

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1261-22  
Bill No.: Truly Agreed To and Finally Passed SS No. 2 for SCS for HCS for HB 818  
Subject: Insurance - Medical; Insurance Dept.; Employees - Employers; Revenue Dept.;  
 Taxation and Revenue - General; Hospitals; Health Care Professionals  
Type: Original  
Date: May 25, 2007

Bill Summary: Establishes the MO Health Insurance Portability and Accountability Act and changes the laws regarding the MO Health Insurance Pool and small employer insurance availability.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(Unknown could exceed \$11,354,457)	(Unknown could exceed \$26,126,003)	(Unknown could exceed \$28,713,436)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown could exceed \$11,354,457)</b>	<b>(Unknown could exceed \$26,126,003)</b>	<b>(Unknown could exceed \$28,713,436)</b>

\* Excludes potential unknown administrative fee revenue to the Department of Health and Senior Services.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Insurance Dedicated	\$11,250	\$7,250	\$7,250
All Other	(Unknown exceeding \$26,000)	(Unknown exceeding \$13,000)	(Unknown exceeding \$13,000)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(Unknown exceeding \$14,750)</b>	<b>(Unknown exceeding \$5,750)</b>	<b>(Unknown exceeding \$5,750)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 17 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>
Federal	(Unknown exceeding \$42,000)	(Unknown exceeding \$21,000)	(Unknown exceeding \$21,000)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(Unknown exceeding \$42,000)</b>	<b>(Unknown exceeding \$21,000)</b>	<b>(Unknown exceeding \$21,000)</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>
General Revenue	67	67	67
<b>Total Estimated Net Effect on FTE</b>	<b>67</b>	<b>67</b>	<b>67</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>

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## **FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Office of Administration (COA) - Administrative Hearing Commission, Office of State Courts Administrator, Missouri Department of Transportation,**

Officials from the **Department of Public Safety (DPS) - Director's Office** defer to the Missouri Consolidated Health Care Plan for response regarding the potential fiscal impact of this proposal on their organization.

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 **COA - Division of Budget and Planning (BAP)** state the proposal will decrease total state revenues through tax deductions for health insurance premiums and payments under healthcare sharing ministries. The proposal also creates registration fees for discount medical plan providers. These fees would increase total state revenues. The Department of Insurance, Financial and Professional Regulation should provide the estimate of possible revenue impacts to the state as a result of this proposal. The proposal will have no impact on the COA or BAP.

Officials from the **Missouri Department of Conservation (MDC)** assume since the MDC does not participate in the Missouri Consolidated Health Care Plan and the Conservation Commission has not elected to participate in the Missouri Consolidated Health Care Plan per RSMo 103.079, the proposed legislation would not appear to have a fiscal impact on MDC employees, retirees, or MDC funds.

Officials from the **Department of Social Services (DOS)** state the proposal contains a provision (Section 143.790) which allows debts owed to healthcare providers to be converted to state debt, which is owed to the Department of Health and Senior Services (DOH). The Department of Revenue can intercept state income tax refunds and lottery winnings to pay the debt to DOH, who, in turn, funnels the money back to the hospitals or healthcare provider who is owed the money. Since DOH is the middleman, it does not directly affect the DOS. Child support debts supersede DOH debt. Also, it does not apply to Medicaid payments. Individuals who have insurance or who are eligible to receive benefits under the state's medical assistance program are specifically excluded. For these reasons, there is no fiscal impact to DOS. The Division of Medical Services reviewed this provision in an earlier version of this proposal and concurs that it is unlikely there would ever be savings to the uncompensated care fund.

ASSUMPTION (continued)

Officials from the **DPS - Missouri Lottery Commission** assume, if the requesting agency (Department of Health and Senior Services) provides the Missouri Lottery with automated, easily accessible information, costs to perform debt offsets to the Lottery would be minimal and therefore, absorbable with current resources.

