

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3284-05
Bill No.: HCS for HB 855
Subject: Insurance - Medical; Insurance Dept.; Mental Health
Type: Original
Date: March 8, 2004

FISCAL SUMMARY

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

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Insurance Dedicated	\$8,000	\$0	\$0
Patrol Highway Fund	(\$31,574)	(\$65,042)	(\$66,994)
MoDOT Highway Fund	(\$121,635)	(\$250,568)	(\$258,085)
Total Estimated Net Effect on <u>All</u> State Funds	(\$145,209)	(\$315,610)	(\$325,079)

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

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

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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Division of Professional Registration** and **Missouri Department of Conservation** assume the proposal will have no fiscal impact on their organization.

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 service 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 the DMH would be zero.

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).

ASSUMPTION (continued)

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 **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 **Missouri Consolidated Health Care Plan (HCP)** state the proposal requires the HCP to include coverage for mental illness. The HCP HMO and Copay plans cover mental health and chemical dependency as any other medical benefit under the plan. Therefore, the proposal does not fiscally impact the state.

Currently, HCP 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 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 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 and a twenty-day maximum per plan year for outpatient services and treatment of chemical dependency.

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

ASSUMPTION (continued)

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

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

This proposal changes the laws regarding insurance coverage for mental illness and chemical dependency. In its main provisions, the proposal:


- (1) Requires all health plans or policies that are individually underwritten or that provide coverage for specific individuals and their family members to provide coverage for the treatment of alcoholism. Various group policies are excluded from this requirement. This provision will become effective January 1, 2005;
- (2) Revises provisions contained in Sections 376.810 - 376.814, RSMo, pertaining to the offer of insurance coverage for the treatment of chemical dependency. This provision requires all health plans or policies that are individually underwritten or that provide coverage for specific individuals and their family members to provide coverage for the treatment of chemical dependency. Various group policies are excluded from this requirement; and
- (3) Revises provisions contained in Sections 376.825 - 376.840, the Mental Health and Chemical Dependency Insurance Act. All health plans or policies that are individually underwritten or that provide coverage for specific individuals and their family members can offer the coverage listed in this section. Various group policies are excluded from this requirement. This provision will become effective January 1, 2005.

The proposal also 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. This provision of the proposal does not apply to certain insurance policies, including individually underwritten 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
Department of Mental Health
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

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 8, 2004