

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3234-01
Bill No.: SB 789
Subject: Insurance - Medical
Type: Original
Date: March 31, 2008

Bill Summary: Requires insurance companies to provide coverage for computerized prosthetic devices.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(Unknown exceeding \$609,494)	(Unknown exceeding \$1,153,735)	(Unknown exceeding \$1,153,735)
Total Estimated Net Effect on General Revenue Fund	(Unknown exceeding \$609,494)	(Unknown exceeding \$1,153,735)	(Unknown exceeding \$1,153,735)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Insurance Dedicated	\$5,000	\$0	\$0
Highway - Patrol	(\$261,252)	(Unknown)	(Unknown)
Road	(\$996,384)	(Unknown)	(Unknown)
Other	(Unknown exceeding \$35,638)	(Unknown exceeding \$13,000)	(Unknown exceeding \$13,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown exceeding \$1,288,274)	(Unknown exceeding \$13,000)	(Unknown exceeding \$13,000)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Federal	(Unknown exceeding \$10,500)	(Unknown exceeding \$21,000)	(Unknown exceeding \$21,000)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Unknown exceeding \$10,500)	(Unknown exceeding \$21,000)	(Unknown exceeding \$21,000)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
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 2009	FY 2010	FY 2011
Local Government	(Unknown exceeding \$50,000)	(Unknown exceeding \$100,000)	(Unknown exceeding \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety (DPS) - Director's Office** assume the proposal will have no fiscal impact 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 Conservation (MDC)** state the proposed legislation would have minimal fiscal impact on MDC funds since such devices are currently covered by its medical insurance program.

Officials from the **Department of Insurance, Financial and Professional Regulation (DIFP)** estimate approximately 100 insurers would be required to submit amendments to their policies to comply with the legislation. Policy amendments must be submitted to the department for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$5,000 (100 insurers X \$50).

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form reviews, the DIFP will need to request additional staff to handle the increase in workload.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state HCP's HMO and Copay plans currently cover regular prosthetics subject to medical necessity at 100% coverage for initial placement, with repair or replacement due to normal wear and tear, change in medical condition, or growth related changes covered at a coinsurance as any other medical benefits or services. The HCP public entity plans also cover these prosthetics as any other medical benefit under the plan.

Recent research into costs associated with computerized prosthetic devices ranged from \$30,000 to \$50,000. Because it is unknown how many people will require such a prosthetic device in each year, it is difficult to determine the fiscal impact. However, being subject to the same deductible and coinsurance provisions will significantly increase the demand for the services regardless of medical necessity. The increased claim cost will be recouped through employee premiums. The HCP projects that this legislation would have an unknown fiscal impact greater than \$100,000 annually for state membership, as well as, a fiscal impact for public entity membership greater than \$100,000 annually..

ASSUMPTION (continued)

Officials from the **Missouri Department of Transportation (DOT)** state currently, the Highway and Patrol Medical Plan does not cover computerized prosthetic devices. As a result, this legislation would have a fiscal impact to the Medical Plan.

Based on a report from Westport Benefits, the Medical Plan's claims administrator, there are an average of 22 individuals in the Plan that had claims related to an arm or leg prostheses in the past three (3) years. Information that was found on the Veteran's Administration website indicated that computerized lower limb prostheses cost about \$60,000 each. The DOT assumes that an upper limb would cost approximately the same.

If each one of the 22 individuals in our plan that have a prosthetic purchased a computerized prostheses, assuming these individuals have met their deductible and maximum out of pocket expenses for the year, the Highway and Patrol Medical Plan would have a fiscal impact of approximately \$1,320,000 (22 X \$60,000).

The Medical Plan's enrollment consists of 76% DOT and 24% Patrol participants. Therefore, there would be a fiscal impact of \$1,003,200 ($\$1,320,000 \times 76\%$) for DOT participation and \$316,800 ($\$1,320,000 \times 24\%$) due to Patrol participation.

The DOT assumes there will be an annual ongoing cost associated with this proposal. However, at this time, the DOT can not speculate on the amount, but does not anticipate the amount would be greater than the fiscal impact for the first year.

Oversight is presenting DOT's costs for General Revenue (\$32,626); Highway Fund - Patrol (\$261,252); Road Fund (\$996,384); and Other Funds (\$29,138).

Officials from the **Department of Social Services (DOS) - MO HealthNet Division (MHD)** state since section 376.1725.1 states that it applies to all managed care delivery entities of any type or description, the MHD assumes that there will be a fiscal impact due to contracts with health maintenance organizations licensed by the Department of Insurance, Financial Institutions and Professional Registration. Currently prosthetic arms and legs are covered services under the MHD program; however, computerized prosthetic arms and legs are not covered. The fiscal impact will result from the higher cost of the computerized devices.

