

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1261-05
Bill No.: HCS for HB 818
Subject: Health Care; Insurance - Medical; Insurance Dept.
Type: Original
Date: March 23, 2007

Bill Summary: Modifies the Missouri health insurance pool and establishes the Missouri Health Insurance Portability and Accessibility Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$0	(Unknown could exceed \$400,000,000)	(Unknown could exceed \$800,000,000)
Total Estimated Net Effect on General Revenue Fund	\$0	(Unknown could exceed \$400,000,000)	(Unknown could exceed \$800,000,000)

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

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

- 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).

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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Administrative Hearing Commission, Department of Public Safety (DPS) - Director's Office, Missouri Department of Conservation, Missouri Department of Transportation, Missouri Consolidated Health Care Plan, and Department of Revenue** 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 **Department of Social Services - Division of Medical Services (DMS)** state the proposal establishes the Missouri Health Insurance Portability and Accountability Act and changes the laws regarding the Missouri Health Insurance Pool and small employer insurance availability.

The Managed Care program has indicated this legislation will not affect the number of Medicaid eligibles or enrollees. Individuals who are already Medicaid eligible are unlikely to move to private insurance. Therefore, there will be no fiscal impact to the DMS as a result of this proposal.

Officials from the **Department of Insurance, Financial and Professional Regulation (DIFP)** state the costs associated with risk assumed remains relatively the same between HB 818 and HCS HB 818. Both proposals indicate that there will be plans or programs that are in compliance with HIPAA. In the original proposal, the costs associated with HIPAA compliance could be ceded to the Missouri Health Insurance Pool. This new proposal has the Missouri Health Insurance Pool as the HIPAA compliance fall back mechanism. The option by an insurer to cede individual risks to the pool has not changed.

Therefore, the following assumptions that applied to the original HB 818 still apply. The DIFP provides that in 2005, HMOs and the top major medical carriers reported covering approximately 1.7 million people and incurring \$3.8 billion claims. Assuming carriers cede 20% of these covered people to the pool, 348,000 people representing approximately \$800,000,000 in claims is estimated. The first 20% of these claims would be covered by insurers, the remaining 80% covered by the pool less any premiums received by the pool. These ceded individuals will likely have higher claim costs so the DIFP estimates at least \$800,000,000 in cost to the pool. If claims are higher, this cost would increase.

ASSUMPTION (continued)

This cost (deficit) would be assessed to members of the pool, who then could take a credit against premium tax for the assessed amount (per section 376.975). This credit is taken from the General Revenue (GR) portion of premium tax only. The impact to GR is unknown as the credit would be limited to members premium tax liability each year. Any excess credit not used can be carried forward against premium tax due in succeeding years until the excess is exhausted.

The revised plan of pool operation shall begin on January 1, 2009.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE FUND			
<u>Loss - DIFP</u>			
Increase in premium tax credits	<u>\$0</u>	<u>(Unknown could exceed \$400,000,000)</u>	<u>(Unknown could exceed \$800,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
	<u>\$0</u>	<u>(Unknown could exceed \$400,000,000)</u>	<u>(Unknown could exceed \$800,000,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal may directly impact small businesses that provide health insurance coverage for employees.

FISCAL DESCRIPTION

MISSOURI HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT

This proposal establishes the Missouri Health Insurance Portability and Accountability Act with provisions that will apply to small, large, and individual group health insurance markets which: (a) Bring the Missouri Health Insurance Pool into compliance with the federal Health Insurance Portability and Accountability Act (HIPPA); (b) Defines the terms needed to carry out the provisions of the proposal; (c) Allow an entity providing a group health plan to exclude or limit plan benefits, for no more than 18 months, if a medical condition received medical consideration within six months of enrolling into the plan; (d) Allow an entity providing a group health plan to reduce pre-existing condition exclusions by the amount of creditable coverage a participant has accrued, subject to restrictions; (e) Prohibit an entity providing group health insurance coverage from applying pre-existing conditions when creditable coverage applies; (f) Require carriers to provide a certification of creditable coverage; (g) Require a health insurance issuer to provide special enrollment periods when a health insurance issuer permits an employee or a dependent who is eligible but not enrolled for coverage, subject to restrictions; and (h) Allow a health management organization to provide an affiliation period for coverage if no pre-existing condition exclusions are imposed, the period is applied uniformly and does not exceed three months or the period starts on the enrollment date and runs concurrently with waiting periods.

