

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0027-10
Bill No.: SB 556
Subject: Insurance - Medical; Insurance Dept.; Revenue Dept.; Health Care Professionals
Type: Original
Date: February 27, 2007

Bill Summary: Establishes the Missouri Health Insurance Exchange, the "Direct Payment Stop Loss Fund", and creates administrative procedures to collect unpaid medical claims.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(\$12,300)	(\$441,770)	(\$768,630)
Total Estimated Net Effect on General Revenue Fund	(\$12,300)	(\$441,770)	(\$768,630)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Insurance Dedicated	\$0	(Less than \$304,935)	(\$201,423)
Direct Payment Stop Loss	\$0	\$0*	\$0*
Non-State - Missouri Insurance Exchange	\$0	0*	0*
Total Estimated Net Effect on Other State Funds	\$0	(Less than \$304,935)	(\$201,423)

* Unknown income and expenses net to \$0.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	0	13	13
Insurance Dedicated	0	4	4
Total Estimated Net Effect on FTE	0	17	17

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 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (COA) - Administrative Hearing Commission, COA - Division of Accounting, Missouri Department of Transportation, Department of Health and Senior Services, Department of Labor and Industrial Relations, Department of Social Services, Department of Public Safety (DPS) - Director's Office, Office of the Governor, Missouri Consolidated Health Care Plan, Department of Mental Health, Missouri Department of Conservation, Office of State Auditor, Missouri Senate, and Office of State Treasurer** assume the proposal will have no fiscal impact on their organizations.

Officials from the **DPS - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the fiscal impact of this proposal on their organization.

Officials from the **Office of Attorney General (AGO)** assume that the Department of Insurance, Financial and Professional Regulation (DIFP) would provide counsel to the Missouri Health Insurance Exchange Board. If this is not the case, the AGO would require additional staffing. In addition, there is a substantial likelihood that decisions of the board relating to the terms under which an insurer could participate in the exchange would be the subject of litigation. If such litigation were referred to the AGO for defense, the AGO assumes that additional staffing (likely an experienced Assistant Attorney General III) and/or expense and equipment may be necessary, on a temporary basis. Such costs would likely not exceed \$100,000.

Oversight assumes the AGO would seek additional funding through the appropriations process in the event the DIFP does not provide counsel to the Missouri Health Insurance Exchange Board and, also, in the event the board makes decisions that result in litigation. **Oversight** assumes the potential for counsel to the Board and litigation to be speculative and is not presenting those costs in the fiscal note.

Officials from the **Office of Secretary of State (SOS)** state the proposal creates the Missouri health insurance exchange and the "Direct Payment Stop Loss Fund" to coordinate and administer group and individual health insurance plans for the entire state. The Department of Insurance, Financial and Professional Regulation and the Department of Health and Senior Services are to promulgate rules to carry out these provisions. These rules would be published in both the Missouri Register and Code of State Regulations. These rules may require as many as 200 pages in the Code of State Regulations and 300 pages in the Missouri Register because of cost statements and fiscal notes, etc. that are not repeated in the Code. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State ASSUMPTION (continued)

Regulations is \$27. The SOS estimates a total cost of \$12,300 [(300 pgs. X \$23) + (200 pgs. X

\$27)]. These costs are estimates and depend on the number of rules printed, rescinded, and amended.

Officials from the **Department of Insurance, Financial and Professional Regulation (DIFP)** state in order to implement the provisions this proposal, particularly section 376.1850, the DIFP will require one Insurance Product Analyst II (\$30,408 annually), one Research Analyst II FTE (\$32,652 annually), and one Office Support Assistant (Keyboarding - \$20,724 annually). The FTEs would be responsible for data entry, tracking, customer service and for information management and coordinating with other state agencies relating to this mandate. The proposal asks for data to be collected annually on almost all residents of the state of Missouri regarding the type of health insurance coverage they have. There are also requirements for the DIFP to certify compliance of all health plans sold in the exchange. These FTE will also be providing assistance to the administrator and board of directors for the exchange in a number of areas that require department input. Depending upon the amount of paperwork received, the department may need to request additional FTE.

The DIFP would require a new database to track and maintain the information collected in section 376.1850. Depending upon the amount of information retained and requested from the DIFP, the Office of Administration -Information Technology Services Division (COA-ITSD) would need an additional one-time appropriation to create or contract out the development of the database. The DIFP estimates this cost to be under \$100,000. Ongoing maintenance of the database would be significantly less and should be covered under existing appropriations. However, if the ongoing database maintenance cost is significantly higher than expected, the DIFP would request additional appropriations through the budget process.