Officials from the **Office of Secretary of State (SOS)** state the proposal requires the Department of Insurance, Financial and Professional Regulation and Department of Revenue to promulgate rules. These rules would be published in both the Missouri Register and Code of State Regulations. Based on experience with other divisions, the rules, regulations and forms issued by the various agencies could require as many as 50 pages in the Code of State Regulations and 75 pages in the Missouri Register because of cost statements and fiscal notes, etc. that are not repeated in the Code. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The SOS estimates a total cost of \$3,075 [(72 pgs. X \$23) + (48 pgs. X \$27)]. These costs are estimates and depend on the number of rules printed, rescinded, and amended.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state last February, HCP, with the assistance of PwC who conducted the actuarial work, studied the central region impact associated with a High Deductible Health Plan (HDHP) and Health Savings Account (HSA) using the following plan design:

10% co-insurance after \$1500 individual deductible  
Plan pays first \$1000 of deductible  
\$2500 out of pocket maximum

The HCP had 42,686 members with allowed claims of less than \$1,000. This group's average allowed claim cost was \$356. Even if the HDHP premium saved the entire \$33 employee contribution, which is unlikely, the state would have to pay an additional \$611 per member per year for each member of this group enrolled in the HDHP, or roughly \$1 million for every 1,637 enrollees. Under an HSA (health savings account), this portion must be funded by the employer and the employee may take any balance upon leaving employment.

An individual member cannot save enough in their premium (\$33) to offset their portion of the deductible (\$500), plus the 10% coinsurance charges. Thus enrollment could be very limited. Utah implemented a similar plan and five (5) employees selected the option. Kansas had an enrollment of 120.

ASSUMPTION (continued)

Another important factor is state employee salaries. Over 80% of state employees make less than \$40,000 per year. With no employee premium decrease, coupled with a medical and prescription deductible of \$500 and 10% co-insurance for additional claim amounts, this plan design may be a burden for many employees. In the study, over 40% of HCP membership incurred costs that would exceed the full \$1,500 deductible.

The language of the proposal does not apply to employees of the Highway Patrol, Transportation, or Conservation since they are covered by health plans separate from the HCP.

**Oversight** obtained additional information from the HCP relating to the set up and cost of a high deductible health plan with health savings account. Based on that information, it is assumed the proposal would cost more than \$100,000 to set up and implement, regardless of the number of people that signed up for the plan. The HCP also anticipates that it would cost more than \$100,000 to educate state employees on the HDHP.

The HCP only estimated costs for "state employees". Public entity costs are unknown as it depends on each public entity employer health benefit plan. How much the employer pays into its plan each month would determine the cost of a high deductible health plan.

Therefore, **Oversight** assumes the cost of this proposal to be unknown exceeding \$200,000, split between General Revenue, Other State Funds, and Federal funds for FY 08 and unknown exceeding \$100,000 for FY 09 and FY 10. **Oversight** notes the new health plan option would be effective January 1, 2009.

Officials from the **Department of Revenue (DOR)** provide the following assumptions related to this proposal:

Section 143.118:

Personal Tax - This deduction will require Taxation to add a line to the return. Personal Tax will require 2 Temporary Tax Employee for key-entry, 1 Tax Processing Tech I for every 19,000 returns to be verified by Quality Review, and 1 Tax Processing Tech I for every 2,400 pieces of correspondence. They will also require 2 Temporary Tax Employees for key-entry of 1040P and PTC forms, and 1 Tax Processing Tech I for every additional 5,000 verified returns plus correspondence on the 1040P/PTC forms.

Customer Services - will require 1 Tax Collection Technician I for every 15,000 calls a year on the income tax hot line due to lack of documentation; 1 Tax Collection Technician I for every 24,000 calls a year to the delinquency/collections lined on billings and denied deductions due to

ASSUMPTION (continued)

lack of documentation; and 1 Tax Processing Technician I for every additional 4,800 contacts in the field offices. The DOR anticipates most customers will contact the department via phone and, therefore, will only request 1 FTE for each of the larger field offices, including Kansas City, St. Louis, and Springfield.

Section 143.119:

The self-employed taxpayer is allowed a refundable tax credit claimed on MO-TC supported by a schedule to calculate the credit, equal to portion of federal tax liability incurred as a result of payment of health insurance that were not subtracted from FAGI (Federal Adjusted Gross Income). This is a new refundable tax credit authorized by the DOR. Personal Tax would require 1 Tax Processing Technician I for every 4,000 credits claimed.

