

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1485S.02A  
Bill No.: SCS for HB 604 with SA 1, SA 2, SA 3, and SSA 1 for SA 4  
Subject: Business and Commerce; Children and Minors; Commerce and Insurance,  
Department of; Consumer Protection; Contracts and Contractors; Employees -  
Employers; Environmental Protection; Insurance - Automobile; Insurance -  
General; Insurance - Property; Insurance - Life; Interstate Cooperation; Liability;  
Licenses - Miscellaneous; Motor Vehicles; Natural Resources, Department of;  
Professional Registration and Licensing; Religion; Revenue, Department of;  
Securities;  
Type: Original  
Date: May 7, 2021

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Bill Summary: This proposal modifies provisions relating to insurance.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
General Revenue*	Up to (\$718,583)	Up to (\$1,317,403)	Up to (\$598,819)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Up to (\$718,583)</b>	<b>Up to (\$1,317,403)</b>	<b>Up to (\$598,819)</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Petroleum Storage Tank Insurance Fund	\$125,000	\$130,000	\$135,000
Colleges & Universities	(Unknown)	(Unknown)	(Unknown)
Second Injury Fund (0653)*	Up to \$26,020,000	Up to \$47,817,000	Up to \$21,797,000
State Road Fund (0320)	Up to (\$135,000)	Up to (\$270,000)	Up to (\$135,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$125,000</b>	<b>\$130,000</b>	<b>\$135,000</b>

\*This proposal extends the sunset date of up to a 3% supplemental surcharge paid into the Second Injury Fund. Currently it is set to expire on December 31, 2021; however this proposal extends that date to December 31, 2022 and allows for a 2.5% surcharge in 2023. Oversight has reflected the positive impact to the Second Injury Fund for this continuation of an existing surcharge.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

☒ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

### FISCAL ANALYSIS

#### ASSUMPTION

#### §303.220 – Certificates of Self-Insurance

Officials from the **Department of Revenue (DOR)** assume the following regarding this proposal:

#### Administrative Impact - Driver License Bureau (DLB)

Currently, 20 religious organizations participate in Missouri's Self-Insurance Program because their religious beliefs "prohibit" their members from purchasing insurance. The proposed legislation revising "prohibits" to "discourages" will significantly increase the number of religious denominations qualifying for self-insurance. This presumption is based on a religious organization only being required to "discourage" its members from purchasing insurance, rather than "prohibiting" (forbidding) the purchase of insurance.

To implement the proposed changes, the Driver License Bureau will be required to:

- Update forms and correspondence;
- Update procedures and Department website;
- Revise Administrative Rules; and
- Train Staff

#### FY 2022 – Driver License Bureau

Research/Data Assistant	120 hrs. @ \$15.98 per hr.	= \$1,918
Research/Data Analyst	120 hrs. @\$23.82 per hr.	= \$2,858
Administrative Manager	80 hrs. @\$22.24 per hr.	= \$1,779
Total		\$6,555

#### FY 2022 – Personnel Services Bureau

2 Associate Research/Data Analyst	40 hrs. @\$19.08 per hr. X 2	= \$1,526
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**Total FY 2022 Cost** **\$8,081**

### FTE Requirements

The Department issues the Certificate of Insurance and the insurance cards in the name of the Religious Organization rather than the members or vehicle owners' names. Part of the application process and yearly renewal requires the religious organization to provide a listing of all members, as well as the make, model, year, vehicle identification number (VIN), and license plate number for each vehicle covered by the Certificate of Self-Insurance.

Every vehicle is researched and key-entered into the Department Self-Insurance Verification System (DSIV). This provides the local License Offices the ability to verify insurance compliance at the time of vehicle registration and renewal.

It takes an employee approximately two minutes to research and key each vehicle. The Department currently has one FTE (Account Assistant) to oversee the Self-Insurance Programs.

