

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1261-05
Bill No.: Perfected HCS for HB 818
Subject: Health Care; Insurance - Medical; Insurance Dept.
Type: Original
Date: April 11, 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	(Unknown less than \$18,099,228)	(Unknown less than \$27,132,342)	(Unknown less than \$31,615,917)
Total Estimated Net Effect on General Revenue Fund	(Unknown less than \$18,099,228)	(Unknown less than \$27,132,342)	(Unknown less than \$31,615,917)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Other State	(Unknown less than \$10,833)	(Unknown less than \$13,000)	(Unknown less than \$13,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown less than \$10,833)	(Unknown less than \$13,000)	(Unknown less than \$13,000)

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
Federal	(Unknown less than \$17,500)	(Unknown less than \$21,000)	(Unknown less than \$21,000)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Unknown less than \$17,500)	(Unknown less than \$21,000)	(Unknown less than \$21,000)

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, Missouri Department of Transportation, Department of Revenue, Department of Social Services, Department of Public Safety (DPS) - Director's Office, and Missouri Department of Conservation** 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 **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also 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 SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs 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 **Missouri Consolidated Health Care Plan (HCP)** state the addition of amendment 2 (section 376.392) would require the HCP to notify enrollees in writing of changes made to the prescription formulary 30 days prior to any deletions. For each formulary change due to drug removal, the HCP would incur minor costs of less than \$100,000.

The addition of amendment 3 (section 376.435) does not fiscally impact the HCP for state employees. However, right now the HCP only provides data to the Public Entities if they have 100 or more enrolled with a carrier. This would require a change if the employer simply had 50 employees regardless of how many were enrolled. Therefore, this may have some small administrative cost for these having between 50-100 employees, but it should not be significant.

Therefore, the total fiscal impact of the proposal would be less than \$100,000.

Officials from the **Department of Insurance, Financial and Professional Regulation (DIFP)** attempted to contact several other state high risk pools. So far the DIFP has received information from Illinois (IL) and Oregon (OR). IL and OR saw large increases in their pools when implementing HIPAA and HCTC compliance. OR went from 5,541 in 1999 to 15,264 in June 2006. IL data from 2005 shows their HIPAA compliant pool at 10,850 enrollees and their standard high risk pool at 5,950, for a total of 16,000.

ASSUMPTION (continued)

The DIFP estimates, based upon discussions with several insurance actuaries, including the Missouri Health Insurance Pool actuary that 5% to 10% of those enrolled in individual major medical and HMOs will eventually enter the pool due to the 150% premium eligibility requirement, HIPAA and Health Coverage Tax Credit (HCTC) implemented by this proposal.

This increase will not happen immediately in Missouri. The DIFP estimates that in the first year (FY08) pool membership will increase to 6,000+ enrollees (from approximately 3,000 members currently), the second year (FY09) pool membership will increase to 9,000+ and finally reach the lower end of department estimates by the third year (FY10). Over time, the department anticipates that pool enrollment could continue to grow towards the upper end of estimates.

Based on the information provided by IL and OR, the DIFP estimates the proposal will result in additional FY 08 costs of \$18,044,228; FY 09 additional costs of \$27,066,342; and FY 10 additional costs of \$31,549,917. These costs will 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.

<u>FISCAL IMPACT - State Government</u>	FY 2008	FY 2009	FY 2010
	(10 Mo.)		
GENERAL REVENUE FUND			
<u>Costs - HCP</u>			
Printing, supplies, and postage costs	(Unknown less than \$55,000)	(Unknown less than \$66,000)	(Unknown less than \$66,000)
<u>Loss - DIFP</u>			
Increase in premium tax credits	<u>(\$18,044,228)</u>	<u>(\$27,066,342)</u>	<u>(\$31,549,917)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown less than \$18,099,228)</u>	<u>(Unknown less than \$27,132,342)</u>	<u>(Unknown less than \$31,615,917)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
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OTHER STATE FUNDS

Costs - HCP

Printing, supplies, and postage costs	<u>(Unknown less than \$10,833)</u>	<u>(Unknown less than \$13,000)</u>	<u>(Unknown less than \$13,000)</u>
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ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>(Unknown less than \$10,833)</u>	<u>(Unknown less than \$13,000)</u>	<u>(Unknown less than \$13,000)</u>
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FEDERAL FUNDS

Costs - HCP

Printing, supplies, and postage costs	<u>(Unknown less than \$17,500)</u>	<u>(Unknown less than \$21,000)</u>	<u>(Unknown less than \$21,000)</u>
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ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(Unknown less than \$17,500)</u>	<u>(Unknown less than \$21,000)</u>	<u>(Unknown less than \$21,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal establishes the Missouri Health Insurance Portability and Accountability Act and changes the laws regarding the Missouri Health Insurance Pool, small employer insurance availability, prescription drug formularies, and health carrier claims information.

MISSOURI HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT

The proposal: (1) 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

FISCAL DESCRIPTION (continued)

Insurance Portability and Accountability Act (HIPPA); (b) Define 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 specified 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 allows an employee or a dependent who is eligible but not enrolled for coverage, subject to specified 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; (2) 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 the amount of employer contributions or from offering discounts or rebates for adherence to health programs; (3) Requires the health insurance issuer to renew or continue coverage if opted by a health plan sponsor or individual, subject to specified restrictions; (4) Prohibits an issuer from discontinuing a type of coverage or all health insurance coverage offered in the market subject to some specified exceptions, but allows modifications to the coverage; (5) Prohibits a renewal from being denied to the employer unless it is denied to all employers in the association; (6) Requires a premium-only cafeteria plan to 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 sections of a cafeteria plan; (7) Allows an employer to pursue a define-contribution model without a group plan; (8) 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; (9) 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; (10) 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; (11) Prohibits an association from denying coverage renewal to an individual unless the association doesn't renew all coverage; (12) Requires an insurer to provide a certification of coverage to the insured; (13) 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

FISCAL DESCRIPTION (continued)

employees or greater than 75% of groups of three or more employees; (14) 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 (15) 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) Establishes criteria for determining the eligibility of an individual 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; (3) Requires rates charged to pool members to be between 125% and 135% of the standard rate charge; (4) Requires pool coverage to exclude expenses for pre-existing conditions; (5) Excludes individuals without significant gaps in coverage from pre-existing condition exclusions; and (6) Exempts the pool board administrator or employees from legal action pertaining to participation in the required duties of the pool.

PRESCRIPTION DRUG FORMULARIES

Any health carrier or health benefit plan that provides prescription drug coverage is required to notify enrollees in writing of all additions or deletions in its prescription drug formularies at least 30 days prior to the immediately preceding plan year and for each calendar quarter.

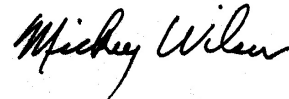
HEALTH CARRIER CLAIMS INFORMATION

Health carriers are required to provide a report of the total number and dollar amount of claims paid in the previous three years within 30 days of an employer's request. When an employer has multiple plans, the total dollar amounts must be combined into one report. The information will be furnished in a manner that does not individually identify any employee or other person covered by the health benefit plan and will comply with all applicable federal and state privacy laws regarding the disclosure of health records.

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
Office of Secretary of State



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