

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0309-01
Bill No.: SB 72
Subject: Insurance - Medical
Type: Original
Date: January 13, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(Unknown exceeding \$139,217)	(Unknown exceeding \$281,398)	(Unknown exceeding \$284,452)
Total Estimated Net Effect on General Revenue Fund	(Unknown exceeding \$139,217)	(Unknown exceeding \$281,398)	(Unknown exceeding \$284,452)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Insurance Dedicated	\$8,000	\$0	\$0
Patrol Highway	(\$535,489)	(\$1,103,106)	(\$1,136,199)
Road	(\$2,062,923)	(\$4,249,622)	(\$4,377,110)
All Other	(Exceeding \$37,908)	(Exceeding \$77,653)	(Exceeding \$79,549)
Total Estimated Net Effect on <u>Other</u> State Funds	(Exceeding \$2,628,320)	(Exceeding \$5,430,381)	(Exceeding \$5,592,858)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Federal	(Exceeding \$31,951)	(Exceeding \$65,192)	(Exceeding \$66,521)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Exceeding \$31,951)	(Exceeding \$65,192)	(Exceeding \$66,521)

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety (DPS) - Director's Office**, the **Governor's Council on Disabilities** and the **Missouri Assistive Technology Advisory Council** assume the proposal will have no fiscal impact on their organizations.

Officials from the **DPS - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the fiscal impact of this proposal on their organization.

Officials from the **Missouri Department of Conservation (MDC)** state the proposal would have a limited impact on MDC funds since such devices are currently covered by MDC's medical insurance program. MDC assumes these costs would be absorbable within current funding levels.

Officials from the **Department of Insurance (INS)** state the INS estimates 160 insurers and HMOs would be required to submit amendments to their policies to comply with the legislation. Policy amendments must be submitted to the INS 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 for reviews, the INS will need to request additional staff to handle the increase in workload.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the proposal would require every entity offering health benefit plans to provide coverage for “computerized prosthetic devices or an artificial device controlled or operated by a computer designed to replace, in whole or part, an arm or leg. The coverage shall not be subject to any greater deductible or copayment than any other covered benefit or service.

The HCP HMO and Copay plans currently cover prosthetics subject to medical necessity at 100% coverage for initial placement, with repair or replacement due to normal wear and tear, change in medical condition, or growth related changes covered at a coinsurance as any other medical benefit or service. The HCP public entity plans also cover prosthetics as any other medical benefit under the plan.

In a study completed by the Veteran’s Administration, computerized prostheses range in cost from \$30,000 to \$60,000 each. Because it is unknown how many people will require a prosthetic device in a year, it is difficult to determine the fiscal impact. However, being subject to the same deductible and coinsurance provisions will significantly increase the demand for the services regardless of medical necessity. The cost will be recouped through higher premiums and increased claim costs. The HCP projects that this proposal would have a fiscal impact greater than \$100,000 per year.

Officials from the **Missouri Department of Transportation (DOT)** state currently the Highway and Patrol Medical Plan does not cover computerized prosthetic devices. As a result, the proposal would have a fiscal impact to the Medical Plan.

Based on a report from Westport Benefits, the Medical Plan’s claims administrator, there are an average of 90 individuals in the Plan that had claims related to an arm or leg prostheses in each of the past three years. Information that was found on the Veteran’s Administration website indicated that computerized lower limb prostheses cost about \$60,000 each. The DOT is assuming that an upper limb would be the same.

If each one of the 90 individuals in DOT’s plan that have a prosthetic device purchased a computerized prostheses and assuming these individuals have met their deductible and maximum out-of-pocket expenses for the year, the Highway and Patrol Medical Plan would have a fiscal impact of approximately \$2,700,000 (90 individuals X \$60,000 / 2) for fiscal year 2006 due to the legislation beginning January 1, 2006.

ASSUMPTION (continued)

The Medical Plan's enrollment consists of 77% DOT and 23% Patrol participants. Therefore, there would be a fiscal impact of \$2,079,000 (\$2,700,000 X 77% due to DOT participation) and \$621,000 (\$2,700,000 X 23% due to Patrol participation) for fiscal year 2006 (6 months beginning January 1, 2006).

Historically, the DOT and the plan members have shared in any premium increases necessary because of increases in benefits. The costs may be shared between the plan, state appropriated funds, and/or costs to individuals covered under the plan. However, the DOT/Commission must make a decision on what portion they will provide.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** assume any changes made to Section 376 RSMo, apply to Medicaid.

The proposal will have a fiscal impact on the DMS. Currently prosthetic arms and legs are covered services under the Missouri Medicaid program. However, computerized prosthetic arms and legs are not covered. The fiscal impact will result from the higher cost of the computerized devices.

In 2003, the average price Medicaid paid for a prosthetic arm was \$3,645, while a computerized prosthetic arm costs from \$10,000 to \$12,000. Applying a 4.5% inflation factor for 2004, 2005, and 2006 results in the average price Medicaid will pay in 2006 for a prosthetic arm of \$4,160. A computerized prosthetic arm will cost from \$11,412 to \$13,694.

