

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0552-01  
Bill No.: HB 432  
Subject: Health Care; Insurance Medical; Insurance Dept.  
Type: Original  
Date: February 20, 2007

Bill Summary: Prohibits health insurers from discriminating against any willing provider in the geographic region of the health benefit plan.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(Unknown exceeding \$705,784)	(Unknown exceeding \$705,784)	(Unknown exceeding \$705,784)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown exceeding \$705,784)</b>	<b>(Unknown exceeding \$705,784)</b>	<b>(Unknown exceeding \$705,784)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Other State	(Could exceed \$131,139)	(Could exceed \$131,139)	(Could exceed \$131,139)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Could exceed \$131,139)</b>	<b>(Could exceed \$131,139)</b>	<b>(Could exceed \$131,139)</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Federal	(Could exceed \$211,841)	(Could exceed \$211,841)	(Could exceed \$211,841)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(Could exceed \$211,841)</b>	<b>(Could exceed \$211,841)</b>	<b>(Could exceed \$211,841)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Local Government</b>	<b>(Could exceed \$26,675)</b>	<b>(Could exceed \$26,675)</b>	<b>(Could exceed \$26,675)</b>

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## **FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Missouri Department of Transportation, Department of Insurance, Financial and Professional Regulation, Department of Public Safety (DPS) - Director's Office,** and **Missouri Department of Conservation** assume the proposal will have no fiscal impact on their organizations.

Officials from the **DPS - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the fiscal impact of this proposal on their organization.

Officials from the **Department of Social Services (DOS) - Division of Medical Services (DMS)** state the proposed legislation states that a health insurer shall not discriminate against any provider who is located within the geographic coverage area of the health benefit plan and who is willing to meet the terms and conditions for participation established by the health insurer.

The DMS is affected by this legislation because it administers a managed care program, which contracts with health maintenance organizations (HMOs) for the purpose of providing health care services through capitated rates. These HMOs are subject to the regulations in this legislation.

It is estimated there will be a fiscal impact to DMS because the legislation affects the shape of the HMOs' networks and also reduces the ability of the HMOs to negotiate terms. It is not possible to estimate the amount of the impact at this time. The cost impact will be incurred during the bidding process and the contract renewals. Capitation payments to managed care plans in FY 06 were over \$895 million. For the sake of perspective, an increase of just one percent in the capitated rate will result in an additional annual cost of \$8.9 million. The fiscal impact of this proposal is unknown, but greater than \$100,000.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state that historically, competition has fueled the contract negotiations between providers and a medical plan. Many providers gave discounts in exchange for a higher patient volume. This allowed health insurers to provide premiums to their enrollees at a lower cost. The thought was that if every provider were to participate in a medical plan, health insurers could not guarantee increased patient volume, the providers would be less likely to negotiate prices, and premiums would rise.

In some cases, this philosophy would still be applicable in today's market. Some insurers offer alternative and smaller network options with lower pricing. Sometimes employers will utilize these networks as a cost control method. However, in other cases health insurers have expanded

ASSUMPTION (continued)

their networks to offer an option that includes a majority of the providers in their geographic region. Consequently, this type of legislation may not have as significant of an overall impact as in the past.

Research on this issue is somewhat dated and shows a wide range of impacts. One study projects a 2% increase in costs. Another study projects a 6.6 to 8.6% increase.

The proposal refers to "health care practitioners". The HCP assumes this refers to physicians, therapists, nurse practitioners, etc. If the definition is intended to be more expansive (e.g. hospitals) then the resulting costs will be significantly higher.

In 2007, the projected health care plan costs for "health care practitioners" are \$124,538,787 for state members and \$2,667,543 for public entities. Currently, the state contributes approximately 81% towards the state member's premium. Consequently, for every percentage increase in cost, the fiscal impact for the first year could be \$1,008,764 for the state's portion and \$26,675 for the public entity portion.

The HCP has assumed that "discriminate" means a plan would not be able to refuse to enroll a provider into their network who was willing to meet their terms and conditions (i.e. fee schedule). Also, it is not clear if a plan could refuse to contract with a provider because he/she did not meet the plan's quality criteria that would be reviewed during the credentialing process. This process is important in order to help ensure high quality care.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>GENERAL REVENUE FUND</b>			
<u>Costs - Department of Social Services</u>			
Increase in program costs	(Unknown exceeding \$40,000)	(Unknown exceeding \$40,000)	(Unknown exceeding \$40,000)
 <u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state share of health insurance premiums	<u>(Could exceed \$665,784)</u>	<u>(Could exceed \$665,784)</u>	<u>(Could exceed \$665,784)</u>
 <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	 <b><u>(Unknown exceeding \$705,784)</u></b>	 <b><u>(Unknown exceeding \$705,784)</u></b>	 <b><u>(Unknown exceeding \$705,784)</u></b>
 <b>OTHER STATE FUNDS</b>			
 <u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state share of health insurance premiums	<u>(Could exceed \$131,139)</u>	<u>(Could exceed \$131,139)</u>	<u>(Could exceed \$131,139)</u>
 <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>	 <b><u>(Could exceed \$131,139)</u></b>	 <b><u>(Could exceed \$131,139)</u></b>	 <b><u>(Could exceed \$131,139)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>FEDERAL FUNDS</b>			
<u>Income - Department of Social Services</u>			
Increase in Medicaid reimbursement	Unknown exceeding \$60,000	Unknown exceeding \$60,000	Unknown exceeding \$60,000
<u>Costs - Department of Social Services</u>			
Increase in program payments	(Unknown exceeding \$60,000)	(Unknown exceeding \$60,000)	(Unknown exceeding \$60,000)
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state share of health insurance premiums	<u>(Could exceed \$211,841)</u>	<u>(Could exceed \$211,841)</u>	<u>(Could exceed \$211,841)</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>(Could exceed \$211,841)</u></b>	<b><u>(Could exceed \$211,841)</u></b>	<b><u>(Could exceed \$211,841)</u></b>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>ALL LOCAL GOVERNMENTS</b>			
<u>Costs - All Local Governments</u>			
Increase in health insurance premiums	<u>(Could exceed \$26,675)</u>	<u>(Could exceed \$26,675)</u>	<u>(Could exceed \$26,675)</u>
<b>ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS</b>	<b><u>(Could exceed \$26,675)</u></b>	<b><u>(Could exceed \$26,675)</u></b>	<b><u>(Could exceed \$26,675)</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal prohibits health insurers, the Missouri Medicaid Program, and the federal Medicare Program from discriminating against any provider located within the geographic coverage area of a health benefit plan who is willing to meet the terms and conditions for participation in the plan.

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

Missouri Department of Transportation  
Department of Insurance, Financial and Professional Regulation  
Department of Social Services -  
    Division of Medical Services  
Department of Public Safety -  
    Director's Office  
    Missouri State Highway Patrol  
Missouri Consolidated Health Care Plan  
Missouri Department of Conservation



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Director  
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