

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4009-01  
Bill No.: HB 1165  
Subject: Health Care; Insurance - General; Insurance - Medical; Insurance Dept.  
Type: Original  
Date: March 22, 2004

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Revenue	(Unknown exceeding \$13,699,779)	(Unknown exceeding \$13,699,779)	(Unknown exceeding \$13,699,779)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown exceeding \$13,699,779)</b>	<b>(Unknown exceeding \$13,699,779)</b>	<b>(Unknown exceeding \$13,699,779)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Other	(Could exceed \$2,266,630)	(Could exceed \$2,266,630)	(Could exceed \$2,266,630)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(Could exceed \$2,266,630)</b>	<b>(Could exceed \$2,266,630)</b>	<b>(Could exceed \$2,266,630)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 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>
Federal	(Could exceed \$3,673,503)	(Could exceed \$3,673,503)	(Could exceed \$3,673,503)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(Could exceed \$3,673,503)</b>	<b>(Could exceed \$3,673,503)</b>	<b>(Could exceed \$3,673,503)</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>(Up to \$2,637,869)</b>	<b>(Up to \$2,637,869)</b>	<b>(Up to \$2,637,869)</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Department of Insurance** 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 fiscal impact of the proposal on their organization

Officials from the **Missouri Department of Transportation (DOT)** state the proposal prohibits health insurers from discriminating against any provider who is within the coverage area of the health benefit plan and who is willing to meet the terms and conditions for the participation established by the health insurer. This proposal will have no fiscal impact on the MHTC. The term "health insurer" is not defined, but probably is not applicable to the Highway & Patrol Medical Plan. Also, the Medical Plan does not establish the terms and conditions for participation by a provider. As a result, the proposal will have no fiscal impact on the Highway & Patrol Medical Plan.

ASSUMPTION (continued)

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state typically, providers give discounts in exchange for patient volume. If every physician participates in a health plan, the carrier is limited on controlling costs. The participating physicians may also refuse to participate if the volume is no longer guaranteed. This may cause prices to escalate. This would result in significant cost to the plans who would then recoup these costs through increased premiums.

According to a Minnesota report, an Any Willing Provider Law could increase costs as much as 29%. A few years ago several studies were done on this issue with a wide range of impacts. A study by the Barents Group states the impact to be between 13 - 16 percent for HMOs and 6.6 - 8.6 percent across all types of managed care health plans. Another study done by Arthur Anderson & Company estimates the impact has ranges from a 15 percent increase in per member per month (PMPM) cost to a nearly 29% increase in HMO premium increases. In this response, HCP is taking a conservative approach on the impact of the proposal and using a 10 percent increase.

In 2003, managed care plans cost a total of \$264,052,867 for the state members and \$26,378,699 for the Public Entities. Currently, the state contributes approximately 74% towards the state member's premium. The total fiscal impact for the first year could be \$19,539,912 for the state portion and \$2,637,869 for the Public Entity portion, including the member's portion.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state the proposal provides that a health insurer shall not discriminate against any provider who is located within the geographic coverage area of a health benefit plan and who is willing to meet the terms and conditions for participation established by the health insurer.

The DMS is affected by this proposal because it administers a managed care program which contracts with health maintenance organizations (HMOs) for the purpose of providing health care services through capitated rates. These HMOs are subject to the regulations in the proposal.

It is estimated there will be a fiscal impact to DMS. The proposal affects the shape of the HMOs' networks and also reduces the ability of the HMOs to negotiate terms. It is not possible to estimate the amount of the impact at the present time. The cost will be incurred during the bidding process and contract renewals. Capitation payments to managed care plans in FY 03 were over \$743 million. An increase of one percent in the capitation rate will result in an additional annual cost of \$7.4 million. The DMS, therefore, estimates an unknown fiscal impact greater than \$100,000 annually to the General Revenue Fund and unknown fiscal impact greater than \$150,000 to Federal Funds.

FISCAL IMPACT - State Government

FY 2005  
(10 Mo.)

FY 2006

FY 2007

**GENERAL REVENUE FUND**

Costs - Department of Social Services -  
 Division of Medical Services

Increase in capitated payment rates

(Unknown  
 exceeding  
 \$100,000)

(Unknown  
 exceeding  
 \$100,000)

(Unknown  
 exceeding  
 \$100,000)

Costs - Missouri Consolidated Health  
 Care Plan

Increase in State share of premiums

(Could exceed  
\$13,599,779)

(Could exceed  
\$13,599,779)

(Could exceed  
\$13,599,779)

**ESTIMATED NET EFFECT ON  
 GENERAL REVENUE FUND**

**(Unknown  
 exceeding  
 \$13,699,779)**

**(Unknown  
 exceeding  
 \$13,699,779)**

**(Unknown  
 exceeding  
 \$13,699,779)**

**OTHER STATE FUNDS**

Costs - Missouri Consolidated Health  
 Care Plan

Increase in State share of premiums

(Could exceed  
 \$2,266,630)

(Could exceed  
 \$2,266,630)

(Could exceed  
 \$2,266,630)

**ESTIMATED NET EFFECT ON  
 OTHER STATE FUNDS**

**(Could exceed  
 \$2,266,630)**

**(Could exceed  
 \$2,266,630)**

**(Could exceed  
 \$2,266,630)**

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<b>FEDERAL FUNDS</b>			
<u>Income - Department of Social Services - Division of Medical Services</u>			
Reimbursements for increased program payments	Unknown exceeding \$150,000	Unknown exceeding \$150,000	Unknown exceeding \$150,000
<u>Costs - Department of Social Services - Division of Medical Services</u>			
Increase in capitated program payment rates	(Unknown exceeding \$150,000)	(Unknown exceeding \$150,000)	(Unknown exceeding \$150,000)
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in State share of premiums	(Could exceed \$3,673,503)	(Could exceed \$3,673,503)	(Could exceed \$3,673,503)
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>(Could exceed \$3,673,503)</u></b>	<b><u>(Could exceed \$3,673,503)</u></b>	<b><u>(Could exceed \$3,673,503)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<b>ALL LOCAL GOVERNMENTS</b>			
<u>Costs - All Local Governments</u>			
Increase in insurance premiums	(Up to \$2,637,869)	(Up to \$2,637,869)	(Up to \$2,637,869)
<b>ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS</b>	<b><u>(Up to \$2,637,869)</u></b>	<b><u>(Up to \$2,637,869)</u></b>	<b><u>(Up to \$2,637,869)</u></b>

FISCAL IMPACT - Small Business

This proposal could directly impact small business insurance premium costs.

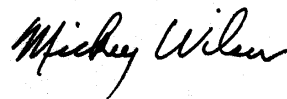
DESCRIPTION

This proposal prohibits health insurers, the Missouri Medicaid Program, and the Medicare Program from discriminating against any provider located within the geographic coverage area of a health benefit plan who is willing to meet the terms and conditions for participation in the health benefit plan.

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



Mickey Wilson, CPA  
Director  
March 22, 2004