

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0421-01  
Bill No.: HB 95  
Subject: Employees - Employers; Health Care; Insurance - Medical  
Type: Original  
Date: February 6, 2007

---

Bill Summary: Requires the Family Support Division to apply for waivers to establish a pilot program under the state Medicaid program to provide premium assistance to the working uninsured.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
General Revenue		(Greater than \$17,946,972 or Greater than \$56,657,633)	(Greater than \$18,732,085 or Greater than \$59,184,727)
	\$0		
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(Greater than \$17,946,972 or Greater than \$56,657,633)</b>	<b>(Greater than \$18,732,085 or Greater than \$59,184,727)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Federal		(Greater than \$28,966,112 or Greater than \$92,125,612)	(Greater than \$30,247,087 or Greater than \$96,248,765)
	\$0		
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>(Greater than \$28,966,112 or Greater than \$92,125,612)</b>	<b>(Greater than \$30,247,087 or Greater than \$96,248,765)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

---

### **ASSUMPTION**

Officials from the **Department of Insurance, Financial Institutions & Professional Registration** and the **Office of the State Treasure** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Department of Mental Health (DMH)** state the primary purpose of the pilot program appears to be to provide premium assistance for small business and their eligible employees to purchase employer-sponsored insurance or buy into a state-sponsored benefit plan. DMH anticipates that health insurance premium subsidies provided under the pilot program would expand the number of individuals accessing private sector health care providers through commercial insurance carriers or Medicaid. This would not appear to directly affect DMH funded and operated programs in a significant way. No fiscal impact.

Officials from the **Department of Health and Senior Services (DHSS)** state this proposal requires the state to seek Federal funding through a waiver to establish of a means whereby employees of small businesses may access low-cost insurance by paying premium.

DHSS states that after discussions with the bill's sponsor, the intent of the proposed language has been clarified, which is that the state would apply for a Federal waiver to access Federal funds in partial support of a low-cost insurance program for employees of small businesses. The sponsor does not intend to extend Medicaid benefits to these individuals.

DHSS assumes that the Department of Social Services (DSS) will calculate the cost of applying for the Federal waiver and the costs of premium assistance for employees of small businesses. Therefore, DHSS assumes no fiscal impact.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state this proposal will enable small employers and employed uninsured adults to purchase employer-sponsored state-approved private or state-sponsored health care coverage through a state premium assistance payment plan. This legislation is a recommendation from the Medicaid Reform Commission on the transformation of Missouri Medicaid.

It is assumed that the DMS instead of the Family Support Division would need to apply for a waiver from the Centers for Medicaid and Medicare Services (CMS) allowing the state to assist small businesses and their eligible employees to purchase employer-sponsored insurance or buy into a state-sponsored benefit plan.

ASSUMPTION (continued)

It is assumed the waiver will cover small business employers whose employees are below 200% of the federal poverty level (FPL).

The assumption was made that the employer/employee would cover 65% of the cost while the state would be responsible for the other 35%.

It is estimated that 461,571 Missourians, ages 0-64, are uninsured. Of that number, 410,575 are adults and 50,996 are children. It is estimated that 624,548 individuals are employed by a small business (2-50 employees) and of that number, 302,297 work for a small business that does not offer health insurance (Source: 2004 Missouri Health Insurance and Access Survey: Select Results; February 2005).

It is assumed that 70% of the 302,297 or 211,608 would want to participate in this program. Of this population, it is estimated that 75% of the employees would actually apply (158,706). Fifty-one and one-half percent of those who apply are under 200% of the FPL and would be eligible - 81,734.

In order to compute a cost to offer health care coverage to the 81,734 individuals who work for a small employer that does not offer coverage, we used a projected annual premium amount of \$4,944 for FY08 (Source: 2004 Missouri Health Insurance and Access Survey: Select Results; February 2005). By applying a medical inflation factor of 4.5% per year, the annual average cost for FY09 would be \$5,166. The cost for the 81,734 individuals is \$422 million; since the state is responsible for 35% the total cost to the state (GR & FF) is \$147.8 million.

The Division of Medical Services will also have administration cost for this program. The legislation allows for the "Health Employee and Economy Improvement Revolving Fund" to be created for funds to be used for the administration of this program. There will be the cost of developing the waiver and the cost of a contractor to enroll the participants. This cost is unknown but greater than \$1,000,000.

Due to the time frame required for the process of applying for a waiver from CMS, there will be no cost for FY08. For FY09 there will be a cost of \$147.8 million and an additional unknown, but greater than \$1,000,000 cost for the administration of this program.

If the waiver would cover up to 100% of FPL the total cost to the state (GR & FF) would be \$45.9 million in FY 09.

FISCAL IMPACT - State Government

FY 2008  
 (10 Mo.)

FY 2009

FY 2010

**GENERAL REVENUE FUND**

Costs - Department of Social Services

Health care coverage costs\*

Administrative costs

(\$17,446,972 or (\$18,232,085 or

\$0 \$56,157,633) \$58,684,727)

(Greater than (Greater than

\$0 \$500,000) \$500,000)

Total Costs - DSS

(Greater than (Greater than

\$17,946,972 or \$18,732,085 or

Greater than Greater than

\$0 \$56,657,633) \$59,184,727)

**ESTIMATED NET EFFECT ON  
 GENERAL REVENUE FUND\***

(Greater than (Greater than

\$17,946,972 or \$18,732,085 or

Greater than Greater than

\$0 \$56,657,633) \$59,184,727)

\*100% FPL is the minimum and 200% FPL is the maximum cost. The 200% FPL cost includes the 100% FPL cost.

**FEDERAL FUND**

Costs - Department of Social Services

Health care coverage costs\*

Administrative costs

(\$28,466,112 or (\$29,747,087 or

\$0 \$91,625,612) \$95,748,765)

(Greater than (Greater than

\$0 \$500,000) \$500,000)

Total Costs - DSS

(Greater than (Greater than

\$28,966,112 or \$30,247,087 or

Greater than Greater than

\$0 \$92,125,612) \$96,248,765)

**ESTIMATED NET EFFECT ON  
 FEDERAL FUND\***

(Greater than (Greater than

\$28,966,112 or \$30,247,087 or

Greater than Greater than

\$0 \$92,125,612) \$96,248,765)

\*100% FPL is the minimum and 200% FPL is the maximum cost. The 200% FPL cost includes the 100% FPL cost.

FISCAL IMPACT - Local Government	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

#### FISCAL IMPACT - Small Business

This proposal require the state to apply for a waiver to access Federal funds to create a state option for employees of small businesses that do not currently provide insurance to receive low-cost insurance.

#### FISCAL DESCRIPTION

This legislation requires the Family Support Division within the Department of Social Services to apply for waivers from the Centers for Medicaid and Medicare Services for the purpose of increasing access to health care in Missouri, reforming the Missouri Medicaid Program, and enabling small employers and employed uninsured adults to purchase flexible health care benefit packages through a state premium assistance payment plan. Any funding received will be deposited into the Health Employee and Economy Improvement Revolving Fund.

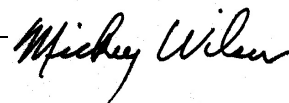
The provisions of this legislation will expire six years from the effective date.

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 Mental Health  
Department of Insurance, Financial Institutions and Professional Registration  
Office of the State Treasure

---



Mickey Wilson, CPA

L.R. No. 0421-01  
Bill No. HB 95  
Page 7 of 7  
February 6, 2007

Director  
February 6, 2007

SEC:LR:OD (12/06)