

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0168-01
Bill No.: HB 271
Subject: Hospitals; Insurance - General
Type: Original
Date: March 15, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(Unknown exceeding \$6,664,825)	(Unknown exceeding \$6,664,825)	(Unknown exceeding \$6,664,825)
Total Estimated Net Effect on General Revenue Fund	(Unknown exceeding \$6,664,825)	(Unknown exceeding \$6,664,825)	(Unknown exceeding \$6,664,825)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
All Other State	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Federal	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Office of Secretary of State, Missouri Department of Conservation** and **Cedar County Memorial Hospital** assume the proposal would 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 the proposal to their organization.

Officials from the **Missouri Department of Transportation (DOT)** state the proposal will not have a fiscal impact on the DOT or the Highway Patrol Medical Plan.

Officials from the **Department of Economic Development - Division of Professional Registration (DED-PR)** state having reviewed the proposed language and having sought the conclusion of the appropriate board(s), they are of the opinion the proposal, in its present form has no fiscal impact on the DED-PR.

Officials from the **Department of Health and Senior Services (DOH)** state the proposal would not be expected to impact the operations of the DOH. If an impact were to result, funds to support the program would be sought through the appropriations process.

ASSUMPTION (continued)

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the proposal would prohibit hospitals from having ownership or financial interest in a health carrier. The HCP currently offers two health plans with hospital affiliation. The Mercy Health Plans and the Community Health Plan currently provide coverage for over forty percent (40%) of state members. The Mercy Health Plans also provide coverage to ninety percent (90%) of Public Entity members. Both Mercy and Community Health Plan are the current low cost plans in each of their respective regions and the state contribution is based on their rates.

Although, if not properly monitored, there could be a potential conflict between the goals of a hospital and an HMO, this proposal could also reduce competition in the market place, therefore, affecting rates. Although there is concern regarding this potential impact, the HCP cannot determine the overall fiscal impact.

Officials from the **Department of Social Services (DOS) - Division of Medical Services (DMS)** state the proposed legislation prohibits any licensed hospital, parent company, or affiliates of such hospital to have ownership or financial interests in any health carrier as defined in section 376.1350, RSMo. Those hospitals with an existing interest should be divested by January 1, 2007 and would be subject to licensure suspension or revocation if not compliant.

The DMS contracts with managed care health plans to provide medical assistance to individuals eligible under Section 208.151. The DMS assumes that the managed care health plans are subject to the proposed legislation.

One managed care health plan in each of the three regions of managed care is affected by the proposal. The DMS assumes that the proposed legislation would require the affected managed care health plans to be disassociated from the MC+ Managed Care program and no longer be eligible to participate.

There are currently two health plans participating in the Central region. If one of the health plans were no longer available, the MC+ Managed Care program would be jeopardized. The Central region would either return to a fee-for-service program or the MC+ Managed Care program would become voluntary as federal regulations require the choice of at least two health plans. The East and West regions would continue to operate with a choice of at least two health plans. However, the elimination of a health plan in each of these regions would affect the managed care capitation rates. The rates are calculated on a regional basis and would potentially increase as a result.

ASSUMPTION (continued)

With the MC+ Managed Care program, \$118.5 million was cost avoided for fiscal year 2004 for services provided under managed care instead of fee-for-service. If the Central Region were to return to fee-for-service, the potential amount of cost savings that would be lost would be \$17,4419,824. This amount was calculated by the following:

\$118.5 million divided by the total number of MC+ Managed care enrollees 432,339 (as of June 2004) = \$274 (cost per eligible).
 \$274 (cost per eligible) X 63,576 (Central region eligibles as of June 2004) =
 \$17,419,824.

Therefore, the estimated fiscal impact to DMS is unknown but greater than \$17,419,824.

Officials from the **Barton County Memorial Hospital, Bates County Memorial Hospital, Cooper County Memorial Hospital, Excelsior Springs Medical Center, Putnam County Memorial Hospital** and **Washington County Memorial Hospital** did not respond to our request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE FUND			
<u>Costs - Department of Social Services - Division of Medical Services</u>			
Medicaid program payments	(Unknown exceeding \$6,664,825)	(Unknown exceeding \$6,664,825)	(Unknown exceeding \$6,664,825)
<u>Costs - Missouri Consolidated Health Care Plan</u>			
State share of health insurance premium costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown exceeding \$6,664,825)</u>	<u>(Unknown exceeding \$6,664,825)</u>	<u>(Unknown exceeding \$6,664,825)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
ALL OTHER STATE FUNDS			
<u>Costs - Missouri Consolidated Health Care Plan</u>			
State share of health insurance premium costs	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON ALL OTHER STATE FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
FEDERAL FUNDS			
<u>Savings - Department of Social Services - Division of Medical Services</u>			
Reduction in Medicaid program payments	Unknown exceeding \$10,754,999	Unknown exceeding \$10,754,999	Unknown exceeding \$10,754,999
<u>Loss - Department of Social Services - Division of Medical Services</u>			
Reduction in Medicaid program reimbursements	(Unknown exceeding \$10,754,999)	(Unknown exceeding \$10,754,999)	(Unknown exceeding \$10,754,999)
<u>Costs - Missouri Consolidated Health Care Plan</u>			
State share of health insurance premium costs	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
ALL LOCAL GOVERNMENTS			
<u>Costs - All Local Governments</u>			
Share of health insurance premium costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

This proposal may impact small businesses that provide health insurance benefits for their employees.

DESCRIPTION

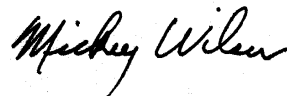
This proposal prohibits hospitals licensed in Missouri, their parent companies, or their affiliates from owning or having a financial interest in any health carrier. Any hospital, its parent company, or their affiliate that owns or has a financial interest in a health carrier must divest itself of the interest by January 1, 2007. Hospitals who do not comply with these requirements are subject to license suspension or revocation.

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 Economic Development
Department of Health and Senior Services
Department of Public Safety -
 Missouri State Highway Patrol
Missouri Department of Transportation
Missouri Department of Conservation
Missouri Consolidated Health Care Plan
Department of Insurance
Office of Secretary of State
Cedar County Memorial Hospital

NOT RESPONDING: Barton County Memorial Hospital, Bates County Memorial Hospital, Cooper County Memorial Hospital, Excelsior Springs Medical Center, Putnam County Memorial Hospital, and Washington County Memorial Hospital



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Director
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