6,070	Current vehicles with religious exemption
X 4	Estimated increase in religious exemptions
24,280	Estimated Total participants of the religious exemption
X 2	Number Minutes to research and key each vehicle
48,560	Total minutes
/ 60	Number of minutes per hour
809	Total number of FTE hours needed for DSIV research and entry
/ 8	Hours per day
101	Total days needed to process religious vehicle listings
/ 252	Work days per year
.4	<b>TOTAL FTE (Account Clerk- \$26,340)</b>

For the purposes of this fiscal note, the Department will round the fiscal note requirement down to **0 FTE**. Changing the requirement to be eligible for the religious exemption to insurance from "prohibited" to "discouraged" could potentially result in an increase in individuals claiming this exemption. If the increase is more significant than anticipated, FTE will be requested from the appropriations process.

### Increased Cost for Self-Insurance Card Stock

The Department prints all Self-Insurance Cards on secure-card stock to prevent fraud. Six insurance cards are printed on each 8 x 10 sheet. The cost per sheet is \$0.12.

172,856-	Number of vehicles requiring an insurance card
/ 6 -	Number of cards printed per sheet
28,809	Number of 8 x 10 card stock sheets
X \$.12	Cost per sheet
<b>\$3,457</b>	<b>Total cost for additional card stock</b>

Increased Cost for Envelopes and Postage

The Department mails large envelopes containing the quantity of insurance cards needed for each self-insured organization. Postage is determined based on the weight of each envelope, which contains different quantity volumes of cards. This varies based on the number of members and vehicles insured under each self-insurance certificate issued. Each envelope will hold approximately 350 pages x 6 per page = 2,100 cards.

Envelopes

28,809	Number of card-stock sheets
/ 350	Number of sheets per envelope
82	Total Envelopes
X \$.99	Cost per Envelope
<b>\$81</b>	<b>Total Cost of Envelopes</b>

Postage

82	Total Envelopes
X \$7.00	Estimated postage cost per envelope
<b>\$ 574</b>	<b>Total cost for postage</b>

FY 2022 Total Cost for card stock, envelopes, and postage (\$3,457+ \$81 + \$ 574) =  
\$4,112/12=\$343x10 = **\$3,430**

FY 2023 Total Cost for card stock, envelopes, and postage (\$3,457+ \$81 + \$ 574) = **\$4,214**  
(inflation added)

FY 2024 Total Cost for card stock, envelopes, and postage (\$3,457+ \$81 + \$ 574) = **\$4,320**  
(inflation added)

**Oversight** assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

In response to a previous version, officials from the **Department of Commerce and Insurance** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

\$319.131 – Underground Storage Tanks

In response to a similar proposal from 2021 (SB 310), officials from the **Petroleum Storage Tank Insurance Fund (PSTIF)** assumed this proposal would have a positive fiscal impact of

approximately \$125,000 in FY 2022 and thereafter to PSTIF as it would eliminate the need for the Board of Trustees to purchase excess coverage from the private market.

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the PSTIF.

In response to a similar proposal from 2021 (SB 310), officials from the **Department of Commerce and Insurance**, **Department of Natural Resources** and **Missouri Department of Transportation** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

#### §375.029 - Continuing Education Credits for Insurance Producers

In response to a previous version, officials from the **Department of Commerce and Insurance** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this section.

#### §375.246 – Credit for Reinsurance

In response to a similar proposal from 2021 (HB 239), officials from the **Department of Commerce and Insurance** assumed the proposal would have no fiscal impact on their organization.

**Oversight** notes that the Department of Commerce and Insurance has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for this section.

#### §376.2080 – Funding Agreements for Life Insurance Companies

In response to a similar proposal from 2021 (SB 90), officials from the **Department of Commerce and Insurance** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this section.

