

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5903-01
Bill No.: HB 2539
Subject: Health Care; Department of Insurance, Financial Institutions and Professional Registration
Type: Original
Date: March 12, 2018

Bill Summary: This proposal establishes the “Missouri Reinsurance Plan.”

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|--|--|--|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| General Revenue Fund | (Unknown, Could exceed \$6,000,000) | (Unknown, Could exceed \$6,000,000) | (Unknown, Could exceed \$6,000,000) |
| Total Estimated Net Effect on General Revenue | (Unknown, Could exceed \$6,000,000) | (Unknown, Could exceed \$6,000,000) | (Unknown, Could exceed \$6,000,000) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|--|--|--|--|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| Insurance Dedicated Fund | (Unknown, greater than \$250,000) | (Unknown) | (Unknown) |
| Insurance Examiners Fund | (\$100,000) | (\$100,000) | (\$100,000) |
| Missouri Reinsurance Fund | (Could exceed \$200,000) | (Could exceed \$200,000) | (Could exceed \$200,000) |
| Total Estimated Net Effect on Other State Funds | (Unknown, greater than \$550,000) | (Unknown, greater than \$300,000) | (Unknown, greater than \$300,000) |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

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 2019 | FY 2020 | FY 2021 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assume this bill will have an unknown but estimated in excess of \$6,000,000 impact to General Revenue each fiscal year. This proposal resurrects the former Missouri Health Insurance Pool (MHIP) as the "Missouri Reinsurance Pool" by amending provisions of sections 376.960, 376.961, 376.962, 376.964, 376.966, 376.970, and 376.987. The bill does not repeal any of the previously enacted provision of the MHIP statutes, including sections authorizing the pool to make annual assessments to health carriers, which carriers can then in turn deduct from their premium taxes (or sales and use taxes in the case of HMOs). These tax credits can be carried over from year to year and do not expire under the existing statutes. Assessments for MHIP were made to carriers each year from 1991 through 2014 to cover the costs of the program. The total amount of assessments made during that time period was \$149,236,285.41, which is an average of \$6,488,534 per year. Carriers still have \$13,889,266.50 in outstanding premium or sales and use tax credits that may still be claimed.

DIFP estimates spending \$250,000 in FY2019 from the Insurance Dedicated Fund in actuarial costs for completing the waiver application. The proposal requires DIFP to file an application for a waiver with the US Department of Health and Human Services. The current waiver application process requires an actuarial study. In addition, the proposal requires an annual audit of the Missouri Reinsurance Plan, to be done by an independent CPA or CPA firm, at an unknown contractual cost each year to DIFP.

The bill also requires DIFP to "audit" eligible health carriers to assess compliance with the provisions of the proposal. DIFP assume "audit" means "examination" in this context and estimates the cost of the exam to be \$100,000 annually from the Insurance Examiners Fund.

Finally, this bill calls for the creation of a new dedicated fund, the "Missouri Reinsurance Fund." DIFP anticipates an impact of at least \$200,000 annually to administer this fund, assuming DIFP will need to hire additional FTE or create a contract to administer the fund.

Note: If the Insurance Dedicated Fund balance is not sufficient to support these expenditures, DIFP would request General Revenue through the budget process.

Officials from the **Office of the State Treasurer (STO)** assumes this proposal would create the "Missouri Reinsurance Fund" which would not be subject to the biennial transfer and would have interest credited back to it. STO assumes the proposal will have no fiscal impact on their organization.

ASSUMPTION (continued)

Officials from the **Missouri Consolidated Health Care Plan**, the **Missouri Department of Conservation**, the **Department of Transportation**, the **Missouri Senate**, the **Missouri House of Representatives** and the **Department of Health and Senior Services** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Office of Administration** defer to the Missouri Consolidated Health Care Plan to estimate the fiscal impact of the proposed legislation on their respective organization.

