

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0723-01
Bill No.: SB 120
Subject: Insurance - Medical; Employees - Employers
Type: Original
Date: December 31, 2008

Bill Summary: Allows small employers to obtain medical coverage through the Missouri Consolidated Health Care Plan.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$250,000)	(Unknown, could exceed \$250,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$250,000)	(Unknown, could exceed \$250,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
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 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Officials from the **COA - Division of Budget and Planning (BAP)** state the proposed legislation should not result in additional costs or savings to the BAP. The BAP defers to the Missouri Consolidated Health Care Plan for a specific estimate.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the legislation would provide coverage for medical expenses of the small employer through HCP, with a separate benefit trust fund account set up. It is not possible to accurately predict the fiscal impact of this legislation due to uncertainties such as the potential membership, rates, benefit design, or administrative cost. However, it is assumed that the program would become self sustaining. There would be start up costs in FY 10 that could only be recouped in later years when there was sufficient enrollment. (Placing the full responsibility on the few enrollees would make the program unaffordable.) Though the actual start-up amount is very difficult to determine, it would exceed \$100,000. Depending on the success of the program and the resulting need for additional resources, subsequent years' costs may be greater than \$250,000 annually. A specific dollar amount is nearly impossible to presume since the program's cost and any eventual recoupment of these costs is dependent on an unknown number of enrollees.

In making the above assumptions, the HCP assumed: 1) the Board would be allowed to establish how coverage would be provided in the most cost effective fashion; 2) an administrative charge could be added to premiums to offset the state's cost to operate the program; 3) putting these monies in the current trust fund but having separate accounting would offer a better return; 4) several rules would be required dealing with eligibility, premium payments, terminations, etc.; 5) the definition of small employer would include public entities which are already covered by the current statute. This language would require changes in regard to how benefits for these public employers are currently administered; and 6) if an employer had only one employee, but the position was vacant on January 1, then coverage couldn't be offered.

Oversight assumes the HCP would make medical coverage available to small businesses effective January 1, 2010.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (6 Mo.)	FY 2011	FY 2012
GENERAL REVENUE FUND			
<u>Income - Missouri Consolidated Health Care Plan</u>			
Small business insurance premiums	Unknown	Unknown	Unknown
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Small business plan administration	<u>(Unknown exceeding \$100,000)</u>	<u>(Could exceed \$250,000)</u>	<u>(Could exceed \$250,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown, could exceed \$100,000)</u>	<u>(Unknown, could exceed \$250,000)</u>	<u>(Unknown, could exceed \$250,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (6 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could directly impact small businesses if they are able to purchase medical insurance coverage for employees.

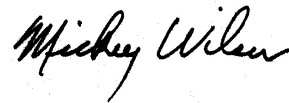
FISCAL DESCRIPTION

This proposal allows small employers to join the Missouri Consolidated Health Care Plan. For purposes of the proposal, the term small employer means an employer who employed an average of at least one but not more than fifty persons during the preceding calendar year and who employs at least one person on the first day of the plan year. A small employer includes a sole proprietor and a partner of a partnership. The state health care plan shall maintain a separate benefit trust fund account for premium payments and other income received from small employers.

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
 Division of Budget and Planning
Department of Insurance, Financial Institutions and Professional Registration
Missouri Consolidated Health Care Plan



Mickey Wilson, CPA
Director
December 31, 2008