#### §379.120 – Explanation of Refusals for Automobile Insurance

In response to a similar proposal from 2021 (SB 294), officials from the **Department of Commerce and Insurance** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

§§379.1800, 379.1803, 379.1806, 379.1809, 379.1812, 379.1815, 379.1818, 379.1821 & 379.1824 – Group Personal Lines Property and Casualty Insurance

In response to a similar proposal from 2021 (SB 209), officials from the **Department of Commerce and Insurance**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety - Missouri Highway Patrol**, the **Missouri Department of Conservation**, the **Missouri Department of Transportation** and the **Office of Administration** each assumed the proposal would have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

§§436.700 & 507.184 - Missouri Statutory Thresholds for Settlements Involving Minors Act

In response to a similar proposal from 2021 (SCS for SB 295), officials from the **Office of the State Courts Administrator**, the **Department of Commerce and Insurance**, the **Department of Labor and Industrial Relations**, the **Department of Mental Health** and the **Department of Social Services** each assumed the proposal would have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Responses regarding the proposed legislation as a whole

Rule Promulgation

In response to proposals with similar rule promulgation language, officials from the **Joint Committee on Administrative Rules** assumed this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to proposals with similar rule promulgation language, officials from the **Office of the Secretary of State** noted many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what their office can sustain with their core budget. Therefore, they reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Senate Amendment 1:

§§379.140, 379.150, 379.160 & 379.145 – Property Insurance

In response to a somewhat similar proposal (SB 369), officials from the **Department of Commerce and Insurance** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these sections.

Senate Amendment 2:

§§287.170, 278.180 & 287.715 – Supplemental Surcharge for Second Injury Fund

In response to a similar proposal from 2021 (SCS for HCS for HB 384), officials from the **Department of Labor and Industrial Relations (DOLIR)** assumed the following regarding this proposal:

Section 287.715.6 currently authorizes a collection of a **supplemental surcharge** to the Second Injury Fund (SIF) not to exceed three percent for calendar years 2014 to 2021. The supplemental surcharge was a legislative fix to address the prior solvency issues faced by the SIF. While this bill extends the **supplemental surcharge** for an additional year (until the end of 2022), the **supplemental surcharge** is temporary in duration.

The annual cost of the current on-going permanent total disability (PTD) benefit obligation to the SIF is \$50.7 million. This obligation continues through the remainder of the claimant's life or until such time as they are no longer owed the bi-weekly benefits under the law. It should be noted that there are still pending cases in the pipeline being adjudicated. It is unknown what the future cost to the SIF will be from these cases.

Furthermore, there are cases where the benefits would continue after the injured employee's death, to be paid to his/her dependents based on the Missouri Supreme Court's decision in *Schoemehl v. Treasurer of the State of Missouri*, 217 S.W.3d 900 (Mo. banc 2009), *superseded by statute*, MO. REV. STAT. § 287.230 (June 26, 2008).

There are other benefits that are paid from the SIF such as permanent partial disability benefits, Second Job Wage Loss benefits, uninsured Medical and Death benefits if the employer failed to insure his/her workers' compensation liabilities. Although these benefits were eliminated by the legislative changes made in 2013, effective January 1, 2014, there are cases pending before the Division pre 2013 law change where benefit payments need to be determined.



As of February 28, 2021, there are approximately 14,542 pending cases where Claims for Compensation have been filed against the Missouri State Treasurer's Office as custodian of the SIF.

There are also other appropriations from the SIF such as administrative costs of approximately \$5 million, which include salaries to the Attorney General's Office for defending against claims filed against the SIF, Office of Administration costs, mailing costs, etc.

In 2020, the breakdown of the benefit obligations from the Fund was as follows:

<u>Benefit Type</u>	<u>Amount</u>
Death	\$139,129.12
Medical	\$369,125.86
Lost Wages	\$45,804.39
PPD	\$3,208,392.80
PTD	<u>\$68,396,382.65</u>
<u>Total</u>	<u>\$72,158,834.82</u>

DOLIR - Second Injury Fund surcharge collections in last three years shown below:

<u>CY</u>	<u>Collections</u>	<u>Rate</u>
<b>2018</b>	\$ 107,413,993.84	6%
<b>2019</b>	\$ 102,442,325.10	6%
<b>2020</b>	\$ 86,683,062.21	5%

<u>CY</u>	<u>5% - 6 % Collections</u>	<u>1% collections</u>	<u>CY 3 % Collections</u>	<u>FY 3% Surcharge Collections</u>
<b>2017</b>	\$ 107,413,993.84	\$ 17,902,332.33	\$ 53,706,997	
<b>2018</b>	\$ 102,442,325.10	\$ 17,073,720.83	\$ 51,221,163	\$ 52,464,079.75
<b>2019</b>	\$ 86,683,062.21	\$ 17,336,612.44	\$ 52,009,837	\$ 51,615,499.91
			<b>Average</b>	<b>\$ 52,039,790</b>

**Oversight** notes that DOLIR's average collection of 1% between CY 2017-2019 was \$17,437,552, which represents 1% of the collected funds.

