COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1376-10
Bill No.: SB 415
Subject: Insurance - Medical; Health Care Professionals; Insurance Dept.; Taxation and Revenue - Income; Taxation and Revenue - General
Type: Original
Date: March 30, 2009

Bill Summary: Modifies several provisions of laws relating to health insurance.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(Unknown exceeding $102,671)	(Unknown exceeding $138,867)	(Unknown exceeding $140,671)
Total Estimated Net Effect on General Revenue Fund	**(Unknown exceeding $102,671)**	**(Unknown exceeding $138,867)**	**(Unknown exceeding $140,671)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Insurance Dedicated	($100,000)	$0	$0
Foreign Stock/County Stock	$0*	$0*	$0*
Road	(Unknown less than $50,000)	(Unknown less than $100,000)	(Unknown less than $100,000)
Other	(Unknown exceeding $6,000)	(Unknown exceeding $12,000)	(Unknown exceeding $12,000)
Total Estimated Net Effect on Other State Funds	**(Unknown exceeding $106,000)**	**(Unknown exceeding $12,000)**	**(Unknown exceeding $12,000)**

*** Unknown savings and losses net to $0.**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Federal	(Unknown exceeding $10,500)	(Unknown exceeding $21,000)	(Unknown exceeding $21,000)
Total Estimated Net Effect on All 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 2010	FY 2011	FY 2012
General Revenue	2	2	2
Total Estimated Net Effect on FTE	**2**	**2**	**2**

☒ 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	**(Unknown)**	**(Unknown)**	**(Unknown)**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Department of Conservation** and **Missouri Senate** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Missouri House of Representatives (MHR)** assume the proposal will not fiscally impact their organization. It is assumed that any expenses related to the Commission would be incurred by the Department of Insurance, Financial Institutions and Professional Registration.

Officials from the **Department of Public Safety - Missouri State Highway Patrol (MHP)** defer to the Missouri Department of Transportation for response regarding the potential fiscal impact of this proposal on their organization.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than $2,500. The SOS realizes this is a small amount and does not expect that additional funding would be required to meet these costs. The SOS 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 that the office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Missouri Department of Transportation (DOT)** state is unclear if this would apply to the DOT/Missouri State Highway Patrol (MHP) Medical Plan. While the DOT/MHP Medical Plan would not fall under this health plan definition, the Plan would arguably still be required to comply with the bill's requirements. The DOT/MHP Medical Plan offers COBRA coverage at 100% of the total amount charged to an employee, but only offers the coverage for a maximum period of 18 months unless another qualifying event occurs during the COBRA time frame.

According to the Business Insurance News, COBRA members are usually sicker and have 45% more claims than active employees. This is because employees with ongoing health care needs are more likely to sign up for coverage, they say. Healthier employees are likely to use their time off from work to take care of any health care needs they may have been putting off while they were employed. It is difficult to estimate what the impact would be as it would be based on the number of members choosing to enroll in COBRA coverage and the types of claims they would have. However, the DOT assumes an unknown impact less than $100,000 per year for this provision of the proposal.

ASSUMPTION (continued)

The legislation also proposes that all health carriers offer a high deductible plan. A high deductible plan typically chargers higher deductibles in exchange for cheaper monthly premiums and preventive services. The DOT/MHP Medical Plan does not offer a high deductible plan to its membership. It would require the Plan to offer an additional plan for all members who have a health savings account as well as change the benefit structure for the new Plan. The impact to the plan would be minimal.

The DOT assumes the proposal would result in a total impact to the DOT/MHP Plan of an unknown amount less than $100,000 annually.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many high deductible policies are currently sold or will be sold in the future. Therefore, the potential impact to premium tax is unknown.

The DIFP estimates it will need $100,000 for contractual costs to complete the national study of health savings accounts available in other states as required by Section 376.1603.

The DIFP believes existing staff can implement the other provisions of the proposal affecting the department. However, if the workload is such to require additional staff, the additional staff and appropriation will be requested through the budget process.

Officials from the **Department of Revenue (DOR)** state Section 135.349 would require the Personal Tax Division to employ one (1) Revenue Processing Technician ($25,380 annually) for every 4,000 claims processed. In addition, this section would require the Corporate Tax Division to employ one (1) Revenue Processing Technician to handle the additional phone calls, correspondence and maintenance required by this new withholding tax credit.

The DOR estimates a fiscal impact to the General Revenue Fund of $77,228 for FY 10; $82,171 for FY 11; and $84,638 for FY 12.

The Office of Administration Technology (ITDS 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 the provisions of this proposal. The ITSD DOR estimates that this legislation could be implemented utilizing one (1) existing Computer Information Technologist (CIT) III for two (2) months for system modifications to the MINITS and three (3) CITs III for one (1) month for system modifications to COINS. The estimated cost is $22,205 if priorities shift and existing resources can not accomplish the requirements of this proposal.

