

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0893-01  
Bill No.: SB 111  
Subject: Insurance - Medical; Health Care Professionals  
Type: Original  
Date: February 24, 2011

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Bill Summary: Requires health carriers to provide Internet access to its standard fee schedules and prohibits carriers from refusing to contract with providers willing to meet certain provider participation terms and conditions.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	(Unknown, could exceed \$50,000)	(Unknown greater than \$36,710)	(Unknown greater than \$36,710)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown, could exceed \$50,000)</b>	<b>(Unknown greater than \$36,710)</b>	<b>(Unknown greater than \$36,710)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Other State	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Federal	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Local Government</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration, Missouri Department of Transportation** and **Missouri Department of Conservation** assume the proposal would have no fiscal impact on their agencies.

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

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** state research indicates any willing provider laws can increase the cost of health care but to what extent varies among studies. A Milliman study predicts a 1.5 to 2.7 percent increase in overall health care costs for the state of Missouri. Research also indicates the impact to pharmacy costs is likely greater than medical costs. An International Atlantic Economic Society study predicts a 3.9 percent increase for medical expenses and a 6.4 percent increase for prescription drug expenses.

The MCHCP contracts with vendors whose provider networks are subject to these laws, so the MCHCP assumes this legislation will have an impact on its health care expenditures. The MCHCP assumes it will be required to pay increased administrative fees from health carrier vendors to cover the cost of negotiating, credentialing and servicing additional providers. The MCHCP also assumes a decrease in the level of discounts provided by its vendors due to a vendor's inability to selectively contract. The MCHCP assumes the impact to its medical plans may be less compared to plans with limited networks because the MCHCP networks include a substantial majority of providers in the state.

Based on these assumptions, the MCHCP applied a minimum 1.5 percent increase in overall health care costs, including prescription drugs, to calculate fiscal impact. For the MCHCP's state membership, the fiscal impact of this legislation is unknown but greater than \$6.7 million annually. For the MCHCP's public entity membership, the fiscal impact of this legislation is unknown but greater than \$113,864 annually.

For fiscal note purposes only, **Oversight** is ranging MCHCP's costs from \$0 to Unknown since the MCHCP doesn't know for sure whether costs will increase.

Officials from the **Department of Social Services (DSS) - MO HealthNet Division (MHD)** provide the following information:

#### Section 376.393 Any Willing Provider

This legislation does not revise Chapter 208, RSMo; therefore, it does not affect MO HealthNet eligibility or benefits.

ASSUMPTION (continued)

This legislation does revise Chapter 376, RSMo. Since the legislation specifically states that the new language will apply to MO HealthNet, it is assumed that HMOs that contract with the state to provide health benefits to MO HealthNet Managed Care participants will be affected. HMOs that contract with the state fall into specific geographic areas as defined by MHD. These geographic areas may not align with the HMO corporate/commercial geographic areas.

This legislation affects the make-up of the HMO networks and also reduces the ability of the HMOs to negotiate contract terms. The cost impact will be incurred during the bidding process and when contracts are renewed. The first year cost is for an actuarial study to determine if any change is needed in the capitated rates to ensure actuarial soundness as required by the Centers for Medicare and Medicaid Services. The cost of the actuarial study depends on the complexity of the analysis and could be up to \$100,000. It is assumed that capitated rates would increase. That cost would be incurred in the second and third years. It is not known how much rates would increase but it is anticipated to exceed \$100,000 each year.

FY12: Total cost is unknown < \$100,000 (GR unknown < \$50,000);  
FY13: Total cost is unknown > \$100,000 (GR unknown > \$36,710);  
FY14: Total cost is unknown > \$100,000 (GR unknown > \$36,710).

**Oversight** assumes the provisions of this proposal will be effective January 1, 2012.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (6 Mo.)	FY 2013	FY 2014
<b>GENERAL REVENUE FUND</b>			
<u>Costs - DSS-MHD</u>			
Increase in program costs	(Unknown less than \$50,000)	(Unknown greater than \$36,710)	(Unknown greater than \$36,710)
<u>Costs - MCHCP</u>			
Increase in state share of health care costs	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown, could exceed \$50,000)</u></b>	<b><u>(Unknown greater than \$36,710)</u></b>	<b><u>(Unknown greater than \$36,710)</u></b>
<b>OTHER STATE FUNDS</b>			
<u>Costs - MCHCP</u>			
Increase in state share of health care costs	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2012 (6 Mo.)	FY 2013	FY 2014
<b>FEDERAL FUNDS</b>			
<u>Income - DSS-MHD</u>			
Increase in program reimbursements	Unknown less than \$50,000	Unknown greater than \$63,290	Unknown greater than \$63,290
<u>Costs - DSS-MHD</u>			
Increase in program expenditures	(Unknown less than \$50,000)	(Unknown greater than \$63,290)	(Unknown greater than \$63,290)
<u>Costs - MCHCP</u>			
Increase in state share of health care costs	<u>\$0 to</u> (Unknown)	<u>\$0 to</u> (Unknown)	<u>\$0 to</u> (Unknown)
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
	<u><b>\$0 to</b></u> <u><b>(Unknown)</b></u>	<u><b>\$0 to</b></u> <u><b>(Unknown)</b></u>	<u><b>\$0 to</b></u> <u><b>(Unknown)</b></u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2012 (6 Mo.)	FY 2013	FY 2014
<b>LOCAL GOVERNMENTS - ALL</b>			
<u>Costs - All Local Governments</u>			
Increase in share of health care costs	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS</b>			
	<u><b>\$0 to</b></u> <u><b>(Unknown)</b></u>	<u><b>\$0 to</b></u> <u><b>(Unknown)</b></u>	<u><b>\$0 to</b></u> <u><b>(Unknown)</b></u>

FISCAL IMPACT - Small Business

The proposal may impact small businesses that provide employee health and/or prescription insurance coverage for their employees if health insurers and HMOs adjust premiums.

### FISCAL DESCRIPTION

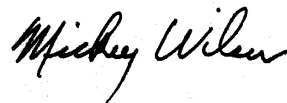
Under this proposal, each health carrier shall provide each contracted provider with access to the health carrier's standard fee schedule, specific to the provider's geographic area, through a secure website. Such fee schedule shall reflect the current payment rates for all goods and services pertinent to the provider's practice or business, defined by procedure codes, diagnosis related groups, or defined by another payment mechanism, and all contracted providers in such geographic area shall be paid for the goods and services provided at such rates, unless different rates have been specifically agreed upon contractually with an individual provider. In no case shall the standard fee schedule include a rate for a specific good or service that is less than the lowest rate individually contracted for by the providers of such good or service in the applicable geographic area if all the providers in such area have individually contracted to be paid at different rates for such good or service.

Under the proposal, no health carrier shall refuse to contract with any Missouri provider who is located within the geographic coverage area of a health benefit plan and who is willing to meet the terms and conditions for provider participation established for such health benefit plan if the provider is willing, as a term of such contract, to be paid at rates equal to 99% of the standard rates established pursuant to this proposal.

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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