The proposal requires an entity offering group health insurance coverage to follow standards prohibiting discrimination of eligible individuals based on physical or mental health, claims experience, medical history, genetics, insurability, or disability and premiums based on health status; however, there will be no restrictions on employer contributions or from offering discounts or rebates for adherence to health programs.

The proposal requires the health insurance issuer to renew or continue coverage if opted by a health plan sponsor or individual, subject to restrictions. The proposal also prohibits an issuer from discontinuing a type of coverage or all health insurance coverage offered in the market subject to some exceptions, but allows modifications to the coverage, prohibits a renewal from being denied to the employer unless it is denied to all employers in the association, and requires a premium-only cafeteria plan be provided by a carrier when employers contribute to a health plan for an employee. Currently, there are premium only, child care, and reimbursed medical expenses parts of a cafeteria plan, allows an employer the ability to pursue a define-contribution model without a group plan, allows an issuer to discontinue or not renew a type of coverage or all health insurance coverage offered in the market, subject to specified exceptions, and requires a health insurance issuer electing to discontinue offering all coverage in a defined market to provide notice and discontinue or not renew all health insurance coverage in the market. The

issuer cannot re-enter the market for five years.

FISCAL DESCRIPTION (continued)

The proposal allows a health insurance issuer offering coverage in the individual market to modify coverage at the time of renewal only if the change is applied uniformly among all individual policies, prohibits an association from denying coverage renewal to an individual unless the association doesn't renew all coverage, requires an insurer to provide a certification of coverage to the insured, and requires small employer health plans to comply with the requirements used by small employer carriers when determining whether to provide coverage to an employer. A carrier is prohibited from requiring minimum participation by greater than 100% of groups of three or less eligible employees or greater than 75% of groups of three or more employees.

The provisions of the proposal allows a small employer carrier to not offer coverage to an employer or employee if the employer or employee is not physically located in the carrier's established geographic service area or there is no capability to deliver services adequately, and requires each small employer carrier to actively market all plans sold in the small group market to eligible small employers.

MISSOURI HEALTH INSURANCE POOL

The proposal: (1) Provides additional reasons for removing board members from the Missouri Health Insurance Pool Board; (2) Requires the pool to provide a revised business plan to the Director of the Department of Insurance, Financial Institutions, and Professional Registration; (3) Allows the board to administer separate accounting for health coverage tax credit coverage; (4) Requires the board to file a report on the activities and accounts of the risks ceded into the reinsurance pool; (5) Establishes criteria for determining the individuals eligible for the high-risk pool and for determining when notifications need to be provided to pool members regarding underwriting, eligibility, premiums, and changes in coverage; (6) Provides application forms of health insurance plans and insurance arrangements that provide coverage to individuals or employers; (7) Gives pool members voting rights; (8) Allows pool members, excluding insurance arrangements, to decide which individuals or groups may be ceded into the pool and requires pool members ceding a risk to the pool to retain at least 30% of the risk and to pay a premium as determined by the rules governing the pool. The premium must be at least the amount charged to the insured. Risks may be ceded to the pool for as long as the insured is covered. A pool member may cede risk into the pool if any portion of the premium is paid by any employer; (9) Allows pool members the option of providing coverage to any person or group; (10) Allows pool members to request verification of employment or residence for

eligibility determination; (11) Allows the pool to terminate coverage for those individuals who fail to meet eligibility requirements; (12) Requires rates charged to pool members to be between 125% and 135% of the standard rate charge; (13) Requires pool coverage to exclude

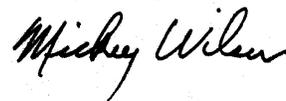
FISCAL DESCRIPTION (continued)

expenses for pre-existing conditions; (14) Excludes individuals without significant gaps in coverage from pre-existing condition exclusions; and (15) Exempts the pool board administrator or employees from legal action pertaining to participation in the required duties of the pool.

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 -
 Administrative Hearing Commission
Missouri Department of Transportation
Department of Insurance, Financial and Professional Regulation
Department of Revenue
Department of Social Services
Department of Public Safety -
 Director's Office
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Missouri Department of Conservation



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