

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4389-08  
Bill No.: HCS for SCS for SB 905 & 910  
Subject: Insurance - General; Insurance Dept.; Health Care Professionals  
Type: Original  
Date: May 9, 2006

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Insurance Dedicated	(\$123,563)	(\$120,524)	(\$123,555)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$123,563)</b>	<b>(\$120,524)</b>	<b>(\$123,555)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal to the SOS for administrative rules is less than \$1,500. The SOS does not expect additional funding would be required to meet these costs. However, the SOS recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Department of Insurance (INS)** state the INS will be required to develop risk-reporting categories, collect data to calculate median base rates, review rates to median base rate to determine whether the rate is reasonable or unreasonable, and develop a database to report on base rates charged by insurers.

One Insurance Product Analyst II FTE (beginning in FY2007) will assist with development of the risk-reporting categories, prior approve all medical malpractice rates, and assist with publishing the comparison of base malpractice rates.

A half-time actuary (0.5 FTE) would be required to be hired in FY2007 to begin development of risk reporting categories, review detailed information of any rate change deemed unreasonable (including actuarial justification and other information as prescribed by the INS), and assist the director in making recommendations on the determination of whether a rate change is justified.

ASSUMPTION (continued)

One-time computer contracting costs of \$27,540 (\$90/hr X 306 hours) will be necessary to implement the provisions of the proposal. Requirements identified include: 1) Receipt of data electronically from insurers: actual rates for defined categories; base rate information; and premium, loss, exposure and other information, 2) A database to store the rates and other information electronically, along with functionality to process the data as described in the proposal language, 3) Adding security to the database to make it a protected database due to the confidential nature of some of the data, and 4) Make the data collected per this proposal available to Missouri insurers and the public through PDF files and on the INS website. The website could include basic lookup features and sorts, and would not include identifying insurer information for certain data per the proposal language.

Medical malpractice insurers will be required to re-file policy forms to conform with the cancellation provisions. There were approximately 89 insurers that have written premium for medical malpractice insurance in calendar year 2004. Insurers are required to file policy form amendments with the INS along with a \$50 filing fee. The INS estimates one-time revenues to the Insurance Dedicated Fund of \$4,450 (89 insurers X \$50 filing fee).

Should the Health Care Fund Feasibility Board request support from the INS beyond technical and administrative assistance, the INS may need to request additional staff to support the board. The INS may need to request additional appropriations for board expenses, depending upon the number of meetings, conferences, and hearings held.

**Oversight** assumes the INS would not need additional equipment and expenses for the 0.5 Actuary FTE that would be contracted/hired in FY 07.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<b>INSURANCE DEDICATED FUND</b>			
<u>Income - Department of Insurance</u>			
Form filing fees	\$4,450	\$0	\$0
<u>Costs - Department of Insurance</u>			
Personal service costs (1.5 FTE)	(\$65,979)	(\$81,154)	(\$83,183)
Fringe benefits	(\$29,070)	(\$35,756)	(\$36,650)
Equipment and expense	(\$32,964)	(\$3,614)	(\$3,722)
Total <u>Cost</u> - Department of Insurance	<u>(\$128,013)</u>	<u>(\$120,524)</u>	<u>(\$123,555)</u>
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>(\$123,563)</u></b>	<b><u>(\$120,524)</u></b>	<b><u>(\$123,555)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal makes several revisions to the law regarding medical malpractice insurance.

This proposal broadens who can be licensed as a 383 medical malpractice association, mandates assessments for 383 associations, subjects 383s to reporting requirements, notification, data reporting and rating requirements. The proposal broadens the definition of an insurer for medical malpractice insurance to include 383 medical malpractice associations and self-insured health care providers for the purposes of filing medical malpractice claim reports. The proposal requires the director of the Department of Insurance to collect medical malpractice data including premium, loss, and exposures, to develop risk categories to collect base rates and premiums, compile data for insurers to use in rate-making, and requires that actual medical malpractice rates be filed with the Department of Insurance. The Department of Insurance is required to create mean rates from the data collected and publish base rates. The proposal requires all insurers to file rates and supplementary rate information and provides that the Department of Insurance will review rates within 30 days. Rates are not to be excessive, inadequate or unfairly discriminatory. Insurers are required to notify the insured 60 days prior to any rate increases of 15% or more. In addition, insurers are required to send nonrenewals 60 days prior to the effective date and provide 180 days notice to the director when the insurer wants to withdraw from the market.

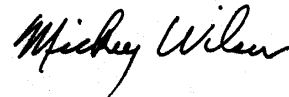
If an insurer violates any of the provisions relating to reporting medical malpractice information, the director may issue administrative orders and seek other remedies outlined in the proposal to assure compliance

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Insurance  
Office of Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, prominent 'M' and 'W'.

Mickey Wilson, CPA  
Director  
May 9, 2006