

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0281-01
Bill No.: SB 162
Subject: Health Care Insurance - Medical; Hospitals; Insurance Dept.
Type: Original
Date: January 6, 2003

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|--|---|---|
| FUND AFFECTED | FY 2004 | FY 2005 | FY 2006 |
| General Revenue | (Unknown less than \$168,726) | (Unknown less than \$70,000)) | (Unknown less than \$70,000) |
| Total Estimated Net Effect on General Revenue Fund | (Unknown less than \$168,726) | (Unknown less than \$70,000) | (Unknown less than \$70,000) |

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|--|---|---|
| FUND AFFECTED | FY 2004 | FY 2005 | FY 2006 |
| Insurance Dedicated | \$8,000 | \$0 | \$0 |
| Other Funds | (Unknown less than \$11,500) | (Unknown less than \$11,500) | (Unknown less than \$11,500) |
| Total Estimated Net Effect on <u>All</u> State Funds | (Unknown less than \$3,500) | (Unknown less than \$11,500) | (Unknown less than \$11,500) |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS |
|--|
|--|

| FUND AFFECTED | FY 2004 | FY 2005 | FY 2006 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| Federal Funds | (Unknown less than \$18,500) | (Unknown less than \$18,500) | (Unknown less than \$18,500) |
| Total Estimated Net Effect on <u>All</u> Federal Funds | (Unknown less than \$18,500) | (Unknown less than \$18,500) | (Unknown less than \$18,500) |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|-------------------------------------|------------------|------------------|------------------|
| FUND AFFECTED | FY 2004 | FY 2005 | FY 2006 |
| Local Government | (Unknown) | (Unknown) | (Unknown) |

FISCAL ANALYSIS

ASSUMPTION

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

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** defer to the Department of Transportation for response regarding the fiscal impact of this proposal on the MHP.

Officials from the **Department of Transportation** stated the proposal would have no impact to the Missouri Highway Transportation Commission. Officials also stated that because the Highway and Patrol Medical Plan already provides coverage for 24 hours of inpatient care following surgery, there would be no impact to the Medical Plan.

Officials from the **Department of Insurance** stated the department estimates 160 insurers and HMOs would be required to submit amendments to their policies to comply with the proposal. Policy amendments must be submitted to the department for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$8,000.

ASSUMPTION (continued)

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form amendments and review, the department will need to request additional staff to handle the increase in workload.

Officials from **Missouri Consolidated Health Care Plan (HCP)** stated this proposal requires coverage for an inpatient stay after a surgery that lasts three or more hours. If the patient or legal guardian accepts a shorter stay or the plan provides for post-discharge care, the 24-hour requirement is waived. Since HCP's plans provide for home health visits and since most people who undergo any surgeries that last more than three hours usually are kept overnight, HCP expects a minimal impact (less than \$100,000) from this bill.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** stated the proposal requires health insurers, health maintenance organizations and Medicaid to provide inpatient care coverage for 24 hours following any surgery taking three or more hours to complete. The requirement of 24 hours inpatient care coverage following a surgery taking three or more hours to complete would not impact Medicaid policy under the DMS. The DMS assumes recipients undergoing surgery lasting more than three hours would receive 24 hours of inpatient care thereafter, would be released with the consent of the attending physician after consulting with the patient or would be provided coverage for post-discharge care. According to a Medicaid physician consultant, most patients receiving more than three hours of surgery would be kept in an inpatient setting for at least 24 hours. A representative of the Missouri Hospital Association agrees that almost any surgery taking three or more hours to complete would already require at least 24 hours additional inpatient care. A representative of Missouri Consolidated Health Care Plan (HCP) also assumed that this would be current practice but that there may be a minimal number of minor surgeries taking more than three hours to complete that would not currently require a 24-hour stay. HCP assumes that there would be few such surgeries and that the costs of a 24-hour inpatient stay would be low overall. The costs would be spread among the entire insured population in the form of slightly higher premiums. The costs would be reflected in slightly higher premiums for the entire insured population. HCP indicated that it would be impossible to calculate the exact cost.

In addition, the utilization/prior authorization review services contractor that determines the proper inpatient stays for the DMS stated that this proposal would not impact their current practice. However, the DMS cannot determine whether this situation occurs because there is no record of the length of surgery in claims records. The utilization/prior authorization review services contractor determines inpatient stays based on diagnosis codes and if a surgery is performed, not on the length of surgery.

ASSUMPTION (continued)

Therefore, if this proposal becomes law, DMS may need to make policy changes that state the utilization/prior authorization review services contractor is required to certify inpatient stays based on the length of surgery. DMS also may need to amend the contract with the utilization/prior authorization review services contractor to reflect this requirement.

The DMS contracts with certain health maintenance organizations through the MC+ program to provide managed care services to certain Medicaid populations. The DMS assumes that the MC+ health plans would have no impact due to the reasons cited above.

