

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3233-01
Bill No.: SB 908
Subject: Health Care Professionals; Insurance Dept.; Insurance - General; Treasurer, State
Type: Original
Date: February 18, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$44,270)	(\$49,744)	(\$50,989)
Total Estimated Net Effect on General Revenue Fund	(\$44,270)	(\$49,744)	(\$50,989)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Governor, Department of Economic Development - Division of Professional Registration, Department of Revenue, and Missouri Senate** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state the proposed legislation creates the “Missouri Physicians Mutual Insurance Company Act” and requires the General Assembly to place up to \$10 million in the Physicians Mutual Insurance Company Loan Fund. The proposal should not result in additional costs or savings to the BAP.

Officials from the **Department of Insurance (INS)** state the INS would experience an additional workload in the required regulation, due to examination and monitoring of the proposed Missouri Medical Malpractice Mutual (MMM) Insurance Company. The MMM Insurance Company would be examined as any other insurance company and existing staff would incorporate it into the examination schedule, as with any other insurer. The INS assumes the additional workload will be absorbable within current staffing and funding levels.

Officials from the **Office of State Treasurer (STO)** state the STO would be required to make loan payments, track interest charges and loan repayments. As a result, the STO would need a full-time Accounting Analyst II with corresponding expense and equipment to fulfill those

ASSUMPTION (continued)

obligations. The STO estimates personal service costs and equipment and expense costs to be \$50,299 in FY 05; \$57,159 in FY 06; and \$58,589 in FY 07.

Oversight has, for fiscal note purposes only, changed the starting salary for the Accounting Analyst II to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials from the **Office of Administration - Division of Accounting (COA-DA)** did not respond to our request for a statement of fiscal impact. However, in response to similar legislation, the COA-DA assumed the proposal would have no fiscal impact on their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Costs - Office of State Treasurer</u>			
Personal Serve Costs (1 FTE)	(\$28,423)	(\$34,961)	(\$35,835)
Fringe Benefits	(\$11,767)	(\$14,474)	(\$14,836)
Equipment and Expense	<u>(\$4,080)</u>	<u>(\$309)</u>	<u>(\$318)</u>
Total <u>Costs</u> - Office of State Treasurer	(\$44,270)	(\$49,744)	(\$50,989)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$44,270)</u>	<u>(\$49,744)</u>	<u>(\$50,989)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could impact small business insurance companies that offer physicians liability insurance as well as small business physicians' offices that may choose to obtain their liability insurance through the Missouri Physicians Mutual Insurance Company.

DESCRIPTION

This proposal creates the Missouri Medical Malpractice Mutual Insurance Company Act. The company is created as an independent public corporation for the purpose of insuring Missouri physicians and their employees and their business against liability for professional negligence and other casualty losses. The company will be organized as a mutual insurance company and shall not be a state agency. The company shall be a member of the Missouri property and casualty guaranty association and shall be subject to assessments. Members of that association shall bear responsibility in the event the company becomes insolvent.

BOARD OF DIRECTORS - The company shall be administered by a Board of Directors consisting of seven members. The initial members shall be appointed by the Governor with the advice and consent of the Senate. One member shall come from St. Louis or St. Louis County, one member from Jackson or Clay County, one member from Green County, and the remaining four members shall come from other areas of the state. The Board shall hire an administrator who shall be in charge of the day-to-day operations and management of the company.

RATE SETTING AND INVESTMENTS - The Board shall have full power and authority to establish rates to be charged by the company for insurance. Rates shall be set at amounts sufficient to carry all claims to maturity, meet the reasonable expenses of conducting the business of the company and maintain a reasonable surplus. The Board shall invest and reinvest the surplus or reserves of the company.

PRODUCERS MAY SELL COMPANY POLICIES - Any insurance producer licensed to sell professional negligence insurance in Missouri shall be authorized to sell insurance policies for the company.

MEDICAL NEGLIGENCE REDUCTION PROGRAM - The administrator shall formulate, implement, and monitor a program to decrease medical negligence. The Board may refuse to insure or terminate the insurance of any subscriber who refuses to attend seminars or other programs designed to reduce medical malpractice.

STATE APPROPRIATIONS/OPERATING EXPENSES - The company shall not receive any state appropriation, directly or indirectly, except it may receive loans from the State Treasurer. After October 1, 2004, the State Treasurer shall make one or more loans to the company not to exceed \$10 million. These monies shall come from a fund known as the Physicians Mutual Insurance Company Loan Fund which shall be funded by the Legislature by an appropriation. The loans shall be for a term of 10 years and shall bear interest at the annual rate on the rate for linked deposit loans as calculated by the State Treasurer pursuant to Section 30.758.

DESCRIPTION (continued)

REVENUE BONDS - The Board is authorized to issue revenue bonds in an amount not to exceed \$50 million. The bonds shall have a maturity of no more than 10 years from the date of issuance. The bonds may be sold at a public or a private sale.

AUDITS - The Board shall have an audit of its books, accounts, and funds conducted annually by a competent and independent CPA firm. A copy of the audit shall be filed with the Director of the Department of Insurance and the administrator.

The incurred loss experience and expense of the company shall be ascertained each year to include but not be limited to estimates of outstanding liabilities for claims reported to the company but not yet paid and liabilities for claims arising from injuries which have occurred but have not yet been reported to the company.

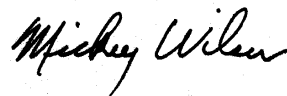
The Department of Insurance shall conduct an examination of the company. The Board shall pay the cost of the examination.

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
Office of the Governor
Department of Economic Development -
 Division of Professional Registration
Department of Revenue
Department of Insurance
Missouri Senate
Office of State Treasurer

NOT RESPONDING: Office of Administration - Division of Accounting

A handwritten signature in black ink, appearing to read "Mickey Wilson". The signature is written in a cursive, flowing style.

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Mickey Wilson, CPA
Director
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