

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1102-01  
Bill No.: SB 475  
Subject: Insurance - Medical; Insurance Dept.  
Type: Original  
Date: March 10, 2009

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Bill Summary: Requires health carriers to devote a certain percentage of their total annual Missouri-associated revenues on health care services.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	\$0 or (Unknown less than \$50,000)	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 or (Unknown less than \$50,000)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Federal	\$0*	\$0*	\$0*
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0*</b>	<b>\$0*</b>	<b>\$0*</b>

\* Unknown revenue and expenditures net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## **FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Missouri Consolidated Health Care Plan** and **Missouri Department of Conservation** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state the department will be required to audit 10% of health carriers each year. The DIFP believes it can do so under existing appropriations. However, should the extent of the audits require more work than anticipated, the DIFP would request additional expense and equipment appropriation through the budget process.

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

Officials from the **Missouri Department of Transportation (DOT)** state while the DOT/Missouri State Highway Patrol (MHP) Plan would not fall under the health carrier definition, there may be an argument that the Plan would still be required to comply with the bill's requirements pursuant to Section 104.801, RSMo, which states that any legislation enacted by the general assembly which mandates the coverage of specific health benefits, services, or providers in the policies or contracts of insurers, health service corporations, HMOs, or other third party payors on or after January 1, 1991, shall also apply to any other health benefit plan provided by the state on behalf of its employees.

There will not be a fiscal impact to the Missouri Highway Transportation Commission directly. However, there would be a financial impact to the Plan. The impact cannot be determined, although it would be less than \$100,000 per year. The fiscal impact would consist of the cost of the audit performed each year if the Plan was selected from the ten percent of health carriers.

**Oversight** assumes, due to the uncertainty of the DOT/MHP Plan being selected for an audit, that the DOT will not incur significant costs related to this proposal

Officials from the **Department of Social Services (DOS) - MO HealthNet Division (MHD)** state this legislation does not revise Chapter 208, RSMo. Therefore it does not affect MO HealthNet eligibility or benefits.

ASSUMPTION (continued)

This legislation does, however, revise Chapter 376, RSMo. The MHD assumes that since there is no specific exemption for contracts with the state, the legislation will pertain to HMOs that contract with the state to provide health benefits to MO HealthNet Managed Care participants.

Currently, HMO contracts with the state have a certain percentage built in to the capitated rate that may be used for administrative services versus health expenditures. This percentage is based on actuarial soundness. In addition, HMOs already report the data required in the proposal to the National Association of Insurance Commissioners and undergo periodic audits. However, it is not known if the requirements of this proposal would exceed what the HMOs are already doing. It is also not known if there will be any increase in their cost of doing business.

If this legislation passes and these requirements do result in an increase in the cost of doing business, then these costs may be passed on to the MHD. The MHD may incur additional costs for an actuarial analysis to determine if capitated rates should be adjusted for the additional costs incurred by the HMO.

If an actuarial analysis is needed, it will occur in the first year and is a one-time cost. The cost of the analysis will depend on the number of program changes that will need to be analyzed, as well as the complexity of those changes. This cost is unknown, but may be as high as \$100,000. Since this is an administrative cost, there will be a 50% federal match rate.

If the HMOs cost of doing business is increased and the MHD's current rates don't support those costs, the actuary may require an increase in capitated rates to ensure actuarial soundness. If this occurs, the cost to the MHD is unknown. These additional costs would occur in the second and third years.

Therefore, the MHD assumes FY 10 costs to be unknown less than \$100,000 (General Revenue unknown less than \$50,000) and FY 11 and FY 12 costs to be unknown.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>GENERAL REVENUE FUND</b>			
<u>Costs - DOS</u>			
Increase in program expenditures	<u>\$0 or (Unknown less than \$50,000)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
	<u><b>\$0 or (Unknown less than \$50,000)</b></u>	<u><b>\$0 or (Unknown)</b></u>	<u><b>\$0 or (Unknown)</b></u>
<b>FEDERAL FUNDS</b>			
<u>Income - DOS</u>			
Increase in program reimbursements	\$0 or Unknown less than \$50,000	\$0 or Unknown	\$0 or Unknown
<u>Costs - DOS</u>			
Increase in program costs	<u>\$0 or (Unknown less than \$50,000)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

FISCAL IMPACT - Small Business

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

### FISCAL DESCRIPTION

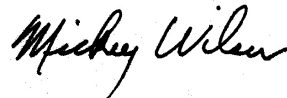
The proposal requires health carriers to report submit an annual report to the director of the Department of Insurance, Financial Institutions and Professional Registration. The health carrier shall report its total revenues, Missouri-associated revenue, total premiums, Missouri premiums, total health expenditures, Missouri-associated health expenditures, total non-health expenditures, care share, and Missouri care share.

The proposal requires the director to audit the books and records of a random sample of 10% of health carriers that have more than 25,000 persons insured under health benefit plans. The director may appoint an independent auditor to conduct the audit and shall assess each health carrier a fee to pay the reasonable costs of the audit.

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



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