**Oversight** calculated the potential impact to the SIF for FY 2022 by dividing the total annual collections by appropriate annual percentage and extracting only 3% charge of supplemental surcharge payments for the employers throughout Missouri. Additionally, Oversight calculated the potential impact to the SIF below for FY 2023 by adding 6 months of 3% and 6 months of 2.5% surcharge. Lastly, the provision ending as of December 31, 2023, therefore, affects 6 months in FY 2024.

**Oversight Estimated SIF collection as follow:**

Fiscal Year	FY 2022	FY 2023	FY 2024
Totals	<b>\$ 26,019,895</b>	<b>\$ 47,816,839</b>	<b>\$ 21,796,944</b>
Percentages	6 Mo at 3%	6 Mo at 3% & 6 Mo at 2.5%	6 Mo at 2.5%

In response to a similar proposal from 2021 (SCS for HCS for HB 384), officials from the **Missouri Department of Transportation (MoDOT)** assumed the proposal extends the Second Injury Fund Surcharge for an additional two years, resulting in an ongoing fiscal impact to MoDOT. Specifically, this would be an unknown negative fiscal impact from the State Road Fund.

Currently, MoDOT pays a 3% Second Injury Fund (SIF) surcharge and a supplemental rate of 2%. This amount will vary based on each year's premiums, but for 2020, they paid \$405,512 for the SIF surcharge and \$270,347 for the supplemental rate. They pay quarterly, but these are the annual figures.

2017-2019 had a 3% SIF surcharge and a 3% supplemental rate. They paid the following annually:

2019 - \$400,919 for each (surcharge and supplemental)

2018 - \$403,463 for each

2017 - \$413,749 for each

**Oversight** notes that MoDOT pays approximately \$270,000 annually for 3% supplemental surcharge.

In response to a similar proposal from 2021 (SCS for HCS for HB 384), officials from the **Office of Administration (OA)** assumed the following regarding this proposal:

Section 287.715.6 – This legislation changes the maximum supplemental surcharge from 3% to 2.5% in CY 2023. If the division of workers' compensation collects the maximum of 2.5%, this change could decrease the total supplemental surcharge the state would pay by a total of \$184,156.20 for GR and \$2,953.11 for Conservation.

However, the division of workers' compensation currently collects 2%, which is less than their maximum allowed amount; therefore, the proposed legislation would result in an increase in costs to the state as compared to the actual amount collected by the division of workers' compensation. This is based on expenditures shown below:

FY21 expenditures for CY2020 taxes GR: \$1,841,562.00

FY21 expenditures for CY2020 taxes Conservation: \$29,531.06

This is 3% SIF and 2% surcharge.

Increasing the surcharge to 2.5% could increase GR by \$184,156.20 and Conservation by \$2,953.11. Current figures based on 2020 payroll, 2020 insurance rates and 2020/21 experience modification. Other factors that could increase/decrease FY22/23 would be CY2021/22 payroll, insurance rates and experience modification changes.

#### **Summary of OA's surcharge paid into SIF:**

FY	Summary of Total Tax Collected into Second Injury Fund by OA
2020	\$ 2,482,810
2019	\$ 2,539,133
2018	\$ 3,268,504
2017	\$ 3,206,885
Average	\$ 2,874,333

Source: [https://oa.mo.gov/sites/default/files/FY\\_2020\\_Executive\\_Budget\\_Final.pdf](https://oa.mo.gov/sites/default/files/FY_2020_Executive_Budget_Final.pdf)

**Oversight** notes that the OA pays its Workers' Compensation tax and Second Injury Fund assessments based on billings received from the Department of Revenue and the Division of Workers' Compensation.

