

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3284-01  
Bill No.: HB 855  
Subject: Insurance - Medical; Insurance Dept.; Mental Health  
Type: Original  
Date: January 27, 2004

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Insurance Dedicated	\$8,000	\$0	\$0
Patrol Highway Fund	(\$31,574)	(\$65,042)	(\$66,994)
Highway Fund - MoDOT	(\$121,635)	(\$250,568)	(\$258,085)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$153,209)</b>	<b>(\$315,610)</b>	<b>(\$325,079)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Local Government</b>	<b>(Unknown less than \$100,000)</b>	<b>(Unknown less than \$100,000)</b>	<b>(Unknown less than \$100,000)</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Department of Economic Development, Department of Health and Senior Services** and **Missouri Department of Conservation** assume the proposal will have no fiscal impact on their organizations.

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 (HCP)** state the proposal requires every insurance company and health services corporation to offer in all health insurance policies, benefits or coverage for chemical dependency following minimum standards not to exceed more than twenty-six days per policy benefit period. Coverage for residential treatment would include not less than twenty-one days per policy period and coverage for medical or social setting detoxification of not less than six days per policy period. The coverages shall be subject to the same coinsurance, co-payment and deductible factors as apply to physical illness.

The proposal also mandates the coverage for mental health conditions at the same level as any health condition.

ASSUMPTION (continued)

Currently, HCP's Public Entity PPO plan applies some limitation to its benefits. The PPO plan offers a maximum of 90 days per year for mental health, a maximum of twenty-one combined days per year for alcohol and chemical dependency and detoxification at a maximum six days per year with a lifetime maximum of \$50,000. Therefore, this may result in the acquisition of additional risk and could produce a minimal premium increase.

Officials from the **Department of Mental Health (DMH)** state to the extent that DMH consumers have insurance coverage, there could be minimal savings to the DMH. However, it is likely that any savings would be offset by increased utilization of individuals who are currently underserved. At this time, the DMH is unsure of the number of consumers that would be affected by this proposal, the type of coverage involved and/or the amount of insurance coverage. Based on the current understanding that any savings would be offset by additional service utilization costs, the resulting fiscal impact to DMH would be zero.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** - state they assume no fiscal impact from this proposal. The DMS currently covers mental health conditions as medically necessary. It is assumed this proposal allows for the continued use of prior authorization of services and performing utilization reviews by DMS for both physical and mental health conditions to ensure payment for only medically necessary conditions. Only those medically necessary are eligible for federal match. The DMS assumes this proposal is not intended to require coverage for non-medically necessary services, which would be paid 100% from General Revenue.

Officials from the **Department of Insurance (INS)** state the INS estimates 160 insurers and HMOs would be required to submit amendments to their policies to comply with this proposal. Policy amendments must be submitted to the INS for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$8,000 (160 insurers X \$50).

The INS states that additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy for reviews, the INS will need to request additional staff to handle the increase in workload.

Officials from the **Missouri Department of Transportation (DOT)** state the Highway and Patrol Medical Plan covers mental health services the same as medical services and, as result, there would be no impact to the Medical Plan for mental health services. However, the Medical Plan has a thirty-day maximum per plan year for inpatient hospital services and inpatient medical care for the treatment of chemical dependency.

ASSUMPTION (continued)

In addition, the Medical Plan has a lifetime maximum of four times the plan year maximum for chemical dependency treatments and services. Because this proposal would require the Medical Plan to cover chemical dependency services with no greater financial burden than medical services, this proposal would have a fiscal impact on the Medical Plan due to the chemical dependency provisions.

DOT spoke to the Medical Plan's actuary, Watson and Wyatt, and based on their review of a report to Congress in June 2000 by the National Advisory Mental Health Council, they estimated this proposal would result in an increase of 0.7% to 1.4% of total claims due to the annual maximum number of days and lifetime maximum for treatment being removed.

Based on Watson and Wyatt's knowledge of the plan, they believe the plan would demonstrate an increase closer to 0.7% with this proposal/plan design. However, there are many factors that affect mental health/chemical dependency utilization, including economic conditions (job security, financial stability, stress, etc.), catastrophic events (9/11), and provider coding. Westport Benefits reported that the Medical Plan would pay a total of approximately \$45,485,000 in claims for the calendar year 2003. Based on this information, DOT is assuming there would be an increase of approximately \$318,398 ( $\$45,485,000 \times 0.7\%$ ) in total claims to the Highway and Patrol Medical Plan.