Section 143.121:

Personal Tax - This deduction will require Taxation to add a line to the Form MO-A. PT will require 2 Temporary Tax Employee for key-entry, 1 Tax Processing Tech I for every 19,000 returns to be verified by Quality Review, and 1 Tax Processing Tech I for every 2,400 pieces of correspondence. They will also require 2 Temporary Tax Employees for key-entry of 1040P & PTC forms, and 1 Tax Processing Tech I for every additional 5,000 verified returns plus correspondence on the 1040P/PTC forms.

Customer Services - will require 1 Tax Collection Technician I for every 15,000 calls a year on the income tax hot line due to lack of documentation; 1 Tax Collection Technician I for every 24,000 calls a year to the delinquency/collections lined on billings and denied deductions due to lack of documentation; and 1 Tax Processing Technician I for every additional 4,800 contacts in the field offices. The DOR anticipates most customers will contact the department via phone and, therefore, will only request 1 FTE for each of the larger field offices, including Kansas City, St. Louis, and Springfield.

Due to the Statewide Information Technology Consolidation, the department's response to a proposal will now also reflect the cost estimates prepared by OA-IT for impact to the various systems. As a result, the impact shown may not be the same as previous fiscal notes submitted. In addition, if the legislation is Truly Agreed to and Finally Passed the OA-IT costs shown will be requested through appropriations by OA-IT.

Office of Administration Information Technology (ITSD DOR) estimates the IT portion of this request can be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement. Office of Administration Information Technology (ITSD DOR) estimates that this legislation could be implemented utilizing 6 existing CIT III for 2 months and an additional 1 CIT III for 1 month at a rate of \$54,418.

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial and Professional Regulation (DIFP)** state the department estimates at least 25 discount medical plans will register with the DIFP (based upon other states currently regulating discount medical plans) and pay the \$250 registration/renewal fee annually. It is estimated that \$6,250 (25 plans X \$250) will be deposited annually into the Insurance Dedicated Fund.

Discount medical plans are required to file forms with the DIFP. Each form shall be accompanied by a \$25 fee. The DIFP estimates that it will receive approximately \$5,000 from form filings in the first year and \$1,000 in subsequent years, deposited into the Insurance Dedicated Fund.

Implementation of the registration and form review, examination, investigation and enforcement provisions of this proposal can be handled with existing staff and resources. The department will require minimal contract computer programming to add discount medical plans to department databases and can do so under existing appropriations.

The DIFP estimates the proposal will result in additional FY 08 costs of \$4,469,561 (legislation effective January 1, 2008); FY 09 additional costs of \$22,408,682; and FY 10 additional costs of \$25,186,156. 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.

Officials from the **Department of Health and Senior Services (DOH)** provide the following assumptions:

Program Administration Costs:

The DOH Missouri Information for Community Assessment (MICA) system indicates there were an average of 32,261 hospital discharges coded as self-pay/no charge during the 5 calendar years from 2001 through 2005. For fiscal note purposes half of these, 16,131 (32,261/2) are assumed to be self-pay. The DOH further assume that half of these, 8,066, (16,131/2) were not paid within 90 days. Assuming one (1) hour is needed for processing each of the 8,066 claims, 3.88 FTE, (rounded to 4 FTE) would be required to process unpaid hospital admission claims (8,066 claims X 1hr. processing/2,080 hrs./yr. = 3.88 FTE).

The DOH MICA system also indicates there were an average of 273,840 emergency room visits coded as self-pay/no charge during the 5 calendar years from 2001 through 2005. For fiscal note purposes half of these, 136,920 (273,840/2) are assumed to be self-pay. The DOH further

ASSUMPTION (continued)

assumes that half of these, 68,460 (136,920/2) were not paid within 90 days. Assuming one (1) hour is needed for processing of each of the 68,460 claims, 32.91 FTE (rounded to 33 FTE) would be required for processing unpaid emergency room visit claims (68,460 claims X 1 hr. processing/2,080 hrs./yr. = 32.91 FTE).