This proposal requires each entity to provide written notification to policyholders, insured persons and participants regarding such coverage. The DMS would require MC+ health plans to include this requirement in their member handbooks that are sent to enrollees every year. For Medicaid fee-for-service patients, the DMS would notify these recipients through the mail. Based on previous mailings sent to all recipients, the cost would be \$197,452. This cost is based on a projected fee-for-service recipient population of 519,610 and includes printing and mailing costs. Any new fee-for-service eligible would be informed through the current Medicaid literature that would be updated if the proposal passes. Any new MC+ enrollee would receive notification through their member handbook.

This proposal will result in an increase in Total State Revenue.

| <u>FISCAL IMPACT - State Government</u> | FY 2004 (10 Mo.) | FY 2005 | FY 2006 |
|---|---|--|--|
| GENERAL REVENUE FUND | | | |
| <u>Costs - Department of Social Services</u> | | | |
| Notification costs | <u>(\$98,726)</u> | <u>\$0</u> | <u>\$0</u> |
| <u>Costs - Missouri Consolidated Health Care Plan</u> | | | |
| Increase in state contributions | <u>(Unknown less than \$70,000)</u> | <u>(Unknown less than \$70,000)</u> | <u>(Unknown less than \$70,000)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>(Unknown less than \$168,726)</u> | <u>(Unknown less than \$70,000)</u> | <u>(Unknown less than \$70,000)</u> |
| <u>FISCAL IMPACT - State Government</u> | FY 2004 (10 Mo.) | FY 2005 | FY 2006 |
| INSURANCE DEDICATED FUND | | | |

Income - Department of Insurance

| | | | |
|-------------------------|----------------|------------|------------|
| Policy form filing fees | <u>\$8,000</u> | <u>\$0</u> | <u>\$0</u> |
|-------------------------|----------------|------------|------------|

**ESTIMATED NET EFFECT ON
INSURANCE DEDICATED FUND**

| | | |
|-----------------------|-------------------|-------------------|
| <u>\$8,000</u> | <u>\$0</u> | <u>\$0</u> |
|-----------------------|-------------------|-------------------|

OTHER FUNDS

Costs - Missouri Consolidated Health
Care Plan

| | | | |
|---------------------------------|---|---|---|
| Increase in state contributions | <u>(Unknown less than \$11,500)</u> | <u>(Unknown less than \$11,500)</u> | <u>(Unknown less than \$11,500)</u> |
|---------------------------------|---|---|---|

**ESTIMATED NET EFFECT ON
OTHER FUNDS**

| | | |
|--|--|--|
| <u>(Unknown less than \$11,500)</u> | <u>(Unknown less than \$11,500)</u> | <u>(Unknown less than \$11,500)</u> |
|--|--|--|

FEDERAL FUNDS

Income - Department of Social Services

| | | | |
|------------------------|-----------------|------------|------------|
| Medicaid reimbursement | <u>\$98,726</u> | <u>\$0</u> | <u>\$0</u> |
|------------------------|-----------------|------------|------------|

Costs - Department of Social Services

| | | | |
|--------------------|-------------------|------------|------------|
| Notification costs | <u>(\$98,726)</u> | <u>\$0</u> | <u>\$0</u> |
|--------------------|-------------------|------------|------------|

Costs - Missouri Consolidated Health
Care Plan

| | | | |
|---------------------------------|---|---|---|
| Increase in state contributions | <u>(Unknown less than \$18,500)</u> | <u>(Unknown less than \$18,500)</u> | <u>(Unknown less than \$18,500)</u> |
|---------------------------------|---|---|---|

**ESTIMATED NET EFFECT ON
FEDERAL FUNDS**

| | | |
|---|--|--|
| <u>(Unknown less than \$18,500*)</u> | <u>(Unknown less than \$18,500)</u> | <u>(Unknown less than \$18,500)</u> |
|---|--|--|

FISCAL IMPACT - Local Government

| | | |
|---------------------|---------|---------|
| FY 2004 (10 Mo.) | FY 2005 | FY 2006 |
|---------------------|---------|---------|

Costs - All local governments

| | | | |
|---|------------------|------------------|------------------|
| Increase in local government contributions | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
|---|------------------|------------------|------------------|

**ESTIMATED NET EFFECT ON
LOCAL GOVERNMENTS**

(Unknown)

(Unknown)

(Unknown)

FISCAL IMPACT - Small Business

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

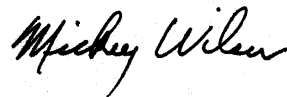
DESCRIPTION

This proposal requires insurance companies to provide mandatory coverage for twenty-four hours of inpatient care following surgery. The inpatient care may be for less than twenty-four hours if the patient agrees to a shorter period of inpatient care and the insurance policy provides coverage of post-discharge care. All insurance policies shall provide notice of this required coverage. This required coverage shall not be subject to greater deductibles or copayments than other similar health care coverages provided in the policy.

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 Transportation
Department of Social Services
Department of Public Safety -
Missouri Highway Patrol
Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation



Mickey Wilson, CPA
Director
January 6, 2003