To administer or assist with the contract to administer the "Direct Payment Stop Loss Fund", the DIFP would require one Accounting Specialist I FTE (\$32,652 annually). The FTE would be responsible for monitoring the fund and any payments into and distributed out of the fund. The FTE would also be responsible, depending upon whether or not administration of the fund was contracted by the department, for drafting, working with COA Purchasing as necessary and monitoring any contract to administer the fund.

The DIFP estimates the total cost of this proposal to be less than \$304,935 for FY 09 and \$201,423 for FY 10.

Officials from the **Department of Revenue (DOR)** state in order to complete the functions provided for in the proposal, the DOR would require 6 Legal Council (\$41,424 each annually) to represent the director, 3 Appeals Referee I for hearing officers (\$42,480 each annually), 1 ASSUMPTION (continued)

Management Analyst Specialist I (\$40,860 annually), 1 Tax Processing Tech III (\$30,408

annually), and 2 Senior Office Support Assistants (\$25,980 each annually).

The **ITSD DOR** estimates the information technology portion of this request can be accomplished within existing resources. However, if priorities shift, additional FTE/overtime would be needed to implement the provisions of the proposal. The ITSD DOR estimates that this legislation could be implemented utilizing 3 existing CIT III for 12 months at a rate of \$150,696.

Oversight has, for fiscal note purposes only, changed the starting salary for Appeals Referee 1 (6 FTE); Management Analyst Specialist I (1 FTE); Tax Processing Tech III (1 FTE); and Senior Office Support Assistants (2 FTE) 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.

Oversight notes the provisions of Chapter 376.1852 impacting the DOR are effective January 1, 2009. Therefore, **Oversight** is presenting costs for the DOR for six months of FY 09.

Oversight notes the proposal establishes the Missouri Health Insurance Exchange (Exchange), a non-state insurance exchange that acts as a mechanism through which carriers and insurers offer insurance policies to eligible Missouri residents. All operating expenses of the Exchange are to be paid from funds collected by and on behalf of the Exchange. **Oversight**, for fiscal note purposes, assumes unknown funds collected and paid out on behalf of the Exchange will net to zero.

Oversight also notes the proposal calls for the establishment of the Direct Payment Stop Loss Fund within the state treasury which is to be administered by the DIFP. The Direct Payment Stop Loss Fund is to be funded by appropriations, gifts, grants, and bequests. **Oversight** assumes unknown income and distributions from the Direct Payment Stop Loss Fund will net to zero.

FISCAL IMPACT - State Government

FY 2008
(10 Mo.)

FY 2009

FY 2010

GENERAL REVENUE FUND

HWC:LR:OD (12/02)

<u>Costs - Office of Secretary of State</u>			
Printing and publishing costs	(\$12,300)	\$0	\$0
<u>Costs - Department of Revenue</u>			
Personal service costs (13.0 FTE)	\$0	(\$242,268)	(\$502,527)
Fringe benefits	\$0	(\$109,651)	(\$227,444)
Equipment and expense	\$0	(\$89,851)	(\$38,659)
Total <u>Cost</u> - Department of Revenue	\$0	(\$441,770)	(\$768,630)
FTE Change - DOR	0.0 FTE	13.0 FTE	13.0 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$12,300)</u>	<u>(\$441,770)</u>	<u>(\$768,630)</u>
Estimated Net FTE Change for General Revenue Fund	0.0 FTE	13.0 FTE	13.0 FTE
INSURANCE DEDICATED FUND			
<u>Costs - DIFP</u>			
Personal service costs (4.0 FTE)	\$0	(\$122,331)	(\$125,389)
Fringe benefits	\$0	(\$55,367)	(\$56,751)
Equipment and expense	\$0	(\$27,237)	(\$19,283)
One-time database development costs		<u>(Less than</u>	
	\$0	<u>\$100,000)</u>	<u>\$0</u>
Total <u>Cost</u> - DIFP	\$0	<u>(Less than</u>	
	\$0	<u>\$304,935)</u>	<u>(\$201,423)</u>
FTE Change - DIFP	0.0 FTE	4.0 FTE	4.0 FTE
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$0</u>	<u>(Less than</u>	<u>(\$201,423)</u>
		<u>\$304,935)</u>	
Estimated Net FTE Change for Insurance Dedicated Fund	0.0 FTE	4.0 FTE	4.0 FTE
<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010