The DOH is unable to determine the potential number of claims that might result from other types of healthcare providers. Therefore, at least the following 39 staff would be needed for the processing of unpaid hospital admission and emergency room claims: Health and Senior Services Manager – Broad Band 2 Manger (1 FTE) to oversee operations of the claims processing/offset activities. This person would also coordinate activities with hospitals/health care providers and the Department of Revenue (DOR).

Health Program Representative II (37 FTE) to process claims as they come in. They would review each claim to determine if it is "meritorious", input tracking information and prepare documents necessary for transmission to the DOR. For claims sent to the DOR for which refund offset funds are received, staff will track and record the payment of monies to hospital/health care providers.

Accounting Analyst III (1 FTE) to perform analysis and tracking of claims as well as SAM II related receipt and payment activities.

Standard costs are included for each of the above staff.

ITSD Costs

Significant Information Technology Support Division (ITSD) support will be needed to develop the online application for submission of claims from Health Care Providers. The application will also need to electronically interact with the Missouri Department of Revenue and the Missouri Lottery.

It is assumed that the application will reside on servers at DOH ITSD. Due to the large amount of data that will be collected and stored, a Storage Area Network (SAN) will need to be leased (\$120,000 annually). The hardware costs included in this response assume the leasing of all hardware (\$38,000 - first year; \$11,000 annually subsequent years). The DOH assumes first year consultant costs of \$430,560 to develop applications to collect and store data and develop electronic data exchanges between state agencies will be needed. Second year consultant costs are estimated to be \$287,040. In addition, the DOH anticipates that 1.0 FTE Computer Information Technology Specialist II (\$52,356 annually) will be needed to provide project management, development support and maintenance of application; and 2.0 FTE Computer Information Technologists (\$44,472 each annually to provide development support, on-going



ASSUMPTION (continued)

maintenance of application and hardware server support installation and maintenance. Salaries for the above personnel are provided only for estimating purposes and do not include fringe, indirect, network fees, office supplies, or any other expenses. These costs have been added to the fiscal note at the same rates as other FTEs.

Increased General Revenue:

Section 143.790.5 would allow the DOH to charge each hospital or health care provider up to twenty percent (20%) of any amounts collected through the income tax/lottery winnings off-set process to cover administration expenses. It is not possible to determine how much would be collected through the off-set process and therefore, the 20% figure cannot be computed.

Given the uncertainty of the actual number of claims that will be submitted for processing and the uncertainty of the amount of funds that will be collected from hospitals to help cover administration expenses, a range of Unknown to exceeding \$2.8 million is provided for year one if this proposal passes.

**Oversight** notes the DOH included information technology (IT) related costs in its fiscal note assumptions. For fiscal note purposes, **Oversight** separated the IT costs from DOH costs as IT costs would be budgeted to the Office of Administration - Information Technology Services Division (COA-ITSD).

Section 191.912

This section requires the DOH to establish a clearinghouse of information concerning supportive services providers, information hotlines specific to Down Syndrome or other prenatally diagnosed conditions, resource centers, education, other support programs for parents and families, and other alternatives to abortion services program. The DOH believes this function can be implemented with existing resources. If a fiscal impact were to result, funds to support the program would be sought through the appropriations process.

