

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1567-04
Bill No.: SCS for SB 377
Subject: Physicians; Insurance - Medical; Health Department; Medical Procedures and Personnel
Type: Original
Date: March 21, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$0	(\$96,672)	(\$99,143)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$96,672)	(\$99,143)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Consolidated Health Care Plan**, the **Department of Conservation**, the **Department of Insurance**, the **Department of Public Safety - Missouri State Highway Patrol**, and the **Department of Transportation** assume this proposal would not fiscally impact their agencies

Department of Social Services - Division of Medical Services (DMS) state the proposal would not have a fiscal impact on DMS. DMS assumes that this would include employment contracts between physicians that are employed by the managed care organizations. DMS also assumes that the managed care organization would provide a copy of the template contract.

Officials from the **Department of Health (DOH)** state the definition of managed care organizations would be broadened to include not only those entities currently defined in RSMo 354.400 - 354.636, but also all preferred provider organizations and any other organization with direct provider arrangements. DOH states this revision would significantly increase the volume of contracts to be reviewed, as well as the complexity of the various organizational and financial structures and arrangements that exist in the managed care environment. The proposal would require that DOH hire additional staff who have the appropriate skills to carry out a set of work activities quite different from our present data collection and reporting on managed care plans. DOH would hire a Research Manager who would be responsible for overall coordination of the collection and analysis of the contract documents submitted by the managed care organizations. Duties would include formal communications with the affected parties, consultation with department attorneys on related legal questions, review of contract documents and coordination of report preparation activities. DOH states that given the sensitivity of the information collected, this position would be extensively involved in rule-making and regulatory activities. Because of the volume of affected organizations required to submit contracts, DOH would also need a Research Analyst III who would be responsible for reviewing the submitted documents, communicating with the managed care entities on needed clarifications and/or filing requirements, and preparing the final report. Both positions would be new staff to the Bureau of Health Care Performance Monitoring, as the delineated responsibilities are not currently covered by existing programs or personnel. DOH would also need a Clerk Typist II to support this new set of mandated activities. This position would involve support of the data collection and report preparation activities including mailings, file management, communications with the managed care plans, and other clerical support tasks. In addition, the Clerk Typist II would be expected to provide clerical support for regulatory and rule-making activities. DOH states the number of staff estimated is based on an assumption that the volume of organizations affected by the proposal would be approximately double that which are currently covered by 354.400-354.636. If the number of entities exceeds that volume, based on a very broad definition of organizations with direct provider arrangements, the staff requirements would need to be adjusted accordingly.

ASSUMPTION (continued)

Oversight assumes one Research Analyst and one Clerk Typist would be needed to prepare the biennial report. **Oversight** also assumes the positions and related expenses would be needed starting in FY 2003.

Office of Secretary of State (SOS) officials state the proposal would create report to be prepared by the Department of Health in odd-numbered years detailing the type of provisions contained in participating provider contracts entered into with managed care organizations. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Health could require as many as 12 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register in the Code because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23.00. The estimated cost of a page in the Code of State Regulations is \$27.00. The actual cost (\$615) could be more or less than the numbers given. The impact of this proposal in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple proposals pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Costs - Department of Health</u>			
Personal services (2 FTE)	\$0	(\$64,286)	(\$65,893)
Fringe benefits	\$0	(\$21,427)	(\$21,962)
Expense and equipment	<u>\$0</u>	<u>(\$10,959)</u>	<u>(\$11,288)</u>
Total <u>Costs</u> - Department of Health	<u>\$0</u>	<u>(\$96,672)</u>	<u>(\$99,143)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$96,672)</u>	<u>(\$99,143)</u>

FISCAL IMPACT - Local Government

FY 2002
(10 Mo.)

FY 2003

FY 2004

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal would require the Department of Health to report on employment contracts between managed care entities and physicians. Reports would be submitted to the General Assembly by January 31 of each odd-numbered year and would include information on contractual provisions, financial incentives, or other restrictions.

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

NOT RESPONDING: Office of Attorney General



Jeanne Jarrett, CPA
Director

March 21, 2001