

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1191-01  
Bill No.: SB 267  
Subject: Insurance - Medical; Employees - Employers  
Type: Original  
Date: February 13, 2007

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Bill Summary: Allows small employers to obtain medical coverage through the Missouri Consolidated Health Care Plan.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(Unknown less than \$250,000)	(Could exceed to \$250,000) to Unknown	(Could exceed to \$250,000) to Unknown
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown less than \$250,000)</b>	<b>(Could exceed to \$250,000) to Unknown</b>	<b>(Could exceed to \$250,000) to Unknown</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</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 2008</b>	<b>FY 2009</b>	<b>FY 2010</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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration (COA) - Administrative Hearing Commission and Department of Insurance, Financial and Professional Regulation and Office of State Treasurer** assume the proposal will have no fiscal impact on their organizations.

Officials from the **COA - Division of Accounting and Division of Budget and Planning** assume the Missouri Consolidated Health Care Plan will provide the fiscal impact of this proposal on the state health care plan.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the proposal would provide coverage for medical expenses of the small employer through the HCP, with a separate benefit trust fund account set up. It is not possible to accurately predict the fiscal impact of this legislation due to uncertainties, such as the potential membership, rates, benefit design, or administrative cost. There would be start up cost in FY 08 that could only be recouped in later years when there was sufficient enrollment. (Placing the full responsibility on the few first enrollees would make the program unaffordable.) Though the actual start-up amount is very difficult to determine, it would exceed \$100,000.

The HCP makes the following assumptions: 1) The Board would be allowed to establish how coverage would be provided in the most effective fashion; 2) An administrative charge could be added to premiums to offset the state's cost to operate the program; 3) Putting these monies in the current trust fund but having separate accounting would offer a better rate of return; 4) Several rules would be required dealing with eligibility, premium payments, terminations, etc.; 5) The definition of small employer would include public entities which are already covered by the current statute and this language would require some changes in regard to how benefits for these public employers are currently administered; and 6) If an employer had only one employee, but the position was vacant on January 1, then coverage couldn't be offered.

In keeping with the assumptions above, the HCP estimates the FY 08 fiscal impact of this proposal to be between \$100,000 to \$250,000. As stated earlier, this figure depends on many aspects, including initial enrollment. Depending on the success of the program and the resulting need for additional resources, subsequent years' costs may be greater than \$250,000 annually, since any recoupment of these costs is dependent on an unknown number of enrollees.

**Oversight** assumes the HCP would make medical coverage available to small businesses effective January 1, 2008.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (6 Mo.)	FY 2009	FY 2010
<b>GENERAL REVENUE FUND</b>			
<u>Income- Missouri Consolidated Health Care Plan</u>			
Insurance premiums	Unknown	Unknown	Unknown
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Plan administration costs	<u>(\$100,000 to \$250,000)</u>	<u>(Could exceed \$250,000)</u>	<u>(Could exceed \$250,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown less than \$250,000)</u></b>	<b><u>(Could exceed \$250,000) to Unknown</u></b>	<b><u>(Could exceed \$250,000) to Unknown</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

This proposal could directly impact small businesses if they are able to purchase medical coverage for employees.

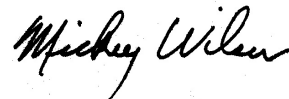
FISCAL DESCRIPTION

This proposal allows small employers to join the Missouri Consolidated Health Care Plan. The state health care plan shall maintain a separate benefit trust fund account for premium payments and other income received from small employers.

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

Office of Administration -  
    Division of Accounting  
    Administrative Hearing Commission  
    Division of Budget and Planning  
Department of Insurance, Financial and Professional Regulation  
Missouri Consolidated Health Care Plan  
Office of State Treasurer



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February 13, 2007