

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2816H.01I  
Bill No.: HB 1444  
Subject: Insurance - Health; State Employees  
Type: #Updated  
Date: April 1, 2025

#To update the fiscal impact for MCHCP.

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Bill Summary: This proposal creates provisions relating to an option to opt out of coverage under the missouri consolidated health care plan and receive an annual stipend instead.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
#General Revenue Fund	Could exceed (\$17,136,000)	Could exceed (\$17,136,000)	Could exceed (\$17,136,000)
<b>#Total Estimated Net Effect on General Revenue</b>	<b>Could exceed (\$17,136,000)</b>	<b>Could exceed (\$17,136,000)</b>	<b>Could exceed (\$17,136,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
#Other State Funds	Could exceed (\$4,080,000)	Could exceed (\$4,080,000)	Could exceed (\$4,080,000)
<b>#Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Could exceed (\$4,080,000)</b>	<b>Could exceed (\$4,080,000)</b>	<b>Could exceed (\$4,080,000)</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
#Federal Funds	Could exceed (\$5,984,000)	Could exceed (\$5,984,000)	Could exceed (\$5,984,000)
<b>#Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>Could exceed (\$5,984,000)</b>	<b>Could exceed (\$5,984,000)</b>	<b>Could exceed (\$5,984,000)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</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 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **§103.087 – Annual Stipend for opting out of MCHCP coverage**

#Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** assume this bill creates a provision for employees to opt out of coverage under the Missouri Consolidated Health Care Plan (MCHCP) and receive an annual stipend for opting out of the coverage.

### **Fiscal Impact of the Bill:**

#### **Employees:**

The legislation states that the stipend paid to an employee shall equal fifty percent of the amount that the state would have paid to contribute toward the cost of the health care coverage for the individual employee during the relevant calendar year if the employee had enrolled in such coverage. The amount the state contributes is not a single number and is based on the plan that the employee chooses. For purposes of this fiscal note, a weighted average for employee only coverage of \$735 per employee per month is used for the calculations for active employees, thus the subsidy amount is based on \$368.

As of January 1, 2025, there are approximately 4,112 eligible active employees who have not elected coverage under Missouri Consolidated. MCHCP does not auto enroll members in their coverage. It is assumed that ninety percent, or 3,701 of the employees who currently do not elect coverage under MCHCP, have coverage elsewhere and would opt in for the annual stipend. This results in a new cost of \$1,361,968 per month, or \$16,343,616 annually. The number of employees who waive coverage fluctuates monthly as employees are hired and leave employment, so the number of employees annually is typically greater than the number of employees on any given date.

Offering an incentive to not elect or waive coverage would most likely increase the number of employees waiving coverage and opting for the incentive. The most likely employees who would waive coverage are those with low overall expected utilization. Based on claims, MCHCP's actuary estimated that anywhere from an additional 3% to 20% of employees may opt out, but since this bill contains a requirement to show proof of other coverage, it will be on the lower end. MCHCP has assumed 7% additional waivers at a cost of \$9.1 million.

Original Opt-outs	Opt-Out %	Opt-Outs with Other Coverage	Incentive Cost*	Plan Savings*	Net (Cost) / Savings*
1,014	3.00%	913	\$4.0	\$0.0	-\$4.0
2,366	7.00%	2,129	\$9.4	\$0.3	-\$9.1
3,380	10.00%	3,042	\$13.4	\$1.1	-\$12.4
5,070	15.00%	4,563	\$20.1	\$3.8	-\$16.4
6,760	20.00%	6,084	\$26.8	\$8.4	-\$18.4

\*Numbers in Millions

In addition, as employees who are low utilizers opt out of coverage the average cost per member would increase, due to adverse selection leading to an increasing medical trend above and beyond the market trend of 6-8%. As the premium costs for coverage increases, the waiver incentive given to those who waive coverage would experience a corresponding increase.

