

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4618H.01P  
 Bill No.: Perfected HB 1976  
 Subject: Health Care; Insurance - Health; Health Care Professionals  
 Type: Original  
 Date: April 10, 2024

Bill Summary: This proposal creates provisions relating to prior authorization of health care services.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund	(\$831,500 - \$1,335,500)	(\$819,000 - \$1,323,000)	(\$819,000 - \$1,323,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$831,500 - \$1,335,500)</b>	<b>(\$819,000 - \$1,323,000)</b>	<b>(\$819,000 - \$1,323,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Other State Funds	(\$195,000 - \$315,000)	(\$195,000 - \$315,000)	(\$195,000 - \$315,000)
State Road Fund	(Unknown)	(Unknown)	(Unknown)
Conservation Commission Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown, Could exceed \$195,000 - \$315,000)</b>	<b>(Unknown, Could exceed \$195,000 - \$315,000)</b>	<b>(Unknown, Could exceed \$195,000 - \$315,000)</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
Federal Funds	(\$298,500 - \$474,500)	(\$286,000 - \$462,000)	(\$286,000 - \$462,000)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(\$298,500 - \$474,500)</b>	<b>(\$286,000 - \$462,000)</b>	<b>(\$286,000 - \$462,000)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<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 or at full 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Local Government</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Sections 376.2100 - 376.2108 - Prior Authorization Exemption

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** assume this legislation creates a prior authorization exemption, which would allow providers to skip prior authorization requirements if they qualify by meeting a 90% approval threshold in the 6 months prior. Once this exemption is applied, payment can only be withheld for limited reasons that does not include the service being later found not medically necessary in whole or in part.

It is unknown how many providers serving MCHCP members would qualify for this exemption. For this calculation, it is assumed that 15% of providers would qualify. It is also unknown how many cases would be authorized under the exemption that would otherwise be deemed not medically necessary in whole or in part. It is assumed a 5% utilization increase once Prior Authorization controls are off. HB 1976 would have an estimated impact of \$1,300,000 to \$2,100,000 for MCHCP.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the cost estimated provided by MCHCP, broken out as follows:

General Revenue Fund -	\$819,000 - \$1,323,000 (63%)
Federal Fund -	\$286,000 - \$ 462,000 (22%)
<u>Other Fund -</u>	<u>\$195,000 - \$ 315,000 (15%)</u>
<b>Total -</b>	<b>\$1,300,000 - \$2,100,000 (100%)</b>

Officials from the **Missouri Department of Transportation (MODOT)** state this bill may increase costs for plan administrators, which will likely pass on costs to the MoDOT-MSHP medical plan. This would have an unknown negative impact to the State Road Fund.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the cost estimate as “Unknown” to the State Road Fund.

Officials from the **Department of Social Services (DSS)** assume this legislation applies to Chapter 376 and states that a Medicaid managed care organization, as defined in section 208.431, shall be considered a health carrier for purposes of sections 376.2100 to 376.2108. Subsequently, this legislation would apply to MO HealthNet Managed Care and there could be a fiscal impact.

The Managed Care Health Plans (HP) have prior authorization processes in place, and this legislation would result in providers not needing to obtain prior authorization for services unless the HP determines that it has approved or would have approved less than 90% of prior

authorization requests submitted by that provider for health care services in the most recent evaluation period. MHD estimates that there could be an impact on the administrative component of the rate for the additional reporting, reviewing, and monitoring of the prior authorizations. However, MHD does not have enough information at this time to ascertain whether there would be an impact on the service portion of the capitated rate. This will require an actuarial analysis estimated to cost \$25,000 for this program change.

FY25 Total: \$25,000 (GR: \$12,500; Federal: \$12,500)

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the fiscal impact as estimated by DSS.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposal will have no fiscal impact on their organization.

Officials from **Kansas City** assume this legislation will have a negative fiscal impact of an indeterminate amount

**Oversight** notes that although the MDC state this legislation would have no fiscal impact on their organization, Oversight assumes this legislation could affect other insurance plans such as the Missouri Department of Conservation and local political subdivisions. Oversight will reflect a \$0 to Unknown cost to the Conservation Commission Fund (0609) and local political subdivisions.

