

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1732-01
Bill No.: SB 416
Subject: Insurance - Medical; Optometry
Type: Original
Date: April 1, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(Unknown exceeding \$81,864)	(Unknown exceeding \$163,727)	(Unknown exceeding \$163,727)
Total Estimated Net Effect on General Revenue Fund	(Unknown exceeding \$81,864)	(Unknown exceeding \$163,727)	(Unknown exceeding \$163,727)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
All Other State	(\$14,069)	(\$28,138)	(\$28,138)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$14,069)	(\$28,138)	(\$28,138)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Federal	(\$20,293)	(\$40,586)	(\$40,586)
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$20,293)	(\$40,586)	(\$40,586)

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	(Unknown exceeding \$50,000)	(Unknown exceeding \$100,000)	(Unknown exceeding \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance** and **Missouri Department of Conservation** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Department of Public Safety (DPS) - Director's Office** defer any cost estimates and comments to the Office of Administration and the Missouri Consolidated Health Care Plan since health care premiums and insurance matters are handled through those organizations.

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

Officials from the **Missouri Department of Transportation (DOT)** state the proposed legislation will have no fiscal impact on the Missouri Highway Transportation Commission/DOT or the Highway and Patrol Medical Plan.

ASSUMPTION (continued)

Officials from the **Department of Social Services (DOS) - Division of Medical Services (DMS)** state the proposed legislation states that no health carrier shall discriminate against any optometrist or ophthalmologist who is located within the geographic coverage area of the health benefit plan and who is willing to meet the terms and conditions for participation established by the health carrier.

The DMS is affected by this legislation because it administers a managed care program which contracts with health maintenance organizations (HMOs) for the purpose of providing health care services, including optical services, through capitated rates. These HMOs are subject to the regulations in this legislation.

It is estimated there will be a fiscal impact to DMS because of this legislation. The legislation affects the shape of the HMOs' networks and also reduces the ability of the HMOs to negotiate terms. It is not possible to estimate the amount of the impact at this time. The cost impact will be incurred during the bidding process and the contract renewals. Capitation payments to managed care plans in FY 04 were over \$743 million. An increase of just one percent in the capitation rate will result in an additional annual cost of \$7.4 million. Therefore, there is an unknown fiscal impact greater than \$100,000.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state competition fuels the contract negotiations between providers and a medical plan. Typically, providers give discounts in exchange for patient volume. If every provider participates in a health plan, health insurers cannot guarantee increased patient volume to providers making it difficult to negotiate lower prices. Providers may refuse to participate if the volume is no longer guaranteed. Then prices will start to escalate. This would result in additional cost to the plans which would have to be recouped through increased premiums. Also, accepting any willing provider into a plans network may limit a health plan's ability to select providers on the basis of efficiency and quality.

Although a little dated, several studies are still being cited by the available literature on this issue and they show a wide range of impacts. A study by the Barents Group, LLC of KPMG Peat Marwick, LLP for the Alliance for Managed Care states the impact to be about a 15 percent increase. Another study done by Atkinson and Company estimates the impact to be between 9.1 and 28.7 percent. HCP is taking a rather conservative approach on the impact of this legislation and assumes a 10 percent increase in costs.

In 2004 the claim cost for optometrist and ophthalmologist was \$1,718,515 for state members. Due to the increase in providers and claim costs, this legislation could result in a fiscal impact of \$194,192. The HCP assumes the increase in public entity costs could exceed \$100,000 annually.

ASSUMPTION (continued)

It is assumed that the term "discriminate" means the plan would not be able to refuse a provider willing to meet their terms and conditions".

Oversight assumes the provisions of this proposal would become effective January 1, 2006.

<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 program payments	(Unknown exceeding \$19,130)	(Unknown exceeding \$38,260)	(Unknown exceeding \$38,260)
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state share of premium costs	(\$62,734)	(\$125,467)	(\$125,467)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown exceeding \$81,864)</u>	<u>(Unknown exceeding \$163,727)</u>	<u>(Unknown exceeding \$163,727)</u>
ALL OTHER STATE FUNDS			
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state share of premium costs	(\$14,069)	(\$28,138)	(\$28,138)
ESTIMATED NET EFFECT ON ALL OTHER STATE FUNDS	<u>(\$14,069)</u>	<u>(\$28,138)</u>	<u>(\$28,138)</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 program reimbursements	Unknown exceeding \$61,740	Unknown exceeding \$61,740	Unknown exceeding \$61,740
<u>Costs - Department of Social Services - Division of Medical Services</u>			
Increase in program payments	(Unknown exceeding \$61,740)	(Unknown exceeding \$61,740)	(Unknown exceeding \$61,740)
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state share of premium costs	<u>(\$20,293)</u>	<u>(\$40,586)</u>	<u>(\$40,586)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(\$20,293)</u>	<u>(\$40,586)</u>	<u>(\$40,586)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (6 Mo.)	FY 2007	FY 2008
ALL LOCAL GOVERNMENTS			
<u>Costs - All Local Governments</u>			
Increase in premium costs	<u>(Unknown exceeding \$50,000)</u>	<u>(Unknown exceeding \$100,000)</u>	<u>(Unknown exceeding \$100,000)</u>
ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS	<u>(Unknown exceeding \$50,000)</u>	<u>(Unknown exceeding \$100,000)</u>	<u>(Unknown exceeding \$100,000)</u>

FISCAL IMPACT - Small Business

This proposal could directly impact small business insurance premium costs.

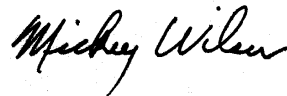
DESCRIPTION

This proposal proposes an "any willing provider" provision which would prohibit health insurers or health carriers from discriminating against (refusing to contract with) optometrists or ophthalmologists who are willing to meet the terms and conditions established by the health insurer or health carrier.

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 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
Director
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