**This proposal will impact total state revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>GENERAL REVENUE FUND</b>			
<u>Income - DOH</u>			
Administration fees	Unknown	Unknown	Unknown
<u>Costs - HCP</u>			
HDHP setup and education costs	<u>(Unknown exceeding \$132,000)</u>	<u>(Unknown exceeding \$66,000)</u>	<u>(Unknown exceeding \$66,000)</u>
<u>Costs - DOR</u>			
Personal service (25.0 FTE)	(\$402,534)	(\$497,532)	(\$512,458)
Fringe benefits	(\$182,187)	(\$225,183)	(\$231,938)
Equipment and expense	<u>(\$135,751)</u>	<u>(\$52,904)</u>	<u>(\$54,492)</u>
Total <u>Cost</u> - DOR	<u>(\$720,472)</u>	<u>(\$775,619)</u>	<u>(\$798,888)</u>
FTE Change - DOR	25.0 FTE	25.0 FTE	25.0 FTE
<u>Costs - DOH</u>			
Personal service (39 FTE)	(Could exceed \$1,068,980)	(Could exceed \$1,321,260)	(Could exceed \$1,360,897)
Fringe benefits	(Could exceed \$483,820)	(Could exceed \$598,002)	(Could exceed \$615,942)
Equipment and expense	<u>(Could exceed \$497,892)</u>	<u>(Could exceed \$298,480)</u>	<u>(Could exceed \$307,435)</u>
Total <u>Cost</u> - DOH	<u>(Could exceed \$2,050,692)</u>	<u>(Could exceed \$2,217,742)</u>	<u>(Could exceed \$2,284,274)</u>
FTE Change - DOH	39.0 FTE	39.0 FTE	39.0 FTE
<u>Costs - COA-ITSD</u>			
Personal service (3 FTE)	(\$121,283)	(\$149,905)	(\$154,403)
Fringe benefits	(\$54,893)	(\$67,847)	(\$69,883)
Equipment and expense	<u>(\$625,556)</u>	<u>(\$440,208)</u>	<u>(\$153,832)</u>
Total <u>Cost</u> - COA-ITSD	<u>(\$801,732)</u>	<u>(\$657,960)</u>	<u>(\$378,118)</u>
FTE Change - COA-ITSD	3.0 FTE	3.0 FTE	3.0 FTE
<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
HWC:LR:OD (12/02)			

**GENERAL REVENUE FUND  
(continued)**

Loss - DIFP

Increase in premium tax credits	<u>(\$7,649,561)</u>	<u>(\$22,408,682)</u>	<u>(\$25,186,156)</u>
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**ESTIMATED NET EFFECT ON  
GENERAL REVENUE FUND**

<u>(Unknown could exceed \$11,354,457)*</u>	<u>(Unknown could exceed \$26,126,003)*</u>	<u>(Unknown could exceed \$28,713,736)*</u>
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Estimated Net FTE Change for General  
Revenue Fund

67.0 FTE	67.0 FTE	67.0 FTE
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**INSURANCE DEDICATED FUND**

Income - DIFP

Registration fees	\$6,250	\$6,250	\$6,250
Form filing fees	<u>\$5,000</u>	<u>\$1,000</u>	<u>\$1,000</u>
Total <u>Income</u> - DIFP	<u>\$11,250</u>	<u>\$7,250</u>	<u>\$7,250</u>

**ESTIMATED NET EFFECT ON  
INSURANCE DEDICATED FUND**

<u>\$11,250</u>	<u>\$7,250</u>	<u>\$7,250</u>
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**ALL OTHER STATE FUNDS**

Costs - HCP

HDHP setup and education costs	<u>(Unknown exceeding \$26,000)</u>	<u>(Unknown exceeding \$13,000)</u>	<u>(Unknown exceeding \$13,000)</u>
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**ESTIMATED NET EFFECT ON ALL  
OTHER STATE FUNDS**

<u>(Unknown exceeding \$26,000)</u>	<u>(Unknown exceeding \$13,000)</u>	<u>(Unknown exceeding \$13,000)</u>
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FISCAL IMPACT - State Government

<u>FY 2008 (10 Mo.)</u>	<u>FY 2009</u>	<u>FY 2010</u>
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**FEDERAL FUNDS**

Costs - HCP

HDHP setup and education costs	<u>(Unknown exceeding \$42,000)</u>	<u>(Unknown exceeding \$21,000)</u>	<u>(Unknown exceeding \$21,000)</u>
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**ESTIMATED NET EFFECT ON  
FEDERAL FUNDS**

<u>(Unknown exceeding \$42,000)</u>	<u>(Unknown exceeding \$21,000)</u>	<u>(Unknown exceeding \$21,000)</u>
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**\* Excludes potential unknown administrative fee revenue to the Department of Health and Senior Services .**

<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

Health care providers that are small business may be positively impacted by this proposal if they receive payment for unpaid claims as a result of submitting them to the Department of Health and Senior Services (DOH). If the DOH collects funds on the unpaid claims, small business health care providers would likely incur a cost associated with the processing and submitting of the claims. However, this would be voluntary as they would not be required to submit the claims to the DOH.

