

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0290-02
Bill No.: SB 243
Subject: Health Care; Medicaid
Type: Original
Date: March 3, 2015

Bill Summary: This proposal modifies provisions relating to MO HealthNet managed care organizations rate setting.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| | | | |
| Total Estimated Net Effect on General Revenue | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|--------------------|--------------------|--------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| Insurance Dedicated | (\$104,304) | (\$116,768) | (\$117,955) |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | (\$104,304) | (\$116,768) | (\$117,955) |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| Insurance Dedicated | 1 | 1 | 1 |
| | | | |
| Total Estimated Net Effect on FTE | 1 | 1 | 1 |

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state due to this legislation, the department would need to increase its review and monitoring of Managed Care Organizations, which are licensed as HMO's, and track the medical loss ratio for the cumulative period to determine if a repayment is likely to occur. If a repayment should become likely, the analyst would have to determine the likelihood of insolvency and work with the Company to address any perceived deficiencies, determine sources of any additional funding, possibly place the company on additional monitoring, and/or recommend the Company be placed into rehabilitation. Due to the heightened scrutiny of these entities, an additional FTE at the Financial Examiner III level is needed. Costs to the Insurance Dedicated Fund are estimated to be \$104,304 for FY 2016; \$116,768 for FY 2017; and \$117,955 for FY 2018.

Officials from the **Department of Social Services, Mo HealthNet Division and Division of Legal Services** assume the proposal would not fiscally impact their agency.

| <u>FISCAL IMPACT - State Government</u> | FY 2016 | FY 2017 | FY 2018 |
|---|---------------------------|---------------------------|---------------------------|
| | (10 Mo.) | | |
| INSURANCE DEDICATED FUND | | | |
| <u>Costs - DIFP (\$208.940)</u> | | | |
| Personal service | (\$63,104) | (\$76,482) | (\$77,247) |
| Fringe benefits | (\$32,186) | (\$39,010) | (\$39,400) |
| Equipment and supplies | (\$9,014) | (\$1,276) | (\$1,308) |
| Total <u>Costs - DIFP</u> | <u>(\$104,304)</u> | <u>(\$116,768)</u> | <u>(\$117,955)</u> |
| FTE Change - DIFP | 1 FTE | 1 FTE | 1 FTE |
| ESTIMATED NET EFFECT ON THE INSURANCE DEDICATED FUND | | | |
| | <u>(\$104,304)</u> | <u>(\$116,768)</u> | <u>(\$117,955)</u> |
| Estimated Net FTE Effect on the Insurance Dedicated Fund | 1 FTE | 1 FTE | 1 FTE |

| <u>FISCAL IMPACT - Local Government</u> | FY 2016 (10 Mo.) | FY 2017 | FY 2018 |
|---|---------------------|------------|------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal modifies provisions relating to MO HealthNet managed care organizations rate setting.

Managed care organizations are required to maintain medical loss ratios of at least 85%, as defined by the National Association of Insurance Commissioners, for MO HealthNet operations. If a managed care organization's medical loss ratio falls below 85% over a cumulative period of 3 years, the organization shall be required to refund a portion of the capitation rates paid to the managed care plan in a tiered amount equal to the difference between the plan's medical loss ratio and 85% of the capitated payment to the managed care organization. When the medical loss ratio is between 85% and 80%, then 25% percent of the tier shall be returned to the state. When the medical loss ratio is less than 80%, then 75% of the tier shall be returned to the state.

This proposal also provides that for services that do not meet the definition of emergency services, a Medicaid managed care organization shall be required to reimburse out of network providers at the published MO HealthNet Medicaid fee-for-service schedule at the time of the service. A Medicaid managed care organization shall document three good faith attempts to include the provider in their network, using their standard participating provider agreement and fee schedule.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration
Department of Social Services



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March 3, 2015

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March 3, 2015