandated Federal or State laws would have an effect on the administrative costs included in future bids with the Medicaid program. The cost impact to DMS would be incurred when managed care contracts are rebid. The fiscal impact is unknown but greater than \$100,000.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** did not respond to our fiscal impact request.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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GENERAL REVENUE FUND

Costs - Department of Social Services -
 Division of Medical Services

Increase in managed care contracts	<u>(More than \$40,000)</u>	<u>(More than \$40,000)</u>	<u>(More than \$40,000)</u>
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**ESTIMATED NET EFFECT ON
 GENERAL REVENUE FUND**

<u>(MORE THAN \$40,000)</u>	<u>(MORE THAN \$40,000)</u>	<u>(MORE THAN \$40,000)</u>
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FEDERAL FUND

Income - Department of Social Services -
 Division of Medical Services

Medicaid reimbursements	<u>More than \$60,000</u>	<u>More than \$60,000</u>	<u>More than \$60,000</u>
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<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Costs - Department of Social Services - Division of Medical Services</u>			
Increase in managed care contracts	<u>(More than \$60,000)</u>	<u>(More than \$60,000)</u>	<u>(More than \$60,000)</u>
ESTIMATED NET EFFECT ON FEDERAL FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<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.

DESCRIPTION

This proposal would make several changes to the law governing health insurance. The proposal would: (1) require health care professionals to use a universal form when filing a "clean claim" with a health insurance carrier; (2) define "clean claim" as one that has no defect or impropriety that would prevent timely payment; (3) require health insurance carriers to allow nonparticipating health care professionals to file claims up to one year from the date of service; (4) require health insurance carriers to allow participating health care professionals to file claims up to 6 months from the date of service; (5) prohibit refunds or offsets against a claim more than one year after a carrier pays a claim; (6) require carriers to confirm the receipt of an electronically filed claim within 24 hours; (7) require all claims for reimbursement for health care made after January 1, 2003, to be filed in electronic format consistent with federal standards; and (8) require the Director of the Department of Insurance to appoint a task force, comprised of health care professionals and insurance carriers, to develop industry standards for electronic claim processing.

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
Department of Conservation
Department of Transportation
Department of Social Services
Missouri Consolidated Health Care Plan

NOT RESPONDING: Department of Public Safety - Missouri State Highway Patrol



Jeanne Jarrett, CPA
Director

February 23, 2001