FISCAL DESCRIPTION

This bill establishes the Missouri Health Insurance Portability and Accountability Act including provisions to make Missouri compliant with federal law and changes the laws regarding health care insurance.

**MISSOURI CONSOLIDATED HEALTH CARE PLAN**

The Missouri Consolidated Health Care Plan must offer all qualified state employees and retirees the option of receiving health care coverage through a high-deductible plan combined with a health savings account beginning with the open enrollment period in 2009.

FISCAL DESCRIPTION (continued)

MISSOURI HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT

The bill changes the laws regarding health insurance carriers. Health insurance carriers that provide health insurance coverage are allowed 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 and to reduce pre-existing condition exclusions by the amount of creditable coverage a participant has accrued, subject to specified restrictions. A carrier can 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. A carrier can also discontinue or not renew a type of coverage or all health insurance coverage offered in the market, subject to specified exceptions. Small employer carriers are allowed 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 adequate services. Carriers offering coverage in the individual market can modify coverage at the time of renewal only if the change is applied uniformly among all individual policies.

Health insurance carriers are prohibited from applying pre-existing conditions when creditable coverage applies and 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. Carriers are also prohibited from denying coverage renewal to an employer unless it denies coverage renewal to all employers in the association; and employer associations cannot deny coverage renewal to an individual unless the association doesn't renew coverage to all employees.

Health insurance carriers are required to provide a certification of creditable coverage to the insured and special enrollment periods in certain specified circumstances. Carriers must follow standards prohibiting the 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 individuals who participate in health programs if that premium discount or rebate will not be included when computing a small group rate band under the Small Employer Health Insurance Availability Act. If a carrier elects to discontinue offering all coverage in a defined market, notice to discontinue or not renew all health insurance coverage in the market must be provided, and the issuer cannot re-enter the market for five years.

Employers that sponsor health plans through a carrier can opt to renew or continue coverage, subject to specified restrictions; and if the employer contributes to a health plan for an employee,

### FISCAL DESCRIPTION (continued)

the carrier must provide a premium-only cafeteria plan. Employers who are self-insured are not required to offer cafeteria plans. Employers can also pursue a define-contribution model without a group plan operated through a carrier. Small employer health plans must comply with the requirements used by small employer carriers when determining whether to provide coverage to an employer and clarifies that if an eligible employee chooses to retain his or her individually underwritten health benefit plan when he or she gains employment with a small employer that offers small group coverage, the individually underwritten plan is not subject to the small group provisions. 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. Small employer carrier must actively market all plans sold in the small group market to eligible small employers. Small employer carriers will not be required to actively market plans developed for health benefit trust funds to all eligible employers in the state.

### MISSOURI HEALTH INSURANCE POOL

The Missouri Health Insurance Pool Board of Directors is allowed to administer a separate account for federally eligible individuals from other pool eligible individuals, and its administrator and its employees are exempt from legal action regarding their participation in the required duties of the pool.

Criteria is established for determining the eligibility of an individual for the high-risk pool. Persons who have or obtain coverage similar to a pool plan are ineligible for coverage. This exclusion will not apply to a person who has the coverage if the premiums have increased from 150% to 200% of the rates established by the board. After December 31, 2009, the exclusion will not apply to a person who has the coverage if the premiums have increased to 300% of the rates established by the board. A person may maintain eligibility by keeping other insurance coverage in order to satisfy a pre-existing condition waiting period. Similarly, a person may maintain plan coverage to satisfy a pre-existing condition waiting period under another health insurance policy intended to replace the pool policy. A health insurance carrier must notify individuals of the existence of the pool and its eligibility requirements if the carrier takes certain actions such as the rejection or cancellation of coverage or the limitation of coverage which are likely to make the individual eligible for pool coverage. The high-risk pool must offer all eligible persons for pool coverage the option of receiving health insurance coverage through a high-deductible plan with a health savings account. The high-risk pool must establish premium rates for pool coverage. Premium rates and schedules must be submitted to the department director for approval prior to their use. The standard risk rate will be determined by considering the premium rates charged by other health insurers offering individual coverage. The initial rates for pool coverage will not be less than 125% of the rates established as applicable for individual standard risks. Pool rates cannot exceed 150% of the standard rate

## FISCAL DESCRIPTION (continued)

charge for federally eligible individuals. Coverage provided in the pool will exclude expenses for 12 months for pre-existing conditions, and certain individuals will be excluded including federally eligible individuals without significant gaps in coverage from pre-existing condition exclusions.