ASSUMPTION (continued)

Oversight has, for fiscal note purposes only, changed the starting salary for the Revenue Processing Technicians to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Oversight assumes the DOR would not need additional rental space for 2 new FTE.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the proposal would allow HCP subscribers age 55 an over entitlement to "continuation of coverage" under a group policy for themselves and their dependents. According to the legislation, the premium contribution shall not be greater than 102% of the total of the amount that would be charged if the former employee were a current group member.

Adding older adults to a group plan will cause a shift in medical risk to the group as a whole. Younger members are, in general, healthier and have less medical costs than older members. HCP's average monthly medical and pharmacy claims costs associated with insuring an adult age 55 - 65 is $577; insuring a member aged 35 - 45 is, on average, $305 per month.

The exact cost of this legislation is unknown due to an unpredictable number of enrollees in the continuation program. However, HCP currently provides continuation of coverage under COBRA to 129 members who are age 55 - 65. Assuming all of these members would elect to continue their benefits until they become Medicare eligible, the HCP would likely incur costs exceeding $100,000 annually. These costs would be passed directly to the plan and most likely to all HCP members as a higher premium.

Oversight assumes, for fiscal note purposes, that the state will absorb increases in the costs of insurance premiums as a result of this proposal. However, the legislature, during the budgetary process, the HCP Board, and the Missouri Highway Transportation Commission (MHTC) will determine if any or all of the increase in costs will be paid by employees.

Oversight assumes the provisions of the proposal, as it relates to state employee health plans, would become effective January 1, 2010.

This proposal would result in a decrease in total state revenue.

FISCAL IMPACT - State Government	FY 2010 (6 Mo.)	FY 2011	FY 2012
GENERAL REVENUE FUND			
Loss - DIFP			
Reduction in premium taxes collected on Missouri resident premiums	(Unknown)	(Unknown)	(Unknown)
Costs - HCP			
Increase in the state's share of employee insurance premiums	(Unknown exceeding $33,500)	(Unknown exceeding $67,000)	(Unknown exceeding $67,000)
Costs - DOR			
Personal service costs (2.0 FTE)	($38,745)	($47,656)	($48,848)
Fringe benefits	($18,842)	($23,175)	($23,755)
Equipment and expense	($11,584)	($1,036)	($1,068)
Total Cost - DOR	($69,171)	($71,867)	($73,671)
FTE Change - DOR	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**(Unknown exceeding $102,671)**	**(Unknown exceeding $138,867)**	**(Unknown exceeding $140,671)**
Estimated Net FTE Effect on General Revenue Fund	2.0 FTE	2.0 FTE	2.0 FTE
INSURANCE DEDICATED FUND			
Costs - DIFP			
Contract costs for national study	($100,000)	$0	$0
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	**($100,000)**	**$0**	**$0**

FISCAL IMPACT - State Government	FY 2010 (6 Mo.)	FY 2011	FY 2012
COUNTY FOREIGN/COUNTY STOCK FUNDS			
Savings - DIFP			
Reduction in premium tax transferred to schools	Unknown	Unknown	Unknown
Loss - DIFP			
Reduction in premium tax collected	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON COUNTY FOREIGN/COUNTY STOCK FUNDS	**$0**	**$0**	**$0**
ROAD FUND			
Costs - DOT			
Increase in employee health benefit costs	(Unknown less than $50,000)	(Unknown less than $100,000)	(Unknown less than $100,000)
ESTIMATED NET EFFECT ON ROAD FUND	**(Unknown less than $50,000)**	**(Unknown less than $100,000)**	**(Unknown less than $100,000)**
OTHER FUNDS			
Costs - HCP			
Increase in the state's share of employee insurance premiums	(Unknown exceeding $6,000)	(Unknown exceeding $12,000)	(Unknown exceeding $12,000)
ESTIMATED NET EFFECT ON OTHER FUNDS	**(Unknown exceeding $6,000)**	**(Unknown exceeding $12,000)**	**(Unknown exceeding $12,000)**

FISCAL IMPACT - State Government	FY 2010 (6 Mo.)	FY 2011	FY 2012
FEDERAL FUNDS			
Costs - HCP			
Increase in the state's share of employee insurance premiums	(Unknown exceeding $10,500)	(Unknown exceeding $21,000)	(Unknown exceeding $21,000)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**(Unknown exceeding $10,500)**	**(Unknown exceeding $21,000)**	**(Unknown exceeding $21,000)**

FISCAL IMPACT - Local Government	FY 2010 (6 Mo.)	FY 2011	FY 2012
LOCAL GOVERNMENTS - SCHOOLS			
Loss - Schools			
Reduction in distribution of premium tax	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - SCHOOLS	**(Unknown)**	**(Unknown)**	**(Unknown)**

FISCAL IMPACT - Small Business

This proposal would impact small businesses that offer employees health insurance as they could be provided with a tax credit.

FISCAL DESCRIPTION

This proposal modifies several provisions of law relating to laws governing health insurance.

TAX CREDIT FOR SMALL EMPLOYEES ENROLLED IN QUALIFIED HSA PLANS - Under this proposal, small employers who employ less than 50 persons are allowed a tax credit in the amount of $250 for each employee enrolled in a qualified health insurance plan. Under the proposal, the tax credit may be carried forward to the next 4 succeeding years (Section 135.349).