Officials from the **Department of Commerce and Insurance** and the **City of Urich** each assume the proposal will have no fiscal impact on their organizations.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Department of Public Safety - Missouri Highway Patrol** defer to the Missouri Department of Transportation for the potential fiscal impact of this proposal.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other cities were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2025	FY 2026	FY 2027
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	(10 Mo.)		
<b>GENERAL REVENUE FUND</b>			
<u>Cost – MCHCP §§376.2100 - 376.2108</u> Prior Authorization Exemptions p.3	(\$819,000 - \$1,323,000)	(\$819,000 - \$1,323,000)	(\$819,000 - \$1,323,000)
<u>Cost – DSS -§§376.2100 - 376.2108</u> Actuarial Analysis p. 4	(\$12,500)	\$0	\$0
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>(\$831,500 - \$1,335,500)</u></b>	<b><u>(\$819,000 - \$1,323,000)</u></b>	<b><u>(\$819,000 - \$1,323,000)</u></b>
<b>FEDERAL FUNDS</b>			
<u>Cost – MCHCP§§376.2100 - 376.2108</u> Prior Authorization Exemptions p.3	(\$286,000 - \$462,000)	(\$286,000 - \$462,000)	(\$286,000 - \$462,000)
<u>Cost – DSS -§§376.2100 - 376.2108</u> Actuarial Analysis p. 4	(\$12,500)	\$0	\$0
<b>ESTIMATED NET EFFECT TO FEDERAL FUNDS</b>	<b><u>(\$298,500 - \$474,500)</u></b>	<b><u>(\$286,000 - \$462,000)</u></b>	<b><u>(\$286,000 - \$462,000)</u></b>
<b>OTHER STATE FUNDS</b>			
<u>Cost – MCHCP §§376.2100 - 376.2108</u> Prior Authorization Exemptions p.3	(\$195,000 - \$315,000)	(\$195,000 - \$315,000)	(\$195,000 - \$315,000)
<b>ESTIMATED NET EFFECT TO OTHER STATE FUNDS</b>	<b><u>(\$195,000 - \$315,000)</u></b>	<b><u>(\$195,000 - \$315,000)</u></b>	<b><u>(\$195,000 - \$315,000)</u></b>
<b>CONSERVATION COMMISSION FUND (0609)</b>			
<u>Cost – MDC §§376.2100 - 376.2108</u> Prior Authorization Exemptions p.3	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>ESTIMATED NET EFFECT TO THE CONSERVATION COMMISSION FUND</b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>

<b>STATE ROAD FUND</b>			
<u>Cost – MoDOT §§376.2100 - 376.2108</u> Prior Authorization Exemptions p.3	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO OTHER STATE FUNDS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Cost – Local Political Subdivisions</u> <u>§§376.2100 - 376.2108</u> Prior Authorization Exemptions p.3	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0 to</u></b> <b><u>(Unknown)</u></b>	<b><u>\$0 to</u></b> <b><u>(Unknown)</u></b>	<b><u>\$0 to</u></b> <b><u>(Unknown)</u></b>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill provides that a health carrier or utilization review entity cannot require health care providers to obtain prior authorization for health care services, except under certain circumstances. Prior authorization shall not be required unless an individual licensed to practice medicine in this state makes a determination that less than 90% of prior authorization requests submitted by the health care provider in the previous evaluation period, as defined in the bill, were or would have been approved.

The bill establishes separate 90% thresholds for requiring prior authorization for individual health care services or requiring prior authorization for all health care services. If the provider is a licensed physician, the determination must be made by a licensed physician with the same or similar specialty.

The bill specifies requirements for notifying the provider of determinations in the bill, requires carriers and utilization review entities to maintain an online portal giving providers access to

certain information, and provides that prior authorizations may be required beginning 15 business days after notice to the provider until the end of the evaluation period. Failure to notify providers of a determination as required in the bill will constitute prior authorization of the applicable health care services.

Lastly, no health carrier or utilization review entity can deny or reduce payments to a health care provider who had a prior authorization, unless the provider made a knowing and material misrepresentation with the intent to deceive the carrier or utilization review entity, or unless the health care service was not substantially performed.

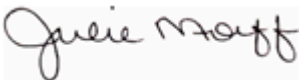
This bill will not apply to Medicaid, except with regard to a Medicaid managed care organization as defined by law. The bill also does not apply to providers who have not participated in a health benefit plan offered by the carrier for at least one full evaluation period.

This bill will not be construed to authorize providers to provide services outside the scope of their licenses, nor to require health carriers or utilization review entities to pay for care provided outside the scope of a provider's license

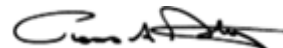
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Department of Commerce and Insurance  
Department of Public Safety - Missouri Highway Patrol  
Department of Social Services  
Missouri Department of Conservation  
Missouri Department of Transportation  
Missouri Consolidated Health Care Plan  
Kansas City  
City of Urich



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