The average price Medicaid paid for a prosthetic leg in 2003 was \$10,000, while the average cost of a computerized prosthetic leg was \$30,000 to \$40,000. Applying a 4.5% inflation factor for 2004, 2005, and 2006 results in the average price Medicaid will pay in 2006 for a prosthetic leg of \$11,412. A computerized prosthetic leg will cost from \$34,235 to \$45,647.

The increased cost, as a result of this proposal, is unknown but greater than \$302,000. In 2003, the DMS paid for 213 prosthetic legs and 10 prosthetic arms. If 10 computerized prosthetic legs are purchased, increased costs will total \$285,290. The increased costs associated with two (2) computerized prosthetic arms will be \$16,786 ($\$285,290 + \$16,786 = \$302,076$).

This proposal will result in an increase in total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (6 Mo.)	FY 2007	FY 2008
GENERAL REVENUE FUND			
<u>Costs - Department of Social Services - Division of Medical Services</u>			
Increase in Medicaid program costs	(Unknown exceeding \$57,486)	(Unknown exceeding \$114,971)	(Unknown exceeding \$114,971)
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state contributions	(Exceeding \$32,305)	(Exceeding \$64,610)	(Exceeding \$64,610)
<u>Costs - Missouri Department of Transportation</u>			
Increase in premium costs	(\$49,426)	(\$101,817)	(\$104,871)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown exceeding \$139,217)</u>	<u>(Unknown exceeding \$281,398)</u>	<u>(Unknown exceeding \$284,452)</u>
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
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>
PATROL HIGHWAY FUND			
<u>Costs - Missouri Department of Transportation</u>			
Increase in premium costs	(\$535,489)	(\$1,103,106)	(\$1,136,199)
ESTIMATED NET EFFECT ON PATROL HIGHWAY FUND	<u>(\$535,489)</u>	<u>(\$1,103,106)</u>	<u>(\$1,136,199)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2006 (6 Mo.)	FY 2007	FY 2008
ROAD FUND			
<u>Costs - Missouri Department of Transportation</u>			
Increase in premium costs	<u>(\$2,062,923)</u>	<u>\$4,249,622</u>	<u>(\$4,377,110)</u>
ESTIMATED NET EFFECT ON ROAD FUND	<u>(\$2,062,923)</u>	<u>\$4,249,622</u>	<u>(\$4,377,110)</u>
ALL OTHER STATE FUNDS			
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state contributions	(Exceeding \$7,245)	(Exceeding \$14,490)	(Exceeding \$14,490)
<u>Costs - Missouri Department of Transportation</u>			
Increase in premium costs	<u>(\$30,663)</u>	<u>(\$63,163)</u>	<u>(\$65,059)</u>
ESTIMATED NET EFFECT ON ALL OTHER STATE FUNDS	<u>(Exceeding \$37,908)</u>	<u>(Exceeding \$77,653)</u>	<u>(Exceeding \$79,549)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2006 (6 Mo.)	FY 2007	FY 2008
FEDERAL FUNDS			
<u>Income - Department of Social Services - Division of Medical Services</u>			
Increase in Medicaid program reimbursements	Unknown exceeding \$93,514	Unknown exceeding \$187,029	Unknown exceeding \$187,029
<u>Costs - Department of Social Services - Division of Medical Services</u>			
Increase in Medicaid program costs	(Unknown exceeding \$93,514)	(Unknown exceeding \$187,029)	(Unknown exceeding \$187,029)
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state contributions	(Exceeding \$10,450)	(Exceeding \$20,900)	(Exceeding \$20,900)
<u>Costs - Missouri Department of Transportation</u>			
Increase in premium costs	(<u>\$21,501</u>)	(<u>\$44,292</u>)	(<u>\$45,621</u>)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(Exceeding \$31,951)</u>	<u>(Exceeding \$65,192)</u>	<u>(Exceeding \$66,521)</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2006 (6 Mo.)	FY 2007	FY 2008
ALL POLITICAL SUBDIVISIONS			
<u>Costs - All Political Subdivisions</u>			
Increase in insurance premium costs	(<u>Unknown</u>)	(<u>Unknown</u>)	(<u>Unknown</u>)
ESTIMATED NET EFFECT ON ALL POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

This proposal could have a significant impact on small businesses that furnish insurance for their employees as a result of increased premium costs.

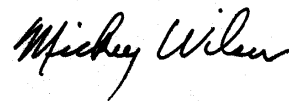
DESCRIPTION

This proposal requires insurance companies to provide coverage for computerized prosthetic devices (arms and legs). The mandate shall not apply to certain types of policies such as accident-only, specified disease, long-term care policies or other types of limited benefit health insurance policies. The mandate applies to health insurance policies issued or renewed on or after January 1, 2006. The mandated coverage shall not be subject to greater deductibles or copayments than other types of health care services.

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

Governor's Council on Disabilities
Missouri Assistive Technology Advisory Council
Department of Social Services
Missouri Department of Transportation
Department of Public Safety -
 Director's Office
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation



Mickey Wilson, CPA

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