For 2025, the State's projected medical and prescription drug claims are approximately \$470 million for the active population. Assuming opt-out percentages with corresponding projected claims shown in the above, premiums for remaining participants would be impacted as follows (note that these increases would be in addition to market trend rates):

Opt-out %	Projected Med / Rx Claims in 2025	Projected Contracts	Projected Per Capita Cost	Projected Premium Increase
0.00%	\$470,000,000	33,800	\$1,159	0%
3.00%	\$470,000,000	32,786	\$1,195	3%
7.00%	\$469,695,800	31,434	\$1,245	7%
10.00%	\$468,935,300	30,420	\$1,285	11%
15.00%	\$466,231,300	28,730	\$1,352	17%
20.00%	\$461,583,800	27,040	\$1,423	23%

The increase in the premiums could result in an increase in the amounts paid out by \$1.8 million.

#### Retirees:

The language of the legislation does not refer to retirees, therefore it is assumed that retirees are not covered under this program.

#### Overall Fiscal Impact:

For actives employees, the estimated cost is unknown but greater than \$27.2 million (\$16.3 + \$9.1 + \$1.8). MCHCP currently does not receive any state contribution for eligible members who waive coverage, therefore this would be an additional cost to our current funding. This amount also would tend to grow annually as the cost of coverage increases due to market trend.

In addition, state employees would experience an increase in individual premiums unknown but potentially greater than \$95 annually per employee due to the adverse selection principle.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the following to the General Revenue Fund, Other State Funds and Federal Funds.

#General Revenue - \$17,136,000 (63%)  
#Federal Funds - \$5,984,000 (22%)  
#Other State Funds - \$4,080,000 (15%)  
**#Total - \$27,200,000 (100%)**

Officials from the **Office of Administration** and the **Missouri State Employee's Retirement System** 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.

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

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>GENERAL REVENUE FUND</b>			
#Cost – MCHCP Annual Stipend (§103.087)	<u>Could exceed</u> <u>(\$17,136,000)</u>	<u>Could exceed</u> <u>(\$17,136,000)</u>	<u>Could exceed</u> <u>(\$17,136,000)</u>
<b>#ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>Could exceed</u></b> <b><u>(\$17,136,000)</u></b>	<b><u>Could exceed</u></b> <b><u>(\$17,136,000)</u></b>	<b><u>Could exceed</u></b> <b><u>(\$17,136,000)</u></b>
<b>FEDERAL FUNDS</b>			
#Cost – MCHCP Annual Stipend (§103.087)	<u>Could exceed</u> <u>(\$5,984,000)</u>	<u>Could exceed</u> <u>(\$5,984,000)</u>	<u>Could exceed</u> <u>(\$5,984,000)</u>
<b>#ESTIMATED NET EFFECT TO FEDERAL FUNDS</b>	<b><u>Could exceed</u></b> <b><u>(\$5,984,000)</u></b>	<b><u>Could exceed</u></b> <b><u>(\$5,984,000)</u></b>	<b><u>Could exceed</u></b> <b><u>(\$5,984,000)</u></b>
<b>OTHER STATE FUNDS</b>			
#Cost – MCHCP Annual Stipend (§103.087)	<u>Could exceed</u> <u>(\$4,080,000)</u>	<u>Could exceed</u> <u>(\$4,080,000)</u>	<u>Could exceed</u> <u>(\$4,080,000)</u>
<b>#ESTIMATED NET EFFECT TO OTHER STATE FUNDS</b>	<b><u>Could exceed</u></b> <b><u>(\$4,080,000)</u></b>	<b><u>Could exceed</u></b> <b><u>(\$4,080,000)</u></b>	<b><u>Could exceed</u></b> <b><u>(\$4,080,000)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<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

#This bill allows State employees eligible for state health care coverage to opt out of the health insurance and receive an annual stipend equal to 50% of the amount the State would have contributed to the individual's health coverage. The stipend amount doesn't include contributions for spouses or dependents and is considered taxable income. If an employee opts out of the health insurance, the employee must provide proof that the employee is currently covered by a separate health insurance plan.

If any relevant period in which the employee is forgoing health care coverage is less than a full calendar year, the stipend will be prorated. These provisions do not apply to dental or vision benefits.

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

Office of Administration  
Missouri Consolidated Health Care Plan  
Missouri State Employee's Retirement System



Julie Morff  
Director  
April 1, 2025



Jessica Harris  
Assistant Director  
April 1, 2025