

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4174-01
Bill No.: HB 1305
Subject: Health Care; Health Care Professionals; Hospitals; Physicians
Type: Original
Date: February 10, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Insurance Dedicated Fund	(\$58,570)	(\$55,022)	(\$56,415)
Total Estimated Net Effect on <u>All</u> State Funds	(\$58,570)	(\$55,022)	(\$56,415)

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 **Department of Insurance (INS)** state the INS will be required to develop the risk-reporting categories and develop a database for the actual rates charged to generate the median rate. Annual review of rates to median would be required to determine if rates are reasonable. Requirements would require one (1) Research Analyst III to update and maintain the database on rate information reported. This position would also publish the market rate reflecting the median of actual rates for each of the 26 reporting categories. The INS estimates one-time programming costs of \$12,025 would be required to develop and implement the risk reporting database. The INS estimates salaries, fringe benefits, equipment and expense costs for FY 05 of \$60,620; \$55,022 for FY 06; and \$56,415 for FY 07.

Medical malpractice insurers will be required to re-file policy forms to conform with the cancellation provision. There are 41 insurers that have written premium for medical malpractice insurance in 2002. Policy form reviews are required to be accompanied with a \$50 filing fee. The INS estimates one-time filing fee revenue deposited in the Insurance Dedicated Fund of \$2,050 (41 insurers X \$50 filing fee).

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Form Filing Fees	\$2,050	\$0	\$0
<u>Costs - Department of Insurance</u>			
Personal Service Costs (1 FTE)	(\$29,592)	(\$36,398)	(\$37,308)
Fringe Benefits	(\$12,251)	(\$15,069)	(\$15,446)
Equipment and Expense	<u>(\$18,777)</u>	<u>(\$3,555)</u>	<u>(\$3,661)</u>
Total <u>Costs</u> - Department of Insurance	<u>(\$60,620)</u>	<u>(\$55,022)</u>	<u>(\$56,415)</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$58,570)</u>	<u>(\$55,022)</u>	<u>(\$56,415)</u>
 <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 may impact small businesses by providing notice of assessments or surcharges that may be imposed and giving longer notice for non-renewal of policies other than for nonpayment of premiums.

DESCRIPTION

This proposal makes changes to the laws governing medical malpractice insurance. In its main provisions, the proposal:

- (1) Prohibits insurance companies and other entities providing malpractice insurance to health care providers in Missouri from: (a) Increasing charges without 60 days' prior notice to the insured; (b) Refusing to renew policies without 60 days' prior notice, unless the refusal to renew is based upon nonpayment of insurance premiums or license termination or suspension; and (c) Ceasing to issue insurance policies without 180 days' prior notice to the Division of Insurance;

DESCRIPTION (continued)

(2) Requires the division to establish 12 to 24 risk-reporting categories for medical malpractice premiums and regulations for reporting premiums by category by May 30, 2005;

(3) Requires insurance companies and other entities providing malpractice insurance to health care providers in Missouri to provide the division, by June 1, 2005, and annually thereafter, with reports on premium rates charged by category;

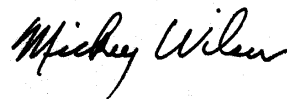
(4) Requires the division, by December 31, 2006, and annually thereafter, to establish and publish a market rate reflecting the median of the actual rates charged for each risk-reporting category for the preceding year; and

(5) Provides that, after January 1, 2007, insurance premium rates charged by insurance companies and other entities providing malpractice insurance to health care providers in Missouri which are no greater than 20% higher or lower than published market rate will be presumed reasonable, and rates greater than 20% higher or lower will be presumed unreasonable.

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 Insurance



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Director

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