COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1844-01
Bill No.: SB 445
Subject: Health Care; Insurance Department; Insurance - Medical; Health Care Professionals
Type: Original
Date: February 13, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
All Funds	(Unknown)	(Unknown)	(Unknown)
General Revenue	(More than $40,000)	(More than $40,000)	(More than $40,000)
Total Estimated Net Effect on All State Funds	**(MORE THAN $40,000)**	**(MORE THAN $40,000)**	**(MORE THAN $40,000)**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Federal	$0	$0	$0
Total Estimated Net Effect on All Federal Funds*	**$0**	**$0**	**$0**

***Revenues and expenditures of more than $60,000 annually net to $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 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance** and the **Department of Conservation** assume this proposal would not fiscally impact their agencies.

Missouri Consolidated Health Care Plan (HCP) officials state the proposal revises "prompt-pay" provisions for health carriers and places other restrictions on health carriers. HCP states the proposal would:

1. amend 376.383 RSMo. After April 1, 2002, health carriers would be required to process a claim or part of the claim if the necessary information is available for processing. If a portion of the claim requires additional information, the health carrier can request specific information. This revision would also allow health carriers to combine interest payments and make payments once the aggregate amount reaches five dollars.

The fiscal impact is hard to evaluate. Health carriers may now use the "claim holding time" as an investing period for their funds. Requiring the health carrier to process any payable portion of the claim may reduce the time available to invest their funds thus reducing their investment income. On the other hand, the health carriers may save money (lower printing cost, mailing costs, etc) if they are able to hold any interest payments until the aggregate amount reaches five dollars. However, it is difficult to determine if these two impacts would offset each other.

2. amend 376.383 RSMo by allowing enrollees the right to file civil action. The court may award damages of $50 per day beginning the 10th day following the date interest becomes due.

As with any other product or service, the right to file civil suit increases costs. The health carriers may try to recoup the litigation costs by increasing premiums. However, the fiscal impact is unknown.

3. create 376.386 RSMo which would:

- permit providers to file confirmation numbers of certified services and claims in the same manner and format
- allow providers up to one year after service has been rendered to file a claim.
- effective January 1, 2003, health carriers would be required to accept claims electronically in a format specified by the Department of Insurance.
- health carriers, within 24 hours of receiving an electronic claim, would provide a confirmation number.
- health carriers would accept all codes used in submitting the claims. The Department of Insurance is to promulgate rules establishing and approving the codes.
- any contract negotiations effective after this proposal would provide a current fee

ASSUMPTION (continued)

schedule for provider reimbursement and provide a 30-day notice of any modifications to the fee schedule.

· health carriers could not request a refund from providers on a claim after twelve months of payment unless it is found to be a fraudulent or misrepresented claim.

· health carriers would be required to provide an electronic provider directory through the internet.

· health carriers would inform enrollees of any denials for health services request.

· effective July 1, 2002, health carriers would provide to the enrollees an insurance card with the telephone number for the plan, prescription drug information and a brief description of the plan type. Cards would be reissued upon any change to the benefits or coverage that is listed on the card.

HCP states that most of these provisions are already available through their plans. Most health carriers are capable of accepting and processing electronically filed claims. HCP's current carriers have Internet sites available providing provider and formulary information. The carriers may need to modify the information on the health insurance cards slightly, but, again, most of the information listed is currently available on our member's cards. The cards indicate what the office, specialist, and pharmacy copayments are for HMO members.

HCP states where the carriers may see an increase in cost would be the areas of uniformed procedures for confirmation numbers, accepting any coding approved by the Department of insurance, notifying the enrollee of any denied request for health services, accepting electronically filed claims and allowing providers up to one year to file claims. The carriers may need to upgrade their computer systems to allow for uniformed confirmation numbers and to accept any medical code submitted by the provider as approved by the Department of Insurance. Allowing providers up to one year to file claims may prohibit the plans from accurately establishing their rates for the next year. The plans rely on timely claims data to establish the rates necessary to remain profitable. If providers would be allowed up to one year to file claims, the carriers may artificially inflate the premiums to absorb any late or unexpected expense. All of these expenses combined may exceed $100,000.

Officials from the **Department of Social Services - Division of Medical Services** (**DMS**) state they would be affected by this proposal because it administers a managed care program which contracts with health maintenance organizations (HMO) for the purpose of providing health care services through capitated rates. DMS states these HMOs would be subject to the regulations in this proposal. DMS assumes that any additional costs incurred by managed care contractors because of mandated Federal or state laws would have an effect on the administrative costs included in future bids with the Medicaid program. DMS states the cost impact would be incurred when managed care contracts are rebid. DMS states the fiscal impact is unknown but greater than $100,000.

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ASSUMPTION (continued)

Officials from the **Department of Transportation** and the **Department of Public Safety - Missouri State Highway Patrol** did not respond to our fiscal impact request.

FISCAL IMPACT - State Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
ALL FUNDS			
Costs - All Funds			
Increased state contributions	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON ALL FUNDS	**(UNKNOWN)**	**(UNKNOWN)**	**(UNKNOWN)**
GENERAL REVENUE FUND			
Costs - Department of Social Services - Division of Medical Services			
Increase in managed care contracts	(More than $40,000)	(More than $40,000)	(More than $40,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**(MORE THAN $40,000)**	**(MORE THAN $40,000)**	**(MORE THAN $40,000)**
FEDERAL FUNDS			
Income - Department of Social Services - Division of Medical Services			
Medicaid reimbursements	More than $60,000	More than $60,000	More than $60,000
Costs - Department of Social Services - Division of Medical Services			
Increase in managed care contracts	(More than $60,000)	(More than $60,000)	(More than $60,000)

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FISCAL IMPACT - State Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0**	**$0**	**$0**

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 modify the statute regulating reimbursement for health services. Under this proposal, after April 1, 2002, health carriers who refuse to pay a claim would send a notice which states all the additional information needed to process the claim. This proposal would allow a health carrier to combine interests payments and make payments once the aggregated amount reaches five dollars. This proposal would allow those seeking reimbursement to file a civil action against the health carrier. If a person seeking reimbursement wins the lawsuit, then he or she would be awarded a $50 penalty per day in addition to the claimed reimbursement and interest. Any person suing a health carrier would give the carrier 10 days notice before filing suit. Under this proposal, health carriers would allow providers to file confirmation numbers of certified services and claims in the same manner or format. Health carriers would allow providers to file reimbursement claims for a period of up to one year following the provision of services. Health carriers would allow providers to file claims electronically after January 1, 2003. The format of such electronic reimbursement claims would be specified by the Department of Insurance and would be consistent with the standards adopted pursuant to the Health Insurance Portability and Accountability Act of 1996. The health carrier would send the provider confirmation of receiving a claim within 24 hours. Health carriers would accept all codes promulgated by certain associations when processing claims. The health carrier would provide a current fee schedule to the health care professional during contract negotiations. Such schedule would be provided 30 days in advance of the effective date of fee modifications. Health carriers would not request a refund or offset against a claim more than twelve months after the carrier has paid the claim (does not apply in cases of fraud). Health carriers would provide their current provider directory on the Internet. Health carriers would inform enrolles when it denies them coverage of a health care service.

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DESCRIPTION(continued)

Beginning July 1, 2002, health carriers would issue enrollees a card which includes certain types of information.

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
Department of Conservation
Department of Social Services
Missouri Consolidated Health Care Plan

NOT RESPONDING: Department of Transportation and Department of Public Safety - Missouri State Highway Patrol

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Director

February 13, 2001

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