

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5215-01  
Bill No.: HB 1940  
Subject: Health Care Professionals; Insurance - Medical; Insurance Dept.  
Type: Original  
Date: March 23, 2006

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Missouri Health Care Stabilization*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Unknown revenues and expenditures net to \$0.

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 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Office of State Treasurer, Missouri Senate, and Office of the Governor** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Department of Economic Development - Division of Professional Registration** state having reviewed the proposed legislation 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 their organization.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state the proposal should not result in additional costs or savings to the BAP. However, the proposal would have a positive impact on the Health Care Stabilization Fund and total state revenues. All health care providers are to participate in the Missouri Health Care Stabilization fund and pay annual membership fees, set by a board by rule. The BAP defers to the Department of Insurance and Department of Economic Development for the fiscal estimate.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal to the SOS for administrative rules is less than \$1,500. The SOS does not expect additional funding would be required to meet these costs. However, the SOS recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in

ASSUMPTION (continued)

excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Department of Insurance (INS)** state since all expenses of the board will be paid from the fund and the board may appoint additional staff to assist with the operations of the fund, the INS assumes that it will have an advisory role with the board and its functions. Therefore, the proposal will have no fiscal impact to the INS. The revenue and expenses of the Missouri Health Care Stabilization Fund are unknown.

Should the board request work from the INS beyond technical and administrative assistance, the INS may need to request staff to support the board's request.

Officials from the **Office of State Auditor (SAU)** state the proposal includes a provision that requires the SAU to do an annual financial audit of the Missouri Health Care Stabilization Fund and this audit must be completed and issued to certain parties by December 31 each year. The SAU estimates this audit provision will require the equivalent of one (1) additional FTE Senior Auditor I. The SAU estimates FY 07 personal service and fringe benefit costs of \$46,759; FY 08 costs of \$57,515; and FY 09 costs of \$58,952.

**Oversight** assumes the SAU would need an additional Auditor I rather than a Senior Auditor. **Oversight** also assumes the costs incurred by the SAU will be reimbursed by the Health Care Stabilization Fund.

**Oversight** assumes the Health Care Stabilization Board would set membership fees and premium surcharges at rates sufficient to cover all costs of operation and any claims, settlements and judgements that may be imposed on covered health care providers. For fiscal note purposes only, **Oversight** assumes revenues and expenses of the Fund will net to \$0.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<b>MISSOURI HEALTH CARE STABILIZATION FUND</b>			
<u>Income - Missouri Health Care Stabilization Board</u>			
Membership fees and premium surcharges	Unknown	Unknown	Unknown
<u>Costs - Missouri Health Care Stabilization Board</u>			
Claims, settlements, judgements and administrative expenditures	(Unknown)	(Unknown)	(Unknown)
<u>Costs - Office of State Auditor</u>			
Personal service costs (1 FTE)	(\$25,420)	(\$31,821)	(\$32,619)
Fringe benefits	(\$11,200)	(\$14,020)	(\$14,372)
Total <u>Costs</u> - Office of State Auditor	(\$36,620)	(\$45,841)	(\$46,991)

**ESTIMATED NET EFFECT ON  
MISSOURI HEALTH CARE  
STABILIZATION FUND\***

<b><u>\$0*</u></b>	<b><u>\$0*</u></b>	<b><u>\$0*</u></b>
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\* Unknown revenues and expenditures net to \$0.

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

This proposal will directly impact small business health care organizations that would be required to pay membership fees and premium surcharges.

DESCRIPTION

This proposal creates the Missouri Health Care Stabilization Fund to provide excess medical malpractice coverage to health care providers participating in the fund. Health care providers must carry primary medical malpractice coverage with liability limits of at least \$200,000 for each occurrence and at least \$600,000 for all claims in any one reporting year.

DESCRIPTION (continued)

The fund will be administered by the Health Care Stabilization Board, established within the Department of Insurance, and consisting of the department director and nine members representing health care providers, insurance representatives, attorneys handling medical malpractice insurance cases, and the public.

All health care providers must participate in the fund and pay the appropriate membership fees and premium surcharges that are adequate for paying the claims and expenses of the fund. The surcharge will be collected on the same basis as premiums by each insurer.

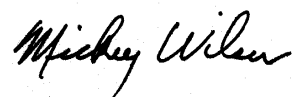
A person filing a claim may recover from the fund if they have coverage, the fund is a named party in the action, and the action is commenced within certain time limitations. The fund can retain counsel, appear, and actively defend itself in any action.

The maximum amount recoverable under the fund for any single claim cannot exceed \$800,000 pursuant to any one judgment or settlement for any party against a health care provider and an aggregate cap of \$2.4 million for all judgments or settlements for any health care provider in one year. The fund will have no obligation for the payment of punitive damages rendered in any judgment.

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 Economic Development  
Office of the Governor  
Department of Insurance  
Office of State Auditor  
Missouri Senate  
Office of Secretary of State  
Office of State Treasurer



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