Each computerized arm will cost the MHD an additional \$55,000 - \$67,000 above current expenditures. During FY 07, MO HealthNet paid for 7 prosthetic arms. If 3 ($7 \times 50\%$) computerized prosthetic arms are purchased at the low end of the cost range, the increased costs will be at \$165,000. If 4 ($7 \times 50\%$) computerized arms are purchased at the high end of the range the increased cost would be \$268,000.

ASSUMPTION (continued)

Each computerized leg will cost the MHD an additional \$45,000 - \$47,000 above current expenditures. During FY 07, MO HealthNet paid for 124 prosthetic legs. If 62 (124 X 50%) computerized prosthetic legs are purchased at the low end of the cost range, the increased costs will be at least \$2,790,000. If 62 (124 X 50%) computerized prosthetic legs are purchased at the high end of the cost range, the increased cost will be \$2,914,000.

The total annual fiscal impact would be in a range of costs between \$2,955,000 - \$3,182,000, depending on the number of devices sold and the cost for each device. The first year's cost would be for 6 months only, or in a range of costs between \$1,477,500 - \$1,591,000.

Oversight assumes the provisions of this bill will become effective January 1, 2009.

This proposal will result in an increase in total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (6 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Cost - HCP</u>			
Increase in state contributions	(Unknown exceeding \$33,000)	(Unknown exceeding \$66,000)	(Unknown exceeding \$66,000)
<u>Cost - DOS-MHD</u>			
Increase in state contributions	(\$543,868 to \$585,647)	(\$1,087,735 to \$1,171,294)	(\$1,087,735 to \$1,171,294)
<u>Costs - DOT</u>			
Increase in share of health insurance premiums	<u>(\$32,626)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown exceeding \$609,494)</u>	<u>(Unknown exceeding \$1,153,735)</u>	<u>(Unknown exceeding \$1,153,735)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2009 (6 Mo.)	FY 2010	FY 2011
INSURANCE DEDICATED FUND			
<u>Income - DIFP</u>			
Form filing fees	<u>\$5,000</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$5,000</u>	<u>\$0</u>	<u>\$0</u>
HIGHWAY FUND - PATROL			
<u>Cost - DOT</u>			
Increase in share of health insurance premiums	<u>(\$261,252)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON HIGHWAY FUND - PATROL	<u>(\$261,252)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ROAD FUND			
<u>Cost - DOT</u>			
Increase in share of health insurance premiums	<u>(\$996,384)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON ROAD FUND	<u>(\$996,384)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
OTHER STATE FUNDS			
<u>Cost - HCP</u>			
Increase in state contributions	(Unknown exceeding \$6,500)	(Unknown exceeding \$13,000)	(Unknown exceeding \$13,000)
<u>Cost - DOT</u>			
Increase in share of health insurance premiums	<u>(\$29,138)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>(Unknown exceeding \$35,638)</u>	<u>(Unknown exceeding \$13,000)</u>	<u>(Unknown exceeding \$13,000)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2009 (6 Mo.)	FY 2010	FY 2011
FEDERAL FUNDS			
<u>Income - DOS-MHD</u>			
Increase in program reimbursements	\$933,632 to \$1,005,353	\$1,867,265 to \$2,010,706	\$1,867,265 to \$2,010,706
<u>Cost - HCP</u>			
Increase in state contributions	(Unknown exceeding \$10,500)	(Unknown exceeding \$21,000)	(Unknown exceeding \$21,000)
<u>Costs - DOS-MHD</u>			
Increase in program payments	(\$933,632 to \$1,005,353)	(\$1,867,265 to \$2,010,706)	(\$1,867,265 to \$2,010,706)

ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(Unknown exceeding \$10,500)</u>	<u>(Unknown exceeding \$21,000)</u>	<u>(Unknown exceeding \$21,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2009 (6 Mo.)	FY 2010	FY 2011
ALL LOCAL GOVERNMENTS			
<u>Cost - All Local Governments</u>			
Increase in share of insurance premium costs	<u>(Unknown exceeding \$50,000)</u>	<u>(Unknown exceeding \$100,000)</u>	<u>(Unknown exceeding \$100,000)</u>

ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS	<u>(Unknown exceeding \$50,000)</u>	<u>(Unknown exceeding \$100,000)</u>	<u>(Unknown exceeding \$100,000)</u>
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FISCAL IMPACT - Small Business

This proposal could have a significant impact on small businesses that furnish insurance for their employees as a result of increased premium costs.

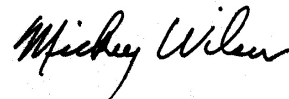
FISCAL DESCRIPTION

This proposal requires insurance companies to provide coverage for computerized prosthetic devices (arms and legs). The mandate shall not apply to certain types of policies such as accident-only, specified disease, long-term care policies or other types of limited benefit health insurance policies. The mandate applies to health insurance policies issued or renewed on or after January 1, 2009. The mandated coverage shall not be subject to greater deductibles or copayments than other types of health care services.

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

Missouri Department of Transportation
Division of Insurance, Financial Institutions and Professional Registration
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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Director
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