| <u>FISCAL IMPACT - State Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
|---|---|---|---|
| GENERAL REVENUE FUND | | | |
| <u>Cost - DIFP</u> | (Unknown, Could exceed | (Unknown, Could exceed | (Unknown, Could exceed |
| Missouri Reinsurance Pool | <u>\$6,000,000)</u> | <u>\$6,000,000)</u> | <u>\$6,000,000)</u> |
| ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND | (Unknown, Could exceed <u>\$6,000,000)</u> | (Unknown, Could exceed <u>\$6,000,000)</u> | (Unknown, Could exceed <u>\$6,000,000)</u> |
| INSURANCE DEDICATED FUND | | | |
| <u>Cost - DIFP</u> | (\$250,000) | \$0 | \$0 |
| Actuarial cost | | | |
| Annual audit | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| <u>Total Cost - DIFP</u> | <u>(Unknown, Greater than \$250,000)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT TO THE INSURANCE DEDICATED FUND | (Unknown, greater than <u>\$250,000)</u> | (Unknown) | (Unknown) |

| | | | |
|---|----------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2019 | FY 2020 | FY 2021 |
| (continued) | (10 Mo.) | | |

INSURANCE EXAMINERS FUND

| | | | |
|-----------------------------------|--------------------|--------------------|--------------------|
| <u>Cost - DIFP</u> | <u>(\$100,000)</u> | <u>(\$100,000)</u> | <u>(\$100,000)</u> |
| Audit of eligible health carriers | | | |

| | | | |
|---|---------------------------|---------------------------|---------------------------|
| ESTIMATED NET EFFECT TO THE INSURANCE EXAMINERS FUND | <u>(\$100,000)</u> | <u>(\$100,000)</u> | <u>(\$100,000)</u> |
|---|---------------------------|---------------------------|---------------------------|

MISSOURI REINSURANCE FUND

| | | | |
|----------------------------|----------------------|----------------------|----------------------|
| <u>Cost - DIFP</u> | <u>(Could exceed</u> | <u>(Could exceed</u> | <u>(Could exceed</u> |
| Administration of new fund | <u>\$200,000)</u> | <u>\$200,000)</u> | <u>\$200,000)</u> |

| | | | |
|--|-----------------------------|-----------------------------|-----------------------------|
| ESTIMATED NET EFFECT ON THE MISSOURI REINSURANCE FUND | <u>(Could exceed</u> | <u>(Could exceed</u> | <u>(Could exceed</u> |
| | <u>\$200,000)</u> | <u>\$200,000)</u> | <u>\$200,000)</u> |

| | | | |
|---|----------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2019 | FY 2020 | FY 2021 |
| | (10 Mo.) | | |

| | | | |
|--|------------|------------|------------|
| | <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 bill creates the "Missouri Reinsurance Plan" which is a state based reinsurance program administered by the Director of the Department of Insurance, Financial Institutions and Professional Registration with assistance from the Department of Health and Senior Services.

The Missouri Health Insurance Pool is reestablished as the Missouri Reinsurance Pool with the board of directors appointed by the director.

FISCAL DESCRIPTION (continued)

The reinsurance program is created to stabilize and reduce premium rates in the individual health insurance market and to increase participation. The program is an alternative to the affordable care act. The director will apply to the Secretary of Health and Human Services under 42 U.S.C. Section 18052 for a state innovation waiver to implement the Missouri premium security plan beginning January 1, 2019, and future years, to maximize federal funding for the plan.

Eligible health carriers must calculate the premium amount they would have charged for the benefit year if the plan had not been established. Health carriers will apply for reinsurance payments to offset premiums charged for individual health plans.

The director shall determine the payment parameters for the next benefit year by January 15th of the year before the applicable benefit year.

Each reinsurance payment shall be calculated with respect to an eligible health carrier's incurred claims costs for an individual enrollee's covered benefits in the applicable benefit year. If the claims costs do not exceed the attachment point, the reinsurance payment is \$0. If the claims costs exceed the attachment point, the reinsurance payment shall be calculated as the product of the coinsurance rate and the lesser of the claims costs minus the attachment point or the reinsurance cap minus the attachment point.

The department shall ensure that reinsurance payments made to eligible health carriers do not exceed the total amount paid by the eligible health carrier for an eligible claim.

The board will also establish procedures for the collection of assessments from insurers required in addition to any funds received under the provisions of Sections 374.900 to 374.960, RSMo.

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 Insurance, Financial Institutions and Professional Registration
Office of Administration
Missouri Consolidated Health Care Plan
Department of Health and Senior Services
Office of the State Treasurer
Missouri Department of Conservation
Department of Transportation
Missouri Senate
Missouri House of Representatives

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Acting Director
March 12, 2018