

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2684-01
BILL NO.: SB 686
SUBJECT: Insurance - Medical; Hospitals; Insurance Department
TYPE: Original
DATE: April 3, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Insurance Dedicated Fund	\$10,050	\$0	\$0
General Fund	(\$87,992)	\$0	\$0
Conservation Comm. Fund*	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds	(\$77,942 to Unknown)	(Unknown)	(Unknown)

*Estimated to be less than \$100,000 annually.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Federal Fund	(\$87,993)	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$87,993)	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Missouri State Highway Patrol (MHP)** and the **Department of Transportation (DHT)** assume this proposal would not fiscally impact their agencies.

Missouri Consolidated Health Care Plan (HCP) officials state it is very difficult to accurately predict the cost associated with this proposal. HCP states there are many different types of surgeries, some of which, although minor, could cause an operation to extend to three hours or longer. In those cases the twenty-four hour mandatory period could significantly increase the cost of minor surgery which would be reflected in increased premiums. In the case of more serious surgery, the patient would most likely already stay twenty-four hours or longer.

Department of Insurance (INS) officials assume current appropriations and staff would be able to absorb the work for implementation of this proposal. However, if additional proposals are approved during the legislative session, INS may need to request an increase in appropriations due to the combined effect of multiple proposals.

INS states there are 259 health insurers and 30 HMOs that offer health insurance coverage. INS states that of the health insurers, many offer coverage through out-of-state trusts which are not typically subject to such mandates. INS estimates 171 health insurers and 30 HMOs would each submit one policy form amendment resulting in revenues of \$10,050 to the Insurance Dedicated Fund. If multiple proposals pass during the legislative session which would require policy form amendments to be filed, INS assumes the insurers would probably file one amendment for all required mandates. This would result in increased revenue of \$10,050 for all proposals.

Officials from the **Missouri Department of Conservation (MDC)** assume this proposal could have some impact on the department based upon the number of surgeries performed on individuals in MDC's group. MDC estimates the fiscal impact to be less than \$100,000 annually.

Department of Social Services (DOS) - Division of Medical Services (DMS) officials assume the requirement of 24 hours inpatient care following a surgery that takes three or more hours to complete would not impact the DMS. The DMS assumes a recipient that has surgery that requires more than three hours would receive 24 hours of inpatient care following, would be released with the consent of the attending physician after consulting the patient, or would be provided coverage for post-discharge care. According to a Medicaid physician consultant, most

ASSUMPTION (continued)

patients receiving more than three hours of surgery would be kept in an inpatient setting for at least 24 hours. In addition, the Medical Review Services (MRS) that determines proper inpatient stays for the DMS, stated this legislation would not impact their current practice. However, the DMS cannot determine whether this situation occurs because there is no record of the length of a surgery in claims records. MRS determines inpatient stays based on diagnosis codes and if a surgery is performed, not on the length of surgery. Therefore, if this legislation becomes law, DMS may need to make policy changes that state MRS is required to certify inpatient stays based on the length of surgery. DMS also may need to amend the contract with MRS to reflect this requirement. The DMS contracts with certain health maintenance organizations through the MC+ program to provide managed care services to certain Medicaid populations. The DMS assumes the MC+ health plans would have no impact due to the reasons cited above.

The proposed legislation requires notification of recipients that Medicaid is required to provide 24 hours of inpatient care after a three or more hour surgery. The DMS would require MC+ health plans to include this requirement in their member handbooks sent to enrollees every year. For Medicaid fee-for-service patients, the DMS would notify these recipients through the mail. Based on previous mailings sent to all recipients the cost would be \$175,985. This cost is based on a projected Fee for Service recipient population of 488,849 and includes printing, stuffing and mailing costs. Any new fee-for-service eligibles would be informed through the current Medicaid literature that would be updated if the proposed legislation passes. Any new MC+ enrollees would receive notification through their member handbooks.

Officials from the **Department of Corrections (DOC)** did not respond to our fiscal note request.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Filing fees	<u>\$10,050</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$10,050</u>	<u>\$0</u>	<u>\$0</u>

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DESCRIPTION

This proposal would require insurance companies to provide mandatory coverage for twenty-four hours of inpatient care following surgery. The inpatient care may be for less than twenty-four hours if the patient agrees to a shorter period of inpatient care and the insurance policy provides coverage of post-discharge care. All insurance policies would provide notice of this required coverage.

This required coverage would not be subject to greater deductibles or co-payments than other similar health care coverages provided in the policy.

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

This legislation would affect Total State Revenues since insurance policy/contract revisions to comply with the new mandates are to be accompanied by a \$50 filing fee to be deposited into the Insurance Dedicated Fund.

SOURCES OF INFORMATION

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

NOT RESPONDING: Department of Corrections



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Director
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