### SMALL EMPLOYER HEALTH INSURANCE ACT

Small employer health insurance premium rates can vary from the federal Consumer Price Index by 35%. Health benefit plans must be renewable to eligible employees and dependents at the option of the employer unless the employer fails to pay premiums, commits fraud, or discontinues coverage in the small group market; there are no eligible individuals residing in the service area; the health insurance carrier discontinues coverage; or the employer discontinues membership in his or her association through which the coverage is provided. Employers can modify health plan coverage in the small group market if changes are uniform across the state and with other health plans.

### HEALTH CARE SHARING MINISTRY

"Health care sharing ministry" is defined as a faith-based, nonprofit organization that acts as a source of information between members who have financial, physical, or medical needs and members who can assist those with these needs. Health care sharing ministries will not be subject to Missouri's health insurance laws. The bill authorizes an income tax deduction for the amount a taxpayer has paid as a member of a health care sharing ministry. The deduction is only allowed to the extent that the amount is not deducted on the taxpayer's federal income tax return.

### HEALTH INSURANCE TAX CREDITS AND INCOME TAX DEDUCTIONS

A self-employed taxpayer, who is otherwise ineligible for the federal income health insurance tax deduction under federal law, will be allowed to receive a tax credit for the amount of federal taxes paid for health insurance.

The bill authorizes 100% of the amount paid for nonreimbursed qualified health insurance premiums to be deducted from a taxpayer's Missouri taxable income to the extent the amount is not already included in the taxpayer's itemized deductions.

## FISCAL DESCRIPTION (continued)

### DELINQUENT MEDICAL BILLS

Currently, state agencies are allowed to submit an agency debt to the Department of Revenue in order to set off the debt by the person's tax refund. The bill establishes a process for hospitals and other health care providers to intercept a person's tax refund or lottery winnings.

### DEPENDENT HEALTH INSURANCE COVERAGE

If a health maintenance organization, a group health insurance, or an accident and sickness insurance plan provides coverage for an enrollee's dependent, the insurer must offer coverage until the dependent's twenty-fifth birthday. In addition to being younger than 25 years of age, the dependent must be unmarried, a state resident, and not be covered under a health benefit plan or government program.

### DISCOUNT MEDICAL PLAN ORGANIZATIONS

The bill establishes regulations for discount medical plan organizations and specifies that a discount medical plan cannot allow discounts or prices to be sold, rented, or otherwise provided to another carrier, a self-insured or self-funded employer-sponsored plan, or a Taft-Hartley trust.

The provisions regarding the Missouri Health Insurance Portability and Accountability Act, delinquent medical bills, prescription drug coverage, dependent health insurance coverage, and certain sections regarding the Missouri Health Insurance Pool become effective January 1, 2008.

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



L.R. No. 1261-22

Bill No. Truly Agreed To and Finally Passed SS No.2 for SCS for HCS for HB 818

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## SOURCES OF INFORMATION

Office of Administration -

Administrative Hearing Commission

Division of Budget and Planning

Office of State Courts Administrator

Missouri Department of Transportation

Department of Insurance, Financial and Professional Regulation

Department of Health and Senior Services

Department of Revenue

Department of Social Services

Department of Public Safety -

Director's Office

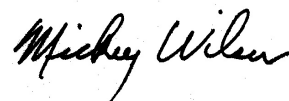
Missouri State Highway Patrol

Missouri Lottery Commission

Missouri Consolidated Health Care Plan

Missouri Department of Conservation

Office of Secretary of State



Mickey Wilson, CPA

Director

May 25, 2007