

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1498-02
Bill No.: SB 379
Subject: Insurance - Medical
Type: Original
Date: March 9, 2007

Bill Summary: Requires the Missouri Consolidated Health Care Board to offer to all qualified employees the option of receiving health care coverage through a high deductible health plan and the establishment of a health savings account.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$0	(Unknown greater than \$33,000)	(Unknown greater than \$66,000)
Total Estimated Net Effect on General Revenue Fund	\$0	(Unknown greater than \$33,000)	(Unknown greater than \$66,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Other State	\$0	(Unknown greater than \$6,500)	(Unknown greater than \$13,000)
Total Estimated Net Effect on <u>Other State Funds</u>	\$0	(Unknown greater than \$6,500)	(Unknown greater than \$13,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Federal	\$0	(Unknown greater than \$10,500)	(Unknown greater than \$21,000)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	(Unknown greater than \$10,500)	(Unknown greater 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 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

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

Officials from the **COA - Division of Accounting (DA)** assume the proposal will have no impact to the COA since the health savings account would be another health care coverage option provided by the Missouri Consolidated Health Care Plan (HCP). The COA - DA defers to the HCP for response regarding the fiscal impact of this proposal.

Officials from the **COA - Division of Budget and Planning (BAP)** assume the proposed legislation will have an impact on the HCP. The BAP defers to the HCP for response regarding the fiscal impact of this proposal.

Officials from the **Department of Public Safety (DPS) - Director's Office** defer to the HCP for response regarding the 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 **Missouri Department of Transportation (DOT)** assume the proposal will have no fiscal impact on the medical plan or on the DOT/Missouri Highway and Transportation Commission.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposed legislation would not have a fiscal impact on MDC funds.

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.

ASSUMPTION (continued)

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

Based upon the above plan design, the 2007 premium projections made by PwC for a HDHP with an HSA for individual coverage was \$416/mo. The current monthly cost for individual employee coverage through HCP's low cost HMO plan is \$421. The HCP currently pays \$398/mo for individual coverage (94.5%) and the employee pays \$23 (5.5%). Under the HSA, the employee would still pay \$23 and the state would pay \$393. However, the state would also incur additional costs to fund their portion of the HSA's deductible even if it wasn't utilized and this money would belong to and remain with the employee even after leaving employment.

In the study, HCP had 42,686 members with allowed claims of less than \$1,000. This group's average allowed claim cost was \$356. Consequently, after factoring in the savings from the lower premium, the state would incur an additional \$639 per member per year for each member of this group that would select the HSA. Therefore, if 1,565 members selected an HSA, the state would incur an additional \$1 million in cost.

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.

This option was thoroughly reviewed by the HCP staff and Board of Trustees. While there was much support for the HDHP plan design, it did not seem to fit into the current environment since employees already had relatively low cost options with reasonable cost sharing arrangements.

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. According to HCP, the state of Utah adopted an identical plan and had less than 10 people sign up. In addition to the set up and implementation costs, it would cost an additional \$639 per member per year electing the HDHP.

ASSUMPTION (continued)

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 \$100,000, split between General Revenue, Other State Funds, and Federal funds. **Oversight** notes the new health plan option would be effective January 1, 2009.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE FUND			
<u>Costs - HCP</u>			
Increase in health insurance premiums	<u>\$0</u>	<u>(Unknown greater than \$33,000)</u>	<u>(Unknown greater than \$66,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(Unknown greater than \$33,000)</u>	<u>(Unknown greater than \$66,000)</u>
OTHER STATE FUNDS			
<u>Costs - HCP</u>			
Increase in health insurance premiums	<u>\$0</u>	<u>(Unknown greater than \$6,500)</u>	<u>(Unknown greater than \$13,000)</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>\$0</u>	<u>(Unknown greater than \$6,500)</u>	<u>(Unknown greater than \$13,000)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
FEDERAL FUNDS			
<u>Costs - HCP</u>			
Increase in health insurance premiums	\$0	<u>(Unknown greater than \$10,500)</u>	<u>(Unknown greater than \$21,000)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>(Unknown greater than \$10,500)</u>	<u>(Unknown greater than \$21,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
ALL LOCAL GOVERNMENTS			
<u>Costs - All Local Governments</u>			
Increase in health insurance premiums	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

FISCAL IMPACT - Small Business

This proposal may impact small businesses if they decided to offer a high deductible health plan and pay part or all of the insurance premiums for their employees.

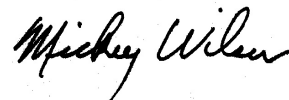
FISCAL DESCRIPTION

This proposal requires the Missouri Consolidated Health Care Board to offer to all qualified employees the option of receiving health care coverage through a high deductible health plan and the establishment of a health savings accounts. This offer must be made beginning with the open enrollment period for the 2009 plan year. The proposal further requires all health carriers participating in the Missouri Consolidated Health Care Plan to offer a high deductible plan to qualified individuals in connection with a health savings account.

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
 Division of Budget and Planning
 Office of Administration
Missouri Department of Transportation
Department of Insurance, Financial and Professional Regulation
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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Director
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