FISCAL DESCRIPTION (continued)

EXEMPTION FROM STATE AND LOCAL PREMIUM TAXES FOR QUALIFIED HSA HEALTH INSURANCE PLANS - This proposal provide an exemption from state and local insurance premium taxes for premiums paid on health savings account eligible plans (high deductible plans) that are sold in Missouri (Section 148.372).

STUDY TO IDENTIFY ADMINISTRATIVE AND REGULATORY BARRIERS FOR NEW INSURANCE PRODUCTS - By January 1, 2010, the Director of the Department of Insurance, Financial Institutions and Professional Registration must provide recommendations to the General Assembly of changes to remove any unnecessary barriers that limit the entry of new health insurance products into the Missouri insurance market. The director must also examine proposals adopted in other states that streamline the regulatory processes to allow insurance companies to market new and existing products more easily (Section 376.1618).

HRA ONLY PLANS - Under this proposal, employees are allowed to use funds from one or more employer health reimbursement arrangement (HRA) only plans to help pay for individual health insurance coverage. HRAs are employee benefit plans provided by an employer which establish an account funded solely by the employer to reimburse the employee for qualified medical expenses incurred by the employee or his or her family. HRAs allow the employee to carry forward any unused funds at the end of the coverage period to subsequent coverage periods (Section 376.1600). A similar provision is contained in HB 229 (2009).

The proposal also provides that if an employer provides health insurance to an employee and the employee pays any portion of the cost of the premium, the employer must also provide a premium-only cafeteria plan or a health reimbursement arrangement (Section 376.453).

COINSURANCE AMOUNTS FOR NON-NETWORK SERVICES UNDER A HSA PLAN - Under this proposal, a health carrier may offer HSA qualified health plans with coinsurance percentage thresholds of 50% or greater for non-network services (Section 376.1606).

PROMOTION AND APPROVAL OF HSA HEALTH PLANS - Under the proposal, the Director of the Department of Insurance is expressly authorized to adopt policies to promote, approve, and encourage health savings account eligible high deductible plans in Missouri. The proposal directs the director to conduct a national study of health savings account eligible high deductible health plans available in other states and determine if and how these plans serve the uninsured. The proposal also directs the Director to develop a fast track approval process for health savings account eligible high deductible plans (Section 376.1603).

HEALTH MANAGEMENT AND DISEASE MANAGEMENT PROGRAMS IN QUALIFIED HSA PLANS - This proposal expressly allows health carriers to include wellness and health promotion programs, condition or disease management programs, health risk appraisal programs, FISCAL DESCRIPTION (continued)

and similar provisions in high deductible plans that comport with federal law. The programs must be approved by the department. Health carriers that include such programs in high deductible plan shall not be considered to be in engaging in unfair trade practices (Section 376.1609).

MISSOURI MINI-COBRA LAW TO MIRROR FEDERAL COBRA LAW - This proposal requires group health insurance policies issued by health carriers to employers not covered by the federal COBRA law (employers with 2 to 19 employees) to provide terminated employees with group insurance coverage continuation rights in the same manner as provided by the federal COBRA law (Section 376.428).

CONTINUATION OF HEALTH INSURANCE COVERAGE FROM AGE 55 - Under this proposal, every group health insurance policy issued or renewed on or after January 1, 2010, must contain a provision that allows an employee or group member, whose continuation coverage under the federal COBRA law or state's continuation law has expired, to continue coverage under that group policy provided the employee or group member was 55 years or older when coverage under COBRA or the state continuation law expired. The extended continuation coverage provided by this proposal will terminate upon the earliest of the following: 1) The date the employee or group member fails to pay premiums; 2) The date the group policy is terminated as to all group members; 3) The date on which the employee or group member becomes insured under another group policy; 4) The date on which the employee or group member becomes eligible for coverage under the federal Medicare program; or 5) The date on which the employee or group member turns 65 (Section 376.437).

HIGH RISK POOL LEGISLATIVE STUDY COMMITTEE - This proposal creates a legislative study committee to research new plan designs and options for the state high risk pool to include rewards and incentives, use of biometrics, wellness, prevention, early intervention, and condition management . The committee shall be comprised of the director of the department of insurance, financial institutions and professional registration, the high risk pool board members, two Missouri Senators and two Missouri House of Representatives members. The committee must submit a report to the General Assembly by March 1, 2010 (Section 376.991).

GUARANTEED ISSUE HSA ELIGIBLE PLANS - This proposal requires the high risk pool to offer high-deductible health plans, offered in conjunction with health savings accounts, to be offered on a guaranteed-issue basis (Section 376.987).

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 Insurance, Financial Institutions and Professional Registration
Department of Revenue
Missouri Department of Transportation
Department of Public Safety -
    Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Missouri House of Representatives
Missouri Department of Conservation
Missouri Senate
Office of Secretary of State

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HW-C:LR:OD