

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3810-02
Bill No.: HCS for HB 1233
Subject: Insurance - Medical; Liability; State Departments
Type: Original
Date: March 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	Unknown	Unknown	Unknown
Highway	Unknown	Unknown	Unknown
Other	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	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 Risk Management/General Services, COA - Division of Budget and Planning, Department of Insurance and Department of Social Services** 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 fiscal impact of the proposal on their organization.

Officials from the **Missouri Department of Transportation (DOT)** state currently Section 104.270 RSMo Supp.2002 and Section 14.01 of the Highway and Patrol Medical Plan document requires reimbursement for third party liability for medical claims paid by the Highway and Patrol Medical Plan. However, this proposal would go beyond Section 104.270 and Section 14.01 by allowing MHTC/DOT and the Highway and Patrol Medical Plan to subrogate and to require assignment.

ASSUMPTION (continued)

Although this proposal does not allow DOT to receive any more than the actual medical claims paid by the Medical Plan, the proposal would allow MHTC/DOT and the Highway and Patrol Medical Plan to file suit against a third party without including the subscriber or member in the suit or have the covered person assign his or her claim or cause of action against the third party to the Highway and Patrol Medical Plan.

As a result, this proposal could have a positive fiscal impact on the Highway and Patrol Medical Plan in situations where the DOT is currently unable to get reimbursement of medical claims paid when the participant does not make a claim against the third party or when the participant chooses to deny continued benefits under the Highway and Patrol Medical Plan. This proposal would have no fiscal impact if the Medical Plan would receive reimbursement of all medical claims paid when a third party is involved.

This legislation also requires payment of an attorney lien for expenses before payment of any lien provided by Section 208.215 and permits courts to reduce and apportion the lien proportionate to the recovery by the covered person. Further, Section 208.215, while providing a lien, would prohibit the lien being imposed against certain property. As a result, it is possible that the Medical Plan's recovery amount could be lower than what is currently in place.

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 per member per month (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</u> - Reduction in cost of benefits	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>
CONSERVATION FUND			
<u>Savings</u> - Health benefit reimbursements from third party tortfeasors	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON CONSERVATION FUND*	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>
MISSOURI HIGHWAY FUND			
<u>Savings</u> - Health benefit reimbursements from third party tortfeasors	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT FUND *	<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

FISCAL IMPACT - Small Business

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

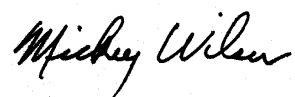
DESCRIPTION

This proposal grants public entities that self-insure for their health care benefits the right to subrogation in the same manner, with the same rights, obligations, and available remedies that the Department of Social Services has with the Medicaid Program.

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 Budget and Planning
 Division of General Services/Risk Management
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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Mickey Wilson, CPA
Director
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