

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3355-01
Bill No.: SB 636
Subject: Insurance - Medical; Health Care Professionals
Type: Original
Date: January 22, 2010

Bill Summary: Modifies various provisions of the prompt pay statutes as they relate to the calculation of interest and penalties, the payment of attorney fees, and other ancillary matters.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	Unknown less than \$30,579	Unknown less than \$36,710	Unknown less than \$36,710
Total Estimated Net Effect on General Revenue Fund	Unknown less than \$30,579	Unknown less than \$36,710	Unknown less than \$36,710

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>Other</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 2011	FY 2012	FY 2013
Federal	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0*	\$0*	\$0*

* Penalties received and reimbursements to Federal Funds less than \$63,290 annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

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 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** and **Department of Insurance, Financial Institutions, and Professional Registration** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Missouri Department of Conservation (MDC)** state the proposed legislation would not appear to have a fiscal impact on MDC funds.

Officials from the **Department of Public Safety (DPS) - Director's Office** defer to the Missouri Consolidated Health Care Plan for response regarding the potential fiscal impact of this proposal on their organization.

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

Officials from the **Missouri Department of Transportation (DOT)** state the DOT/MHP medical plan already has in place performance measures in its contract with its claims administrator regarding time limits for paying claims. On their face, these limits are shorter than the proposed forty-five day time limits in the bill. As a result, the DOT assumes any fiscal impact arising from this proposal would be minor.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the HCP may incur additional unknown costs that would be passed directly to the health plans. At this time, there is no way to determine the costs. If the HCP were to incur any costs as a direct result of this proposal, it would charge its vendors a penalty in order to recoup any and all incurred costs. In future years, the vendors would add the cost into the contract and charge HCP more for this service over time.

Based on HCP's response, **Oversight** assumes the penalties charged by HCP against its vendors would equal and offset any additional costs incurred as a result of the forty-five day claims processing time. **Oversight** also assumes that, over time, vendors would strive to process claims within the forty-five day processing window rather than pay penalties

ASSUMPTION (continued)

Officials from the **Department of Social Services (DOS) - MO HealthNet Division (MHD)** state this legislation revises Chapter 376 which does not affect the claims paid by the MO HealthNet fee-for-service program. This legislation will apply to the MO HealthNet Managed Care program because it contracts with health maintenance organizations for the purpose of providing health care services through capitated rates. However, there will be no fiscal impact to MHD.

This legislation will affect the commercial health insurance recoveries received by the third party liability program within the MHD. The proposal extends the amount of time a health carrier has to process a claim, thereby decreasing the amount of interest collected by the third party liability program. The amount of interest collected by the MHD from health carriers has, historically, been very insignificant.

This legislation also imposes a penalty on the health carriers when a claim is paid beyond the forty-fifth processing day. This change will increase the commercial health insurance recoveries received by the third party liability program within the MHD, but the amount is unknown.

There will be no cost to MHD, although there will be a savings because health carriers will pay a penalty to the third party liability program if the claim is paid beyond the forty-fifth processing day. Therefore, the fiscal impact to the MHD is an unknown savings of less than \$100,000 annually.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE FUND			

<u>Income - DOS</u>			
Penalties for late payment of claims	<u>Unknown less than \$30,579</u>	<u>Unknown less than \$36,710</u>	<u>Unknown less than \$36,710</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Unknown less than \$30,579</u>	<u>Unknown less than \$36,710</u>	<u>Unknown less than \$36,710</u>

FEDERAL FUNDS

<u>Income - DOS</u>			
Penalties for late payment of claims	Unknown less than \$52,721	Unknown less than \$63,290	Unknown less than \$63,290
<u>Costs - DOS</u>			
Reimbursement to federal funds of penalties received	<u>(Unknown less than \$52,721)</u>	<u>(Unknown less than \$63,290)</u>	<u>(Unknown less than \$63,290)</u>

ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0*</u>	<u>\$0*</u>	<u>\$0*</u>
--	--------------------	--------------------	--------------------

* Penalties received and reimbursements to Federal Funds less than \$63,290 annually and net to \$0.

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal may impact small business healthcare providers if they receive payment for claims more quickly or receive interest and penalties as a result of the carrier not processing a claim within the specified time.

FISCAL DESCRIPTION

The proposal modifies the interest and penalty provision for failing to promptly pay a claim. Under the proposal, if the health carrier has not paid the claimant on or before the 45th processing day from the date of the receipt of the claim, the carrier must pay the claimant 1%

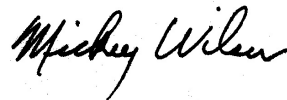
FISCAL DESCRIPTION (continued)

interest per month (current law) and a penalty in an amount equal to one-fifth of the claim per day. A health carrier may combine interest payments and make payment once the aggregate amount reaches \$100 (current law is \$500).

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 State Courts Administrator
Department of Insurance, Financial Institutions, and Professional Registration
Department of Social Services
Missouri Department of Transportation
Department of Public Safety -
 Director's Office
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Missouri Department of Conservation



Mickey Wilson, CPA
Director
January 22, 2010