

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3986H.011
 Bill No.: HB 1833
 Subject: Insurance - Health; State Employees
 Type: Original
 Date: March 4, 2026

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

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	(Could exceed \$17,364,480)	(Could exceed \$17,364,480)	(Could exceed \$17,364,480)
Total Estimated Net Effect on General Revenue	(Could exceed \$17,364,480)	(Could exceed \$17,364,480)	(Could exceed \$17,364,480)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Other State Funds	Could exceed (\$4,039,200)	Could exceed (\$4,039,200)	Could exceed (\$4,039,200)
Total Estimated Net Effect on <u>Other</u> State Funds	Could exceed (\$4,039,200)	Could exceed (\$4,039,200)	Could exceed (\$4,039,200)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Federal Funds (MCHCP)	Could exceed (\$5,796,320)	Could exceed (\$5,796,320)	Could exceed (\$5,796,320)
Total Estimated Net Effect on <u>All</u> Federal Funds	Could exceed (\$5,796,320)	Could exceed (\$5,796,320)	Could exceed (\$5,796,320)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on FTE	0	0	0

- 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.

ESTIMATED NET EFFECT ON LOCAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§103.087 – Annual Stipend for opting out of MCHCP coverage

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** assume the following:

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 increase, 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.

NOTE: 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 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 (63.84%) – (Could exceed \$17,364,480)
 Federal Funds (21.31%) – (Could exceed \$5,796,320)
Other Funds (14.85%) – (Could exceed \$4,039,200)
Total (100%) – (Could exceed \$27,200,000)

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE FUND			
<u>Cost – MCHCP (§103.087) Annual Stipend p.5</u>	(Could exceed \$17,364,480)	(Could exceed \$17,364,480)	(Could exceed \$17,364,480)
ESTIMATED NET EFECT TO THE GENERAL REVENUE FUND	(Could exceed \$17,364,480)	(Could exceed \$17,364,480)	(Could exceed \$17,364,480)
FEDERAL FUNDS			
<u>Cost – MCHCP (§103.087) Annual Stipend p.5</u>	Could exceed (\$5,796,320)	Could exceed (\$5,796,320)	Could exceed (\$5,796,320)
ESTIMATED NET EFECT TO FEDERAL FUNDS	Could exceed (\$5,796,320)	Could exceed (\$5,796,320)	Could exceed (\$5,796,320)
OTHER STATE FUNDS			
<u>Cost – MCHCP (§103.087) Annual Stipend p.5</u>	Could exceed (\$4,039,200)	Could exceed (\$4,039,200)	Could exceed (\$4,039,200)
ESTIMATED NET EFECT TO OTHER STATE FUNDS	Could exceed (\$4,039,200)	Could exceed (\$4,039,200)	Could exceed (\$4,039,200)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill allows State employees who are 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 he or she 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

Missouri Consolidated Health Care Plan



Julie Morff
 Director
 March 4, 2026



Jessica Harris
 Assistant Director
 March 4, 2026