DIRECT PAYMENT STOP LOSS FUND

Income - DIFP

Appropriations, contributions, etc.	\$0	Unknown	Unknown
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Costs - DIFP

Payments of qualifying claims from insurers	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON DIRECT PAYMENT STOP LOSS FUND

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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NON-STATE - MISSOURI INSURANCE EXCHANGE

Income - Insurance Exchange

Insurance premiums and other funds	\$0	Unknown	Unknown
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Expenses - Insurance Exchange

Administrative expenses and claims payments	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON NON-STATE - MISSOURI INSURANCE EXCHANGE

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Local Government

FY 2008 (10 Mo.)	FY 2009	FY 2010
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

This proposal will impact small businesses as they will have to make annual reports to the Department of Insurance, Financial and Professional Regulation.

FISCAL DESCRIPTION

This proposal established the Missouri health insurance exchange, the "Direct Payment Stop Loss Fund", requires proof of insurance to be filed by certain individuals and employers, and allows the director of revenue to establish escrow accounts for unpaid medical claims .

ESTABLISHMENT OF THE MISSOURI HEALTH INSURANCE EXCHANGE - This proposal creates and establishes the Missouri Health Insurance Exchange through which eligible individuals and employer-groups can purchase health insurance. The exchange is created as a body corporate for the purpose of facilitating the availability, choice and adoption of private health insurance plans to eligible individuals and groups. The exchange will serve as a point of entry to determine eligibility to receive health plan benefits for Missouri residents, employers located in Missouri and their employees, students attending institutions of higher learning, and all other eligible individuals seeking to obtain health insurance coverage (Section 376.1603).

POWERS OF THE EXCHANGE BOARD - The exchange board is authorized and empowered to: (1) Administer all of the exchange's activities and contracts; (2) Establish procedures for operations of the exchange; (3) Prepare an annual budget for the exchange; (4) Enter into contracts with public or private entities to carry out the duties of the exchange, including contracts to administer applications, eligibility verification, enrollment, and premium payments for specific groups or populations. No organization that enters into a contract with the exchange shall be a carrier that offers plans through the exchange. The exchange shall not have the authority to enter into contracts with healthcare providers; (5) Take any legal action necessary or proper on behalf of the exchange; (6) Hire or contract with appropriate legal, actuarial, administrative personnel, and other advisors to provide technical assistance in the management and operation of the exchange; (7) Establish and execute a line of credit, and establish one or more cash and investment accounts to carry out the duties of the exchange; (8) Establish and collect administrative fees from carriers based on the number of persons covered by the plans or plans offered through the exchange by the carrier sufficient to fund the costs of administering the exchange; (9) Apply for grants from public and private entities; (10) Contract with sponsoring employers of participating employer-subsidized plans to act as the plan's administrator; (11) Establish procedures for the enrollment of eligible individuals, groups and other enrollees; and (12) Establish and manage a system for collecting premium payments made by, or on behalf of, individuals obtaining health insurance coverage through the exchange, including any premium payments made by enrollees, employers, or other organizations and any premium subsidies, and transmitting such payments to the chosen plans (Section 376.1609).

SERVICE CENTER - The proposal requires the exchange director to establish and administer at least one service center to provide information to applicants (Section 376.1615).

FISCAL DESCRIPTION (continued)

HWC:LR:OD (12/02)

OPERATING EXPENSES OF THE EXCHANGE - All operating expenses of the exchange shall be paid from funds collected by or on behalf of the exchange. The accounts of the exchange are special fund accounts and the money in the accounts are not part of the general revenue fund of Missouri. The state may not provide general fund appropriations to the exchange and the obligations of the pool are not a debt of the state or a pledge of its credit. The assets of the exchange shall be exempt from taxation by the state and local government (Section 376.1618).

PARTICIPATION OF PLANS IN THE EXCHANGE - The exchange will offer to participating individuals only plans that have been certified by the director of the Department of Insurance. To be able to offer a plan through the exchange, a carrier must be licensed to issue health insurance in Missouri and be in good standing with the Department of Insurance.

The exchange shall begin offering health benefit plans beginning January 1, 2009 (Section 376.1621).

DIRECT PAYMENT STOP LOSS FUND - The proposal establishes the "Direct Payment Stop Loss Fund", to be administered by the director or the Department of Insurance. The direct payment stop loss fund shall be a fund from which carriers offering participating plans through the Missouri health insurance exchange may receive reimbursement, to the extent of funds available therefore, for claims paid by such carriers for participating individuals covered under the exchange. Commencing January 1, 2009, carriers offering participating plans through the exchange shall be eligible to receive reimbursement from the direct payment stop loss fund for 70% of claims paid between \$50,000 and \$100,000 in a calendar year for any participating individual covered under a participating plan issued through the exchange.

