

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3405-01
Bill No.: HB 1088
Subject: Health Care; Health, Public; Insurance - Medical
Type: Original
Date: March 18, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(Unknown exceeding \$50,000)	(Unknown exceeding \$100,000)	(Unknown exceeding \$100,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown exceeding \$50,000)	(Unknown exceeding \$100,000)	(Unknown exceeding \$100,000)

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Insurance Dedicated	\$8,000	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$8,000	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

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

* Revenue and expenses unknown exceeding \$150,000 annually and net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the fiscal impact of the proposal on their organization.

Officials from the **Missouri Department of Transportation (DOT)** state the proposal requires insurers to offer optional coverage for treatment of morbid obesity. This proposal will have no fiscal impact on the MHTC. The Highway and Patrol Medical Plan is not expressly included in the proposal. However, Section 104.801 RSMO 2000, would require the Medical Plan to offer similar coverage.

Currently, the Medical Plan does not offer coverage for weight reduction. As a result, the Medical Plan would have to offer coverage for these individuals. Because this coverage would be optional, the total cost for this coverage would be passed on to participants that choose the coverage and would have no fiscal impact to the Highway and Patrol Medical Plan.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposal would not have a significant fiscal impact on MDC funds.

HWC:LR:OD (12/02)

ASSUMPTION (continued)

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the proposal requires plans, as of January 1, 2005, to offer coverage for the treatment of morbid obesity by such methods as recognized by the National Institutes of Health as effective for the long-term removal of morbid obesity. Currently, the HCP plans provide coverage for obesity when authorized by the medical plan due to the existence of comorbidity (including surgery, food supplements, behavior modification programs and diet planning services) when other nonsurgical treatments have not been successful. The HCP's response assumes the patient has been compliant with these attempts during the previous eighteen months. Therefore, given the noted assumption, the proposal has no fiscal impact on the HCP.

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 the proposal. Policy amendments must be submitted to the INS for review along with a \$50 filing fee. The INS estimates one-time revenues to the Insurance Dedicated Fund of \$8,000 (160 insurers X \$50).

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form reviews, the INS may need additional staff to handle the increase in workload.

Officials from the **Department of Social Services (DOS) - Division of Medical Services (DMS)** state the proposal requires health carriers or health benefit plans to offer coverage for the treatment of morbid obesity by such methods recognized by the National Institutes of Health for effective long-term reversal of morbid obesity when nonsurgical treatment, supervised by a physician, has been unsuccessful for at least eighteen months and at least two physicians concur that surgical treatment is medically necessary.

The DMS contracts with managed care health plans to provide medical assistance to individuals eligible under Section 208.151. The managed care health plans are subject to the proposal. Therefore, there is a fiscal impact to the DMS. The managed care capitated rates will increase due to the added service at an unknown cost. The actuarial consultant for DMS would renegotiate the current contracts with the managed care health plans at an estimated cost of \$100,000. Notification would also have to be prepared and sent to all managed care enrollees. Therefore, there would be a fiscal impact of unknown greater than \$100,000.

If the service proposed is not a Medicaid state plan service, only the recipients enrolled in managed care would receive the service. There would be no federal financial participation. In order to receive federal financial participation, the service would need to be included in the

ASSUMPTION (continued)

Medicaid state plan and therefore, services would be provided to all Medicaid recipients. State Fair Hearings will also increase, adding additional costs for administration at an unknown amount.

In the proposal, one of the definitions of “morbid obesity” is a body mass index equal to or greater than thirty-five kilograms with comorbidity or existing medical conditions. Currently, the treatment of obesity is non-covered unless the treatment is an integral and medically necessary part of a course of treatment for a comorbid or existing medical condition and the body mass index is equal to or greater than forty kilograms. In addition, there could be extended inpatient hospital stays. Therefore, there would be a fiscal impact of unknown greater than \$100,000.

The DMS assumes that any changes made to Section 376, RSMo, applies to Medicaid. If this is not the intent of the proposal, a specific exclusion needs to be considered. The DMS assumes this proposal will have a fiscal impact to General Revenue of unknown exceeding \$100,000 annually.

This proposal will result in an increase in Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (6 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
<u>Costs - Department of Social Services - Division of Medical Services</u>			
Increase in program costs	(Unknown exceeding \$50,000)	(Unknown exceeding \$100,000)	(Unknown exceeding \$100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(Unknown exceeding \$50,000)	(Unknown exceeding \$100,000)	(Unknown exceeding \$100,000)
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Form filing fees	\$8,000	\$0	\$0
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	\$8,000	\$0	\$0

<u>FISCAL IMPACT - State Government</u>	FY 2005 (6 Mo.)	FY 2006	FY 2007
FEDERAL FUNDS			
<u>Income - Department of Social Services -</u>			
<u>Division of Medical Services</u>			
Increase in program reimbursements	Unknown exceeding \$75,000	Unknown exceeding \$150,000	Unknown exceeding \$150,000
<u>Costs - Department of Social Services -</u>			
<u>Division of Medical Services</u>			
Increase in program costs	<u>(Unknown exceeding \$75,000)</u>	<u>(Unknown exceeding \$150,000)</u>	<u>(Unknown exceeding \$150,000)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

* Revenue and expenses unknown exceeding \$150,000 annually and net to \$0.

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal could have a fiscal impact on small businesses if they choose to provide the optional coverage for their employees.

DESCRIPTION

This proposal requires health insurers to offer optional coverage for recognized treatments for morbid obesity. If the policyholder elects not to purchase the coverage, the insurer does not have to notify the policyholder of the availability of the coverage in any renewals of the policy.

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 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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