

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1571-01
Bill No.: SB 374
Subject: Insurance - Medical; Taxation and Revenue - General
Type: Original
Date: February 12, 2007

Bill Summary: Allows health maintenance organizations to issue high deductible health plans combined with health savings accounts and taxes such policies at a rate of 2% for the purpose of funding the First Steps Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Part C Early Intervention*	\$0*	\$0*	\$0*
Insurance Dedicated	\$5,000	\$5,000	\$5,000
County Foreign/County Stock**	0**	0**	0**
Total Estimated Net Effect on Other State Funds	\$5,000	\$5,000	\$5,000

* Income and expenses net to \$0.

** Income and transfers-out net to \$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 **Department of Mental Health, Department of Revenue (DOR), Department of Social Services, Missouri Consolidated Health Care Plan, Missouri Department of Transportation, and Missouri Department of Conservation** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Administration Information Technology (ITSD DOR)** estimates the information technology portion of this proposal can be accomplished within existing resources. However, if priorities shift, additional FTE/overtime would be needed to implement the provisions of this proposal. The ITSD DOR estimates that this legislation could be implemented utilizing 5 existing CIT III for two (2) months at a total cost of \$41,860.

Officials from the **Department of Public Safety (DPS) - Director's Office** defer to the Missouri Consolidated Health Care Plan 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 **Department of Elementary and Secondary Education** defer to the Department of Insurance, Financial and Professional Regulation for an estimate regarding tax revenue to be deposited in the Part C Early Intervention System Fund.

Officials from the **Department of Insurance, Financial and Professional Regulation (DIFP)** state HMOs writing high deductible policies would pay premium tax of 2% in the same manner as life and health insurance companies under chapter 148, RSMo. It is unknown how many HMOs will choose to participate in this program. Premium tax revenue is split 50/50 between General Revenue (GR) and the County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located.

Under the provisions of this bill, the GR portion collected from HMOs would be deposited into the part C early intervention fund. The DIFP cannot estimate how much would be deposited into

ASSUMPTION (continued)

the part C early intervention system fund as a result of this legislation. It would depend on how many HMOs would choose to write high deductible policies and the amount of premium tax credits taken by each company. There are approximately 40 credits that these companies could possibly use to offset their premium tax liabilities.

The DIFP cannot estimate how much would be lost in income tax as a result of HMOs issuing high deductible policies switching from paying income tax to premium tax.

The DIFP may receive an estimated \$5,000 in additional policy form filing fees each year due to HMOs issuing new high deductible policies.

The DIFP will require minimal contract computer programming to update the premium tax database and can do so under existing appropriations. However, should multiple bills pass that require additional updates to the premium tax database, the department may need to request a greater expense and equipment appropriation through the budget process.

Oversight cannot determine what the impact of this proposal would be on the Part C Early Intervention Fund (First Steps Program). **Oversight** assumes the transfer-in from GR and the expenditures of the Fund would net to zero.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE FUND			
<u>Transfer-Out - DIFP</u>			
Transfer to Part C Early Intervention Fund	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PART C EARLY INTERVENTION FUND			
<u>Transfer-In from General Revenue Fund</u>	Unknown	Unknown	Unknown
<u>Transfer-Out to Local School Districts</u> First Steps Program costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PART C EARLY INTERVENTION FUND*	<u>\$0*</u>	<u>\$0*</u>	<u>\$0*</u>
*Transfer-in and expenses net to \$0.			
DEDICATED INSURANCE FUND			
<u>Income - DIFP</u>			
Form filing fees	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$5,000</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$5,000</u>

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
COUNTY FOREIGN/COUNTY STOCK FUNDS			
<u>Income - DIFP</u>			
Increase in premium taxes paid by HMOs	Unknown	Unknown	Unknown
<u>Transfer-Out - School Districts and County Treasurers</u>			
Premium taxes paid by HMOs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON COUNTY FOREIGN/COUNTY STOCK FUNDS**			
	<u>\$0**</u>	<u>\$0**</u>	<u>\$0**</u>
** Income and transfers-out net to \$0.			

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
SCHOOL DISTRICTS AND COUNTY TREASURERS			
<u>Income - School Districts and County Treasurers</u>			
Transfer-in of premium taxes from County Foreign and County Stock Funds	Unknown	Unknown	Unknown
<u>Transfer-In - Part C Early Intervention Fund</u>			
	Unknown*	Unknown*	Unknown*
<u>Costs - School Districts</u>			
First Steps Program costs	<u>(Unknown)*</u>	<u>(Unknown)*</u>	<u>(Unknown)*</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS AND COUNTY TREASURERS			
	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
* Transfer-in from GR and costs of the First Steps Program net to \$0.			

FISCAL IMPACT - Small Business

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

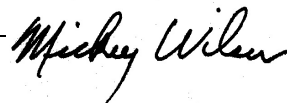
FISCAL DESCRIPTION

This proposal allows health maintenance organizations to offer high deductible health plans provided such high deductible health plans are combined with health savings accounts. Any health maintenance organization that issues a high deductible health plan that is combined with a health savings account shall be taxed at a rate of two percent on premiums received from high deductible health plans in the same manner as life and health insurance companies are taxed under Chapter 148, RSMo. The proceeds from the tax, however, shall be deposited in the part C early intervention system fund (First Steps Fund).

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

Department of Elementary and Secondary Education
Missouri Department of Transportation
Department of Insurance, Financial and Professional Regulation
Department of Mental Health
Department of Revenue -
 Office of Administration Information Technology DOR
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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