Claims shall be reported and funds shall be distributed on a calendar year basis. Claims shall be eligible for reimbursement only for the calendar year in which the claims are paid. Once claims paid on behalf of a participating individual reach or exceed \$100,000 in a given calendar year, no further claims paid on behalf of such participating individual in such calendar year shall be eligible for reimbursement. Claims paid within a calendar year shall be determined by the date of payment rather than date of service or date the claim was incurred. No participating carrier shall delay or defer payment of a claim solely for the purpose of causing the date of payment to fall into a subsequent calendar year. Participating carriers shall not be entitled to any reimbursement on behalf of a participating individual if the claims paid on behalf of that member in a given calendar year do not, in the aggregate, reach the applicable claims threshold. Additionally, claims paid on behalf of a covered member that exceed the claims corridor in a given calendar year shall not be eligible for reimbursement from the fund.

FISCAL DESCRIPTION (continued)

In the event that the total amount requested for reimbursement by all carriers for a calendar year exceeds funds available for distribution for claims paid by all carriers during that same calendar year, the director shall provide for the pro-rata distribution of the available funds. Each carrier shall be eligible to receive only such proportionate amount of the available funds as the individual carrier's total eligible claims paid bears to the total eligible claims paid by all carriers.

In the event that funds available for distribution for claims paid by all carriers during a calendar year exceeds the total amount requested for reimbursement by all carriers during that same calendar year, any excess funds shall be carried forward and will not affect monies appropriated for the direct payment stop loss fund in the next calendar year.

Under the proposal, the director must submit an annual report to the General Assembly evaluating the effectiveness of the direct stop loss fund. The report shall include any recommendations that the director deems relevant. The report, however, shall contain recommendations whether the reinsurance threshold or attachment point delineated in this section shall be lowered and the reinsurance corridor be expanded to lower premium costs and assist carriers with combating adverse selection or whether the threshold should be increased in order to protect the solvency of the fund (Section 376.1642).

STATEMENT OF COVERAGE FORM - This proposal requires all Missouri employers to annually file with the director of the Department of Insurance, Financial and Professional Regulation a form for each employee indicating the health insurance coverage status of the employee and his or her dependants. Similar requirements are made of self-employed individuals and the Department of Social Services with respect to individuals covered under governmental programs (Section 376.1850).

PERSONAL RESPONSIBILITY - The proposal also requires persons between the ages of 18 to 65 to offer proof of their ability to pay for medical care. They can either show proof of insurance as required in the statement of coverage provision or show proof of financial responsibility by presenting a bond in the amount of \$10,000 to the Department of Revenue or establishing an escrow account with the department in the same amount. If the director of the Department of Revenue receives information that a person has failed to pay a hospital or other medical claim, the director shall establish an escrow account in the person's name and shall deposit in the account all moneys that may be payable from the state (overpayment of taxes, etc.) to that person. Alternatively, the director can obtain an order of attachment on the person's wages. The director may disburse moneys from the escrow account to pay for medical claims when the individual is not in compliance with the proposal. The proposal further provides that any

judgment payable by an individual to a health care provider for charges during a period that the individual failed to

FISCAL DESCRIPTION (continued)

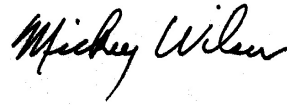
maintain financial responsibility shall include an order permitting the attachment of the person's wages to satisfy the judgment. The proposal allows health care providers to file a claim with the director through an administrative process to receive moneys from the escrow account or to seek a garnishment action (Section 376.1852).

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements.

SOURCES OF INFORMATION

Office of Attorney General
Office of Administration -
 Administrative Hearing Commission
 Division of Accounting
Missouri Department of Transportation
Department of Insurance, Financial and Professional Regulation
Department of Mental Health
Department of Health and Senior Services
Department of Labor and Industrial Relations
Department of Revenue
Department of Social Services
Department of Public Safety -
 Director's Office
 Missouri State Highway Patrol
Office of the Governor
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Office of State Auditor
Missouri Senate
Office of Secretary of State
Office of State Treasurer

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A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, prominent "M" and "W".

Mickey Wilson, CPA
Director
February 27, 2007