**Oversight** notes that DOLIR stated that MoDOT and OA both will be required to continue to make up to 3% surcharge payments into the Second Injury Fund because of the extension of the surcharge payment for additional 2 years. Therefore, Oversight will note an Unknown negative cost to the OA's Administrative Fund and a negative **\$270,000** to MoDOT's State Road Fund. Additionally, Oversight notes that OA would be liable for lesser taxes paid into the Second Injury Fund. The average of the 3% surcharge tax is **\$1,437,166** (\$2,874,333 / 6 x 3).

**Oversight** notes that DOLIR stated that MoDOT and OA both will be required to continue to make up to 3% surcharge payments into the Second Injury Fund because of the extension of the surcharge payment for CY 2022, and 2.5% till December 31<sup>st</sup> in CY 2023.

#### **The total GR expenditure as follows:**

Fiscal Year	FY 2022	FY 2023	FY 2024
Totals	<b>\$718,583</b>	<b>\$1,317,403</b>	<b>\$598,819</b>
Percentages	6 Mo at 3%	6 Mo at 3% & 6Mo at 2.5%	6 Mo at 2.5%

**Oversight** notes that currently the OA and MODOT paid 2% supplemental surcharge and this proposal would raise the amount by ½% totaling 2.5%.

In response to a similar proposal from 2021 (SCS for HCS for HB 384), officials from the **University of Central Missouri** assumed the proposal would have an indeterminate fiscal impact. Additional information regarding the fund limits is needed to identify a preliminary impact given current workers compensation claims that have been filed.

**Oversight** notes University of Central Missouri assumed the proposal would have a direct fiscal impact on their organization. Oversight assume the costs are expected due to the extension of the surcharges for additional 3 years and beyond FY 2021. Therefore, Oversight will reflect a negative Unknown costs to the colleges and universities on the fiscal note.

In response to a similar proposal from 2021 (SCS for HCS for HB 384), officials from the **City of Springfield** assumed the proposal would have a negative fiscal impact since it extends a surcharge which costs the City \$35,000 per quarter or \$100,000 annually an additional 3 years. The three year extension will cost the City approximately \$500,000.

In response to a similar proposal from 2021 (SCS for HCS for HB 384), officials from the **City Of Saint Louis – Budget Division** noted:

The City of St. Louis has paid into the Missouri Division of Worker's Compensation an average of \$1.2M per year over the past two fiscal years. These payments are comprised of the 3% surcharge as well as the 3% supplemental rate. The supplemental rate was set to expire in 2021. The proposed legislation would extend the rate until 2024. Therefore the fiscal impact to the City would be a continuation of payments of approximately \$600,000 per year or the average amount that can be attributed to the supplemental rate over the past two fiscal years.

**Oversight** notes the above local political subdivision noted the proposal would have a direct fiscal impact on their organization due to the extension of the surcharges for additional 3 years and beyond FY 2021. Therefore, Oversight will reflect a negative Unknown costs to the local political subdivisions on the fiscal note.

In response to a similar proposal from 2021 (SCS for HCS for HB 384), officials from the **Missouri Department of Conservation, Department of Commerce and Insurance, City of Claycomo, City of Springfield, Missouri State University, and University of Central Missouri** each assumed the proposal would have no fiscal impact on their respective organizations.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, schools, and universities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

**Oversight** notes the balance of the Second Injury Fund (0653) has been:

At December 31, 2020	\$31,613,929;
At June 30, 2020	\$28,326,917
At April 30, 2021	\$44,297,433

**Oversight** notes that SA2 extends the surcharge allowing for 3% collection in FY 2022 and 2.5% in FY 2023. Additionally, sections 287.170, 287.180, 287.220, 287.280, 287.480, and 287.715 each gives a choice to all parties to transfer the funds or documentation needed electronically.

