

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4242-02  
Bill No.: HB 1145  
Subject: Health Care; Insurance - Medical; Hospitals  
Type: Original  
Date: January 14, 2014

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Bill Summary: This proposal requires a health carrier to provide access to its standard fee schedules, prohibits a carrier from refusing to contract with any willing provider, and changes the requirements for provider referrals.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Unknown greater than \$1,738,500)	(Unknown greater than \$3,477,000)	(Unknown greater than \$3,477,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown greater than \$1,738,500)</b>	<b>(Unknown greater than \$3,477,000)</b>	<b>(Unknown greater than \$3,477,000)</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Road Fund	(Unknown)	(Unknown)	(Unknown)
Insurance Dedicated	Up to \$15,000	\$0	\$0
Other State Funds	(Unknown greater than \$427,500)	(Unknown greater than \$855,000)	(Unknown greater than \$855,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown greater than \$412,500)</b>	<b>(Unknown greater than \$855,000)</b>	<b>(Unknown greater than \$855,000)</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 2015	FY 2016	FY 2017
Federal Funds	(Unknown greater than \$684,000)	(Unknown greater than \$1,368,000)	(Unknown greater than \$1,368,000)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(Unknown greater than \$684,000)</b>	<b>(Unknown greater than \$1,368,000)</b>	<b>(Unknown greater than \$1,368,000)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<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 2015	FY 2016	FY 2017
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** assume that this proposal would require insurers to submit amendments to their policies to comply with legislation. Policy amendments must be submitted to the department for review along with a \$50 filing fee. The number of insurance companies writing these policies in Missouri fluctuates each year. One-time additional revenues to the Insurance Dedicated Fund are estimated to be up to \$15,000.

The adoption of this proposal would result in an increase in consumer inquiries, investigations and discipline cases; the department believes it could absorb the workload within existing appropriations. However, should the extent of the work be more than anticipated, the department would request additional appropriation and/or FTE through the budget process.

Officials from the **Department of Corrections, Missouri Department of Conservation and Department of Health and Senior Services** each assume the current proposal would not fiscally impact their respective agencies.

Officials from the **Department of Transportation** assume this proposal will increase the claims costs because it would dilute the efficiencies created by contracted networks. It is difficult to put a dollar amount on the predicted impact because many variables would play into it but it could potentially be several hundred thousand dollars to the medical plan.

Officials from the **Columbia Boone County Department of Public Health and Human Services (PHHS)** assume this proposal would result in an unknown fiscal impact to revenues and costs. It is possible that this proposal will make it easier for PHHS to develop provider contracts with health carriers. These contracts could result in additional revenue. As a result, depending on a number of additional provider contracts and the billing structure of each contract, additional bill staff may be needed.

### **Section 376.393**

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state their department does not have a primary source of research to determine the fiscal impact of this legislation; however, a search of the literature indicates probable fiscal impact as demonstrated in other studies. Research indicates any willing provider laws have increased the cost of health care by varying degrees.

ASSUMPTION (continued)

HCP contracts with vendors whose provider networks are subject to these laws, so HCP assumes this legislation will have an impact on its health care expenditures. HCP assumes it will be required to pay increased administrative fees from health carrier vendors to cover the cost of negotiating, credentialing and servicing additional providers. HCP also assumes a decrease in the level of discounts provided by its vendors due to a vendor's inability to selectively contract. HCP assumes the impact to its medical plans may be less compared to plans with more limited networks because HCP networks include a substantial number of providers.

Based on these assumptions, HCP applied a conservative estimate of a 1.5 percent increase in overall health care costs, including prescription drugs, to calculate fiscal impact. The fiscal impact to HCP is unknown but greater than \$5.7 million annually.

The fiscal impact to state employees and retirees is estimated at \$1.8 million annually. For HCP's public entity membership, the annual fiscal impact of this legislation is unknown but greater than \$121,000.

**Oversight** assumes the costs estimated by MCHCP would be distributed across state funds in the following percentages:

General Revenue	61% of \$5,700,000 = \$3,477,000
Other State Fund	15% of \$5,700,000 = \$855,000
Federal Funds	24% of \$5,700,000 = \$1,368,000

Oversight assumes the provisions of this proposal would become effective January 1, 2015; therefore, we will reflect six months of impact in FY 2015.

Section 376.1425

HCP already requires health plans to provide member access to an online provider network directory. HCP also encourages members to verify provider network status by accessing the online directories or by contacting their health plan or provider prior to receiving services. The provisions in this section do not fiscally impact HCP.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (6 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE FUND</b>			
<u>Costs - HCP</u>			
Increased health care expenditures	(Unknown greater than <u>\$1,738,500</u> )	(Unknown greater than <u>\$3,477,000</u> )	(Unknown greater than <u>\$3,477,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown greater than \$1,738,500)</u></b>	<b><u>(Unknown greater than \$3,477,000)</u></b>	<b><u>(Unknown greater than \$3,477,000)</u></b>
<b>OTHER STATE FUNDS</b>			
<u>Costs - HCP</u>			
Increased health care expenditures	(Unknown greater than <u>\$427,500</u> )	(Unknown greater than <u>\$855,000</u> )	(Unknown greater than <u>\$855,000</u> )
<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>	<b><u>(Unknown greater than \$427,500)</u></b>	<b><u>(Unknown greater than \$855,000)</u></b>	<b><u>(Unknown greater than \$855,000)</u></b>
<b>FEDERAL FUNDS</b>			
<u>Costs - HCP</u>			
Increased health care expenditures	(Unknown greater than <u>\$684,000</u> )	(Unknown greater than <u>\$1,368,000</u> )	(Unknown greater than <u>\$1,368,000</u> )
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>(Unknown greater than \$684,000)</u></b>	<b><u>(Unknown greater than \$1,368,000)</u></b>	<b><u>(Unknown greater than \$1,368,000)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>INSURANCE DEDICATED FUND</b>			
<u>Revenues</u> - DIFP			
Amendment Filing Fees	<u>Up to \$15,000</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>Up to \$15,000</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>ROAD FUND</b>			
<u>Expenses</u> - DHT			
Increase in medical claim costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON ROAD FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2015 (10 Mo.)	 FY 2016	 FY 2017
<b>LOCAL PUBLIC HEALTH CENTERS</b>			
<u>Revenues</u> - Increase in health carrier provider contracts	Unknown	Unknown	Unknown
<u>Expense</u> - Costs associated with an increase to provider contracts	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL PUBLIC HEALTH CENTERS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

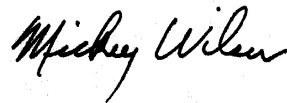
FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

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 Health and Senior Services  
Department of Insurance, Financial Institutions  
and Professional Registration  
Missouri Consolidated Health Care Plan  
Department of Corrections  
Department of Transportation  
Missouri Department of Conservation  
Columbia Boone County Department  
of Public Health and Human Services



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January 14, 2014

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