

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4049-02
Bill No.: SCS for HB 1160
Subject: Insurance - Medical
Type: Original
Date: May 12, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(Up to \$147,000)	(Up to \$147,000)	(Up to \$147,000)
Total Estimated Net Effect on General Revenue Fund	(Up to \$147,000)	(Up to \$147,000)	(Up to \$147,000)

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

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 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	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume the proposal would have no fiscal impact on their organization. The proposal would negatively impact total state revenue and general revenue. The BAP has no information upon which to base an impact.

Officials from the **Department of Revenue (DOR)** provide the following assumptions related to the proposal:

ADMINISTRATIVE IMPACT:

PERSONAL TAX:

The DOR will need one (1) Tax Processing Tech IV to process every 1,500 claims. The Tax Processing Tech will have to have some medical training to be able to scrutinize the claims and work with physicians, etc., to determine who and what qualifies. Depending on the number of claims reviewed, the DOR may need to request additional staff.

The DOR's claims processing system will need to be modified to allow for the credit processing. The DOR estimates modifications to the system will require 1,384 hours of programming at a cost of \$46,170.

ASSUMPTION (continued)

CUSTOMER ASSISTANCE

The DOR estimates one (1) Tax Collection Tech will be needed for every 24,000 calls to 751-3505; one (1) Tax Collection Tech for every 15,000 calls to 751-7200 and one (1) Tax Collection Tech for every 5,200 calls to the field offices.

The DOR estimates a cost for this proposal of \$197,054 for FY 05; \$152,986 for FY 06; and \$156,854 for FY 07.

Based on internet information obtained by **Oversight**, Missouri had approximately 72,000 live births in 1999. **Oversight** obtained information from the Department of Health and Senior Services indicating Missouri has a 1 in 15,000 births ratio of infants born with PKU. Therefore, each year approximately 7 babies are born with PKU (allowing for increases in population and other related diseases). Based on the formula provided in the proposal, individuals would qualify for the tax credit through age 19. Assuming an even distribution of individuals with PKU for each of 20 years (0/birth through age 19), there are approximately 140 individuals in Missouri with this genetic disorder. This could result in approximately \$147,000 in tax credits annually to individuals with PKU and related disorders.

Oversight learned from Missouri Consolidated Health Care Plan (HCP) that the cost of low protein formula and supplements average approximately \$60 per case. Typically, a person with PKU could spend \$4,500 or more per year for formula or food products to treat the PKU disorder. The HCP stated the durable medical equipment provider they contacted said most HMOs cover 100% of the cost of formula and supplements. HCP's PPO plan requires 20% coinsurance after a \$500 deductible for in-network providers and 40% coinsurance after a \$1,000 deductible for out-of-network providers. **Oversight** is not able to determine the number of individuals with insurance coverage. Therefore, depending on insurance coverage, deductibles and copays, **Oversight** assumes a maximum of approximately \$147,000 in tax credits could be claimed each year.

Oversight further assumes, based on the low numbers of individuals that may actually take advantage of the tax credit, that the DOR could train existing staff to review returns and credits and handle customer assistance duties.

This proposal will result in a reduction in Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
<u>Loss - Income Tax Revenue</u>			
Additional income tax credits	(Up to \$147,000)	(Up to \$147,000)	(Up to \$147,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	(Up to \$147,000)	(Up to \$147,000)	(Up to \$147,000)
<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

No direct fiscal impact to small businesses would be expected as a result of this proposal.

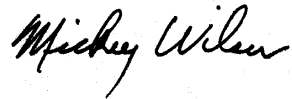
DESCRIPTION

This proposal creates a tax credit for offsetting the costs associated with providing formula and low protein modified food products for persons suffering with PKU and other inherited disease of amino and organic acids. The tax credit shall be equal to the taxpayer's actual out of pocket expenses or unreimbursed cost for such formulas or food products minus the product of the age of the person using such formulas or food products multiplied by one hundred. The tax credit, however, shall not exceed two thousand dollars.

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
Department of Revenue
Department of Health and Senior Services
Missouri Consolidated Health Care Plan

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

Mickey Wilson, CPA
Director
May 12, 2004