Senate Amendment 3

§§135.096 & 376.1109 (SA 3) – Long-Term Care Insurance

In response to a similar proposal from 2021 (SCS for SB 288), officials from the **Office of Administration - Budget and Planning (B&P)** assumed the following regarding this proposal:

Section 135.096 – Long-term Care Insurance Deduction

This section would change the tax years that the long-term care insurance deduction is available. Currently, an individual may deduction 100% of non-reimbursed long-term care insurance premiums from the Missouri taxable income if such premiums were not already included in their itemized deductions. B&P notes, that per federal law individuals may claim such premiums on their federal tax return, if they itemize rather than take the standard deduction.

This proposal would change the deduction from starting with tax year 2006, to beginning with tax year 2021. B&P notes that currently individuals filing their tax year 2020 returns are able to claim the long-term care insurance deduction. B&P further notes that tax year 2020 returns could be filed and amended after this proposal were to take effect on 8/28/2021. In addition, individuals may still be amending their tax year 2018 and 2019 income tax returns. It is unclear how this proposal would affect tax year 2018, 2019, and 2020 returns where individuals previously took the long-term care insurance deduction. Especially in instances where taxpayers amend such returns after this proposal takes effect.

This proposal also expands the definition of qualified long-term care insurance to include any insurance policy that is considered an asset for the purpose of MO HealthNet eligibility. B&P notes that for tax deduction purposes there are two types of long-term health insurance plans. Some plans are “tax benefit” plans, meaning that they meet certain requirements in order to qualify for the federal tax deduction. There are also “non-tax benefit” plans that do not meet the federal tax deduction requirements. B&P is unsure if such “non-tax benefit” plans currently qualify for the state deduction.

Therefore, B&P estimates that this provision may reduce TSR and GR by \$0 or (Unknown) depending on whether the expansion to the definition of qualified long-term care insurance results in an increase in the number of long-term care insurance premiums that qualify under this deduction.

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by B&P.

In response to a similar proposal from 2021 (SCS for SB 288), officials from the **Department of Revenue (DOR)** assumed the following regarding this proposal:

Section 135.096 Long- Term Care Deduction

This section currently provides a deduction from individual income tax for 100% of qualified long-term health care insurance premiums. The Department processes that deduction and will continue to do so. The two changes regarding the date and the definition of “qualified long-term care insurance” are not expected to impact the Department.

Section 376.1109

This section impacts the administration of long-term care policies. This provision does not impact the Department.

In response to a similar proposal from 2021 (SCS for SB 288), officials from the **Department of Commerce and Insurance, Department of Health and Senior Services and Department of Social Services** each assumed the proposal would have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Senate Substitute Amendment 1 for Senate Amendment 4  
§376.1551 - Mental Health Insurance Coverage

In response to a similar proposal from this year (HCS for HB 889), officials from the **Missouri Department of Transportation, the Missouri Consolidated Health Care Plan, Missouri Department of Conservation, the Department of Commerce and Insurance, the Office of Administration, the Department of Social Services and the Department of Mental Health** each assumed the proposal would have no fiscal impact on their respective organizations.

**Oversight** notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

In response to a similar proposal from this year (HCS for HB 889), officials from the **Department of Public Safety - Missouri Highway Patrol** deferred to the Department of Transportation to estimate the fiscal impact of the proposed legislation on their organization.

In response to a similar proposal from this year (HCS for HB 889), officials from the **City of Kansas City, City of Springfield, City of O’Fallon, and the City of Corder** each assumed no fiscal impact from the proposal.

According to the Centers for Medicare & Medicaid Services web site (CMS.gov), “(t)he Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA) is a federal law that generally prevents group health plans and health insurance issuers that provide mental health or substance use disorder (MH/SUD) benefits from imposing less favorable benefit limitations on those benefits than on medical/surgical benefits.”

