

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4352-03
Bill No.: HCS for HB 1857
Subject: Insurance - General; Insurance - Medical; Insurance Dept.
Type: Corrected
Date: February 18, 2008
To correct Fiscal Year in tables.

Bill Summary: Requires health insurers pay identical benefits to similarly licensed participating and nonparticipating providers of the same services in the geographic region of the health benefit plan.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	#FY 2009	FY 2010	FY 2011
General Revenue	(Unknown, could exceed \$1,207,701)	(Unknown, could exceed \$1,449,241)	(Unknown, could exceed \$1,449,241)
Total Estimated Net Effect on General Revenue Fund	(Unknown, could exceed \$1,207,701)	(Unknown, could exceed \$1,449,241)	(Unknown, could exceed \$1,449,241)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Other State	(Unknown, could exceed \$231,838)	(Unknown, could exceed \$449,410)	(Unknown, could exceed \$449,410)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown, could exceed \$231,838)	(Unknown, could exceed \$449,410)	(Unknown, could exceed \$449,410)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Federal	(Unknown, could exceed \$374,508)	(Unknown, could exceed \$449,410)	(Unknown, could exceed \$449,410)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Unknown, could exceed \$374,508)	(Unknown, could exceed \$449,410)	(Unknown, could exceed \$449,410)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

☐ 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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	(Unknown, could exceed \$34,323)	(Unknown, could exceed \$41,187)	(Unknown, could exceed \$41,187)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** and **Missouri Department of Conservation** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Department of Public Safety (DPS) - Director's Office** defer to the Missouri Consolidated Health Care Plan for response regarding the fiscal impact of this proposal on their organization.

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

Officials from the **Missouri Department of Transportation (DOT)** state the legislation will have no fiscal impact on the Missouri Highway and Transportation Commission (MHTC). The DOT/MHP medical plan is not a "provider" or a "health carrier" as defined in section 376.1350, RSMo. Also, the Medical Plan does not establish the terms and conditions for participation by a provider. As a result, this proposal will have no fiscal impact on the DOT or Patrol Medical Plan.

Officials from the **Department of Social Services (DOS) - MO HealthNet Division (MHD)** state the MHD is affected by this legislation because it 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.

This legislation affects the make-up of the HMO networks and also reduces the ability of the HMOs to negotiate terms. The cost impact will be incurred during the bidding process and at the time of contract renewals. For the sake of perspective, capitation payments to managed care plans in FY 07 were over \$858 million, and an increase of just one percent in the capitation rate will result in an additional annual cost of approximately \$8.6 million.

Since the amount of increased costs will not be known until the bidding and contract renewal process occurs, the MHD estimates the fiscal impact as an unknown amount, greater than \$100,000 annually.

ASSUMPTION (continued)

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the proposal requires health insurers to pay identical benefits to similarly licensed participating and nonparticipating providers of the same services in the geographic region of the health benefit plan.

Fiscal Impact of the Bill:

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 their networks to offer an option that includes a substantial majority of the providers in their geographic region. Most of HCP's contracts are of this nature; consequently, this type of legislation may not have as significant 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 6.6-8.6% increase.

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

In 2008, the projected health care plan costs for "providers" are \$131,438,324 (professional costs) and \$82,566,414 (pharmacy costs) for state members (total \$214,004,738) and \$2,575,975 (professional costs) and \$1,542,762 (pharmacy costs) for public entities (\$4,118,737). Consequently, for every percentage increase in cost, the fiscal impact for the first year would increase \$2,140,047 for the state's portion and \$41,187 for the public entity portion.

It is not clear if the 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.

FISCAL IMPACT - State Government

FY 2009
(10 Mo.)

FY 2010

FY 2011

GENERAL REVENUE FUND

Costs - DOS-MHD

Increase in program costs	(Unknown greater than \$33,675)	(Unknown greater than \$36,810)	(Unknown greater than \$36,810)
---------------------------	---------------------------------------	---------------------------------------	---------------------------------------

Costs - HCP

Increase in state's share of health plan costs	(Unknown, could exceed \$1,177,026)	(Unknown, could exceed \$1,412,431)	(Unknown, could exceed \$1,412,431)
--	---	---	---

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

(Unknown, could exceed \$1,207,701)	(Unknown, could exceed \$1,449,241)	(Unknown, could exceed \$1,449,241)
---	---	---

OTHER STATE FUNDS

Costs - HCP

Increase in state's share of health plan costs	(Unknown, could exceed \$231,838)	(Unknown, could exceed \$278,206)	(Unknown, could exceed \$278,206)
--	---	---	---

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

(Unknown, could exceed \$231,838)	(Unknown, could exceed \$278,206)	(Unknown, could exceed \$278,206)
---	---	---

FISCAL IMPACT - State Government

FY 2009
(10 Mo.)

FY 2010

FY 2011

FEDERAL FUNDS

Income - DOS-MHD

Increase in program reimbursements	Unknown exceeding \$52,658	Unknown exceeding \$63,190	Unknown exceeding \$63,190
------------------------------------	----------------------------------	----------------------------------	----------------------------------

Costs - DOS-MHD

Increase in program payments	(Unknown exceeding 52,658	(Unknown exceeding \$63,190)	(Unknown exceeding \$63,190)
------------------------------	---------------------------------	------------------------------------	------------------------------------

Costs - HCP

Increase in state's share of health plan costs	(Unknown, could exceed \$374,508	(Unknown, could exceed \$449,410)	(Unknown, could exceed \$449,410)
--	--	---	---

ESTIMATED NET EFFECT ON FEDERAL FUNDS

<u>(Unknown, could exceed \$374,508</u>	<u>(Unknown, could exceed \$449,410)</u>	<u>(Unknown, could exceed \$449,410)</u>
--	---	---

FISCAL IMPACT - Local Government

FY 2009
(10 Mo.)

FY 2010

FY 2011

ALL LOCAL GOVERNMENTS

Costs - All Local Governments

Increase in share of health plan costs	(Unknown, could exceed \$34,323)	(Unknown, could exceed \$41,187)	(Unknown, could exceed \$41,187)
--	--	--	--

ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS

<u>(Unknown, could exceed \$34,323)</u>	<u>(Unknown, could exceed \$41,187)</u>	<u>(Unknown, could exceed \$41,187)</u>
--	--	--

FISCAL IMPACT - Small Business

The proposal may impact small businesses that pay insurance premiums for their employees if premium rates increase.

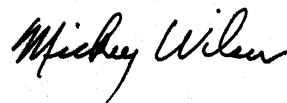
FISCAL DESCRIPTION

This proposal requires health insurers, the MO HealthNet Program, and the federal Medicare Program to pay identical benefits to licensed nonparticipating or nonpreferred health care providers located within the geographic coverage area of a health benefit plan who are willing to meet the same terms and conditions as it does to similarly licensed participating or preferred providers.

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 Institutions, and Professional Registration
Department of Social Services
Department of Public Safety -
 Director's Office
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Missouri Department of Conservation



Mickey Wilson, CPA
Director
February 18, 2008