

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3810-01
Bill No.: HB 1233
Subject: Insurance - Medical; Liability; State Departments
Type: Original
Date: February 16, 2004

FISCAL SUMMARY

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

* May exceed \$100,000 annually.

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Conservation Commission Insurance Plan	Unknown	Unknown	Unknown
Highway and Patrol Medical Plan	Unknown	Unknown	Unknown
Other Funds	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>All</u> State Funds*	Unknown	Unknown	Unknown

* May exceed \$100,000 annually.

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 Funds*	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>All</u> Federal Funds*	Unknown	Unknown	Unknown

* May exceed \$100,000 annually.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government*	Unknown	Unknown	Unknown

* May exceed \$100,000 annually.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (COA) - Division of Budget and Planning, COA - Division of Risk Management/General Services** and **Department of Insurance** 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.

Officials from the **Missouri Department of Transportation (DOT)** state the Highway and Patrol Medical Plan has a reimbursement policy which allows the DOT/Missouri State Highway Patrol (MHP) Medical Plan to recover medial claims expense from the subscriber/participant whenever the subscriber/participant receives payments for physical or mental treatment from individuals, insurance companies, settlements, or court verdicts. Any reimbursement shall not exceed the amount actually paid by the Plan. Subrogation would allow MHTC and the Plan to file a lawsuit against the third party, without including the subscriber/participant in the suit, for

ASSUMPTION (continued)

the difference in the reimbursement received and the costs of the medical claims paid by the plan. There may be a fiscal impact to the MHTC for the costs of litigation, but the cost cannot be reasonably estimated. There may also be a positive fiscal impact to the medical plan from increased reimbursements, but this also, cannot be determined.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state because events that may result in subrogated claims are unpredictable, it is very difficult to forecast the potential savings this proposal may yield.

In a February 2000 study, using the Inter Study National HMO Financial Database, the subrogation/Coordination of benefits (COB) rate for 1997 was \$1.38. Employing this PMPM rate results in a 2004 HCP potential savings of \$545,006, when applied to HCP's current 32,911 self-insured membership.

HCP officials note this is a rough estimate as the \$1.38 PMPM figure is several years old and could be different today. The figure refers to subrogation and COB and the proposal only refers to subrogation. No updated estimates were found.

Officials from the **Missouri Department of Conservation (MDC)** state the proposal could have a positive impact on MDC's self-insured health plan. The amount of impact is unknown.

Oversight assumes some cost savings could be passed on to the State, but is unable to determine that amount. **Oversight** also assumes other public entities could experience cost savings.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Savings - Reduction in cost of benefits</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
CONSERVATION COMMISSION INSURANCE PLAN			
<u>Savings</u> - Health benefit reimbursements from third party tortfeasors	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION INSURANCE PLAN*	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>
MISSOURI HIGHWAY AND TRANSPORTATION COMMISSION (MHTC) - HIGHWAY AND PATROL MEDICAL PLAN			
<u>Savings</u> - Health benefit reimbursements from third party tortfeasors	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON MHTC - HIGHWAY AND PATROL MEDICAL PLAN *	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>
OTHER FUNDS			
<u>Savings</u> - Health benefit reimbursements from third party tortfeasors	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON OTHER FUNDS*	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>
FEDERAL FUNDS			
<u>Savings</u> - Health benefit reimbursements from third party tortfeasors	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS*	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>

* Savings could exceed \$100,000.

FISCAL IMPACT - Local Government

FY 2005
(10 Mo.)

FY 2006

FY 2007

LOCAL PUBLIC ENTITIES

Savings - Health benefit reimbursements
from third party tortfeasors

Unknown

Unknown

Unknown

**ESTIMATED NET EFFECT ON
LOCAL PUBLIC ENTITIES***

Unknown

Unknown

Unknown

*** Savings could exceed \$100,000.**

FISCAL IMPACT - Small Business

Small businesses that are self-insured could have a positive fiscal impact as a result of this proposal.


DESCRIPTION

This proposal grants a right of subrogation to public entities that self-insure for their health care benefits when the entity pays the medical bills of the covered person and there is third-party liability. The public entity may require the covered person to assign to the public entity his or her claim or cause of action against the third party.

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

Office of Administration -
 Division of Risk Management/General 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



Mickey Wilson, CPA

L.R. No. 3810-01
Bill No. HB 1233
Page 6 of 6
February 16, 2004

Director
February 16, 2004