

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3382-01
Bill No.: SB 647
Subject: Insurance - Medical
Type: Original
Date: January 11, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(Unknown exceeding \$143,687)	(Unknown exceeding \$290,305)	(Unknown exceeding \$293,326)
Total Estimated Net Effect on General Revenue Fund	(Unknown exceeding \$143,687)	(Unknown exceeding \$290,305)	(Unknown exceeding \$293,326)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Insurance Dedicated	\$5,000	\$0	\$0
Patrol Highway	(\$529,539)	(\$1,090,849)	(\$1,123,575)
Road	(\$2,040,002)	(\$4,202,404)	(\$4,328,476)
All Other	(Unknown exceeding \$36,353)	(Unknown exceeding \$74,522)	(Unknown exceeding \$76,396)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown exceeding \$2,600,894)	(Unknown exceeding \$5,367,775)	(Unknown exceeding \$5,528,447)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Federal	(Unknown exceeding \$31,862)	(Unknown exceeding \$65,000)	(Unknown exceeding \$66,314)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Unknown exceeding \$31,862)	(Unknown exceeding \$65,000)	(Unknown exceeding \$66,314)

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety (DPS) - Director's Office** defer to the Office of Administration and Missouri Consolidated Health Care Plan since health care premiums/issues are handled through those agencies.

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

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.

Each computerized arm will cost DMS an additional \$50,000 to \$70,000 above current expenditures. During FY 05, Medicaid paid for three (3) prosthetic arms.

ASSUMPTION (continued)

Each computerized leg will cost DMS an additional \$15,000 to \$25,000 above current expenditures. During FY 05, Medicaid paid for 50 prosthetic legs.

The increased cost is unknown, but greater than \$320,000. If two (2) computerized prosthetic arms are purchased, the increase in costs will be \$120,000. If ten (10) computerized prosthetic legs are purchased, the increase in costs will be \$200,000.

Officials from the **Missouri Department of Transportation (DOT)** state the Highway and Patrol Medical Plan does not currently 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 89 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 89 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 \$2,670,000 (89 individuals X \$60,000 / 2) for fiscal year 2007 due to the legislation beginning January 1, 2007.

The Medical Plan's enrollment consists of 77% DOT and 23% Patrol participants. Therefore, there would be a fiscal impact of \$2,055,900 (\$2,670,000 X 77% due to DOT participation) and \$614,100 (\$2,700,000 X 23% due to Patrol participation) for fiscal year 2007 (6 months beginning January 1, 2007).

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 **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.

ASSUMPTION (continued)

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 **Department of Insurance (INS)** estimate 100 insurers 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 \$5,000.

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 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.

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

<u>FISCAL IMPACT - State Government</u>	FY 2007 (6 Mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND			
<u>Costs - Department of Social Services</u>			
Increase in Medicaid program payments	(Unknown exceeding \$61,440)	(Unknown exceeding \$122,880)	(Unknown exceeding \$122,880)
<u>Costs - Missouri Department of Transportation</u>			
Increase in insurance premiums	(\$48,877)	(\$100,685)	(\$103,706)
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state contributions	(Unknown exceeding \$33,370)	(Unknown exceeding \$66,740)	(Unknown exceeding \$66,740)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown exceeding \$143,687)</u>	<u>(Unknown exceeding \$290,305)</u>	<u>(Unknown exceeding \$293,326)</u>
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Form filing fees	\$5,000	\$0	\$0
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$5,000</u>	<u>\$0</u>	<u>\$0</u>
PATROL HIGHWAY FUND			
<u>Costs - Missouri Department of Transportation</u>			
Increase in insurance premiums	(\$529,539)	(\$1,090,849)	(\$1,123,575)
ESTIMATED NET EFFECT ON PATROL HIGHWAY FUND	<u>(\$529,539)</u>	<u>(\$1,090,849)</u>	<u>(\$1,123,575)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2007 (6 Mo.)	FY 2008	FY 2009
ROAD FUND			
<u>Costs - Missouri Department of Transportation</u>			
Increase in insurance premiums	<u>(\$2,040,002)</u>	<u>(\$4,202,404)</u>	<u>(\$4,328,476)</u>
ESTIMATED NET EFFECT ON ROAD FUND	<u>(\$2,040,002)</u>	<u>(\$4,202,404)</u>	<u>(\$4,328,476)</u>
ALL OTHER FUNDS			
<u>Costs - Missouri Department of Transportation</u>			
Increase in insurance premiums	(\$30,323)	(\$62,462)	(\$64,336)
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state contributions	<u>(Unknown exceeding \$6,030)</u>	<u>(Unknown exceeding \$12,060)</u>	<u>(Unknown exceeding \$12,060)</u>
ESTIMATED NET EFFECT ON ALL OTHER FUNDS	<u>(Unknown exceeding \$36,353)</u>	<u>(Unknown exceeding \$74,522)</u>	<u>(Unknown exceeding \$76,396)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2007 (6 Mo.)	FY 2008	FY 2009
FEDERAL FUNDS			
<u>Income - Department of Social Services</u>			
Increase in program reimbursements	Unknown exceeding \$98,650	Unknown exceeding \$197,120	Unknown exceeding \$197,120
<u>Costs - Department of Social Services</u>			
Increase in program payments	(Unknown exceeding \$98,650)	(Unknown exceeding \$197,120)	(Unknown exceeding \$197,120)
<u>Costs - Missouri Department of Transportation</u>			
Increase in insurance premiums	(\$21,262)	(\$43,800)	(\$45,114)
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state contributions	(Unknown exceeding \$10,600)	(Unknown exceeding \$21,200)	(Unknown exceeding \$21,200)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(Unknown exceeding \$31,862)</u>	<u>(Unknown exceeding \$65,000)</u>	<u>(Unknown exceeding \$66,314)</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2007 (6 Mo.)	FY 2008	FY 2009
ALL POLITICAL SUBDIVISIONS			
<u>Costs - All Political Subdivisions</u>			
Increase in insurance premium costs	(Unknown)	(Unknown)	(Unknown)
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.

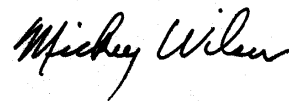
DESCRIPTION

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, 2007. 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

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



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L.R. No. 3382-01
Bill No. SB 647
Page 9 of 9
January 11, 1006

Director
January 11, 2006

HW-C:LR:OD (12/02)