**Oversight** assumes health insurance policies utilized by the state and by local political subdivisions will be in compliance with these federal requirements. Therefore, Oversight will assume the section will not have a material fiscal impact.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>GENERAL REVENUE FUND</b>			
<u>Cost</u> –extension of the supplemental surcharges for an additional 2 years (§§287.170, 287.180 & 287.715) p. 11 (SA 2)	Up to (\$718,583)	Up to (\$1,317,403)	Up to (\$598,819)
<u>Cost</u> – long-term care insurance deductions (§135.096) p. 13 (SA 3)	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b>Could exceed <u>(\$718,583)</u></b>	<b>Could exceed <u>(\$1,317,403)</u></b>	<b>Could exceed <u>(\$598,819)</u></b>
<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>PETROLEUM STORAGE TANK INSURANCE FUND (0585)</b>			
<u>Savings</u> – PSTIF – no longer have to purchase excess coverage from the private market- section 139.131 p. 5	<u>\$125,000</u>	<u>\$130,000</u>	<u>\$135,000</u>



<b>ESTIMATED NET EFFECT ON THE PETROLEUM STORAGE TANK INSURANCE FUND</b>	<b><u>\$125,000</u></b>	<b><u>\$130,000</u></b>	<b><u>\$135,000</u></b>
<b>STATE ROAD FUND (0320)</b>			
<u>Cost</u> - MoDOT - continuance of supplemental surcharge past 12/31/2021 (§§287.170, 287.180 & 287.715) p. 10 (SA 2)	Up to <u>(\$135,000)</u>	Up to <u>(\$270,000)</u>	Up to <u>(\$135,000)</u>
<b>ESTIMATED NET EFFECT ON THE STATE ROAD FUND (0320)</b>	<b>Up to <u>(\$135,000)</u></b>	<b>Up to <u>(\$270,000)</u></b>	<b>Up to <u>(\$135,000)</u></b>
<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>SECOND INJURY FUND (0653)</b>			
<u>Revenue Gain</u> - supplemental surcharge extended from 12/31/21 to 12/31/23 (§§287.170, 287.180 & 287.715) p. 10	Up to <u>\$26,020,000</u>	Up to <u>\$47,817,000</u>	Up to <u>\$21,797,000</u>

(SA 2)			
<b>ESTIMATED NET EFFECT ON THE SECOND INJURY FUND</b>	<b>Up to <u>\$26,020,000</u></b>	<b>Up to <u>\$47,817,000</u></b>	<b>Up to <u>\$21,797,000</u></b>
<b>COLLEGES AND UNIVERSITIES</b>			
<u>Cost</u> - extension of the supplemental surcharges for an additional 2 years (§§287.170, 287.180 & 287.715) p. 12 (SA 2)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON COLLEGES AND UNIVERSITIES</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Cost</u> – continuance of supplemental surcharge past 12/31/2021 (§§287.170, 287.180 & 287.715) p. 12 (SA 2)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<u><b>(Unknown)</b></u>	<u><b>(Unknown)</b></u>	<u><b>(Unknown)</b></u>

FISCAL IMPACT – Small Business

§§379.140, 379.150, 379.160 & 379.145 - A direct fiscal impact to small businesses that make claims and small business insurance companies which pay claims would be expected as a result of this proposal.

§§287.170, 287.180 & 287.715 - Small businesses would continue to pay the appropriate surcharge that has been extended until 2023.

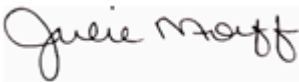
FISCAL DESCRIPTION

This proposal modifies provisions relating to the regulation of insurance.

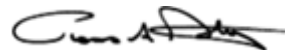
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
Department of Commerce and Insurance  
Office of the Secretary of State  
Joint Committee on Administrative Rules  
Missouri Department of Transportation  
Department of Natural Resources  
Petroleum Storage Tank Insurance Fund  
Department of Labor and Industrial Relations  
Missouri Department of Conservation  
Office of Administration  
Missouri Highway Patrol  
Department of Mental Health  
Department of Social Services  
Office of the State Courts Administrator  
University Of Central Missouri  
Missouri State University  
Missouri Consolidated Health Care Plan  
Missouri University  
State Technical College of Missouri  
City of Springfield  
City of Ballwin  
City of O'Fallon  
City of Saint Louis – Budget Division  
Claycomo  
Corder  
Hughesville  
Kansas City  
Springfield



Julie Morff  
Director  
May 7, 2021



Ross Strobe  
Assistant Director  
May 7, 2021