The Medical Plan consists of 77% DOT and 23% Patrol participants. Therefore, there would be a fiscal impact of \$245,166 ( $\$318,398 \times 77\%$ ) due to DOT participation and \$73,232 ( $\$318,398 \times 23\%$ ) due to Patrol participation. If usage is greater than anticipated, costs will increase proportionately.

Historically, the DOT and the plan members have shared in any premium increases necessary because of increases in benefits. The costs may be shared in the long run (meaning shared between three categories: absorbed by the plan, state appropriated funds, and/or costs to individuals covered under the plan). However, the Medical Plan, MHTC, DOT, and Patrol must make a decision on how to fund the increase.

**Oversight** has, for fiscal note purposes, presented only DOT's costs for the Patrol Highway Fund and the Highway Fund - MoDOT. All other fund costs are minimal and could be absorbed within existing resources by the DOT.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (6 Mo.)	FY 2006	FY 2007
<b>INSURANCE DEDICATED FUND</b>			
<u>Income - Department of Insurance</u>			
Policy Form Filing Fees	<u>\$8,000</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>\$8,000</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>PATROL HIGHWAY FUND</b>			
<u>Costs - Department of Transportation</u>			
Increase in Contributions	<u>(\$31,574)</u>	<u>(\$65,042)</u>	<u>(\$66,994)</u>
<b>ESTIMATED NET EFFECT ON PATROL HIGHWAY FUND</b>	<b><u>(\$31,574)</u></b>	<b><u>(\$65,042)</u></b>	<b><u>(\$66,994)</u></b>
<b>HIGHWAY FUND - MoDOT</b>			
<u>Costs - Missouri Department of Transportation</u>			
Increase in Contributions	<u>(\$121,635)</u>	<u>(\$250,568)</u>	<u>(\$258,085)</u>
<b>ESTIMATED NET EFFECT ON HIGHWAY FUND - MoDOT</b>	<b><u>(\$121,635)</u></b>	<b><u>(\$250,568)</u></b>	<b><u>(\$258,085)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<b>ALL POLITICAL SUBDIVISIONS</b>			
<u>Costs - All Political Subdivisions</u>			
Increase in Contributions	<u>(Unknown less than \$100,000)</u>	<u>(Unknown less than \$100,000)</u>	<u>(Unknown less than \$100,000)</u>
<b>ESTIMATED NET EFFECT ON ALL POLITICAL SUBDIVISIONS</b>	<b><u>(Unknown less than \$100,000)</u></b>	<b><u>(Unknown less than \$100,000)</u></b>	<b><u>(Unknown less than \$100,000)</u></b>

### FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent they may incur additional health insurance costs due to the requirements of this proposal.

### DESCRIPTION

Under current law, there are several exceptions to the requirement that health insurers who cover services for mental illness and addictive disorders provide the same coverage as they do for physical illness. These include exceptions that allow insurers to limit inpatient hospital treatment for mental illness to 90 days per year (Section 376.811, RSMo); place annual and lifetime limits on alcohol and drug abuse treatment services (Section 376.827); and exclude or apply different limits to certain specified services (Section 376.833).

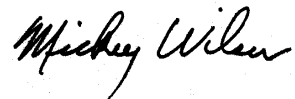
This proposal repeals the current law and requires health carriers that offer health benefit plans in this state on or after January 1, 2005, to provide coverage for mental health conditions. Mental health conditions are defined as those listed in the most recent edition of the Diagnostic and Statistical Manual of Mental Disorders. Coverage for mental health conditions cannot have rates, terms, or conditions that place a greater financial burden on an insured for mental health treatment than for physical health treatment.

The bill does not apply to supplemental insurance policies.

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 Economic Development -  
    Division of Professional Registration  
Department of Mental Health  
Department of Health and Senior Services  
Department of Social Services  
Missouri Department of Transportation  
Department of Public Safety -  
    Missouri State Highway Patrol  
Missouri Consolidated Health Care Plan  
Department of Insurance  
Missouri Department of Conservation



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