

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1575-07  
Bill No.: SS for SCS for HCS for HB 577 with SA 1, SA 2, SA 3, SA 4, SA 5, SA 6, SA 7, and SA 8  
Subject: Insurance - General; Insurance Dept.; Attorney General, State; Insurance - Medical; Insurance - Life  
Type: Original  
Date: May 6, 2009

Bill Summary: Modifies various provisions relating to the regulation of insurance.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(Unknown exceeding \$253,090)	(Unknown exceeding \$301,330)	(Unknown exceeding \$301,330)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown exceeding \$253,090)</b>	<b>(Unknown exceeding \$301,330)</b>	<b>(Unknown exceeding \$301,330)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Insurance Dedicated	At least \$11,821	At least \$11,821	At least \$11,821
Road Fund	(Unknown exceeding \$50,000)	(Unknown exceeding \$100,000)	(Unknown exceeding \$100,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown exceeding \$50,000) to at least \$11,821</b>	<b>(Unknown exceeding \$100,000) to at least \$11,821</b>	<b>(Unknown exceeding \$100,000) to at least \$11,821</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 16 pages.

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

\* Income and reimbursements to Federal Funds exceeding \$50,000 annually and net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Office of State Courts Administrator, Department of Revenue, Missouri Department of Conservation, Department of Public Safety (DPS) - Missouri State Highway Patrol, and Missouri Senate** assume the proposal will have no fiscal impact on their organizations.

Officials from the **DPS - Directors' Office** state they are unable to determine the fiscal impact of the proposal and defer to the Missouri Consolidated Health Care Plan for response regarding the potential fiscal impact.

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 **Office of Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Corrections (DOC)** state the DOC cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court. If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in direct offender costs either through incarceration (FY 08 average annual cost of \$5,709 per inmate) or through supervision provided by the Board of Probation and Parole (FY 08 average annual cost of \$902 per offender).

The DOC assumes the narrow scope of the crime will not encompass a large number of offenders, the low felony status of the crime enhances the possibility of plea-bargaining or imposition of a probation sentence, and the probability exists that offenders would be charged with a similar but more serious offense and that sentences may run concurrent to one another. Therefore, supervision through probation or incarceration would result in some additional costs, but the DOC assumes the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state in May 2008, Special Purpose Life Reinsurance Captive (SPLRC)

insurance companies paid \$39,600 in premium tax for calendar year 2007. None was paid by other captive types.

In May 2009, the DIFP anticipates that SPLRC captives will pay \$85,417 for calendar year 2008 and all other types of captives will pay \$32,791; total of \$118,208.

The DIFP assumes in May 2010, May 2011, and May 2012 at least the same amount of premium tax will be paid as May 2009. The department does anticipate growth in the number of captive insurance companies in Missouri, so this estimate is the minimum amount of premium tax expected to be collected.

The premium taxes collected under this legislation are deposited 90% into General Revenue and 10% into the Insurance Dedicated Fund for department oversight of the captive insurance program.

DIFP officials also estimate that up to 90 insurers and 22 HMOs (from 2007 supplemental data reports) 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 up to \$5,600.

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.

**Oversight** assumes the annual premium taxes on captive insurance companies will be at least \$118,208. Because this amount is less than the \$200,000 currently in statute for DIFP to receive 20% of to help cover the costs of the oversight of these companies, no funds will be received by the DIFP. This legislation changes the distribution of premium taxes paid by SPLRCs so DIFP receives 10% of all premium taxes collected from captive insurance companies. As a result of this reallocation, **Oversight** is presenting the 10% allocation of premium taxes paid by captive insurance companies to the Insurance Dedicated Fund as a loss to the General Revenue Fund.

In response to similar legislation, officials from the **Office of State Treasurer (STO)** assumed the Department of Revenue will appropriately post the receipt of taxes collected under sections 379.1326 and 379.1412 as 90% to General Revenue and 10% to the Insurance Dedicated Fund. The proposal has no fiscal impact on the STO.

ASSUMPTION (continued)

In response to earlier versions of this proposal, officials from the **Office of Prosecution Services (OPS)** assumed the proposal would have no fiscal impact on the OPS or County Prosecutors.

In response to similar legislation, officials at the **Office of State Public Defender (SPD)** stated for the purpose of this proposed legislation, they could not assume that existing staff will provide competent, effective representation for any new cases arising where indigent persons are charged with the proposed new crimes of selling or possessing fraudulent insurance cards. Selling would become a class D felony and possessing the same would become a class B misdemeanor.

Passage of bills increasing penalties on existing crimes, or creating new crimes, requires the SPD system to further extend resources. While the number of new cases (or cases with increased penalties) may be too few or uncertain to request additional funding for this specific bill, the SPD will continue to request sufficient appropriations to provide competent and effective representation in all its cases.

**Oversight** assumes the SPD can absorb the additional caseload that may result from this proposal.

**Senate Amendment No. 2:**

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

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 **Missouri Department of Transportation (DOT)** state since the DOT/MHP Medical Plan contracts with a vendor to provide a network of providers and to do claims processing, the Medical Plan could be fiscally impacted if the claims administrator would not properly pay the claims within the forty-five day processing timeframe and be responsible for the increased interest to one and one-half percent and the penalty. The DOT/MHP Medical Plan already has in place performance measures in its contract with its claims administrator regarding time limits for paying claims. On their face, these limits are shorter than the proposed forty-five day time limits in the bill; however, it is unclear from the proposed legislation what “processing days” refer to - calendar days, business days, etc. At this time, the DOT assumes any potential fiscal impact as a result of this legislation would be minor.

ASSUMPTION (continued)

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the HCP may incur additional unknown costs that would be passed directly to the health plans. At this time, there is

no way to determine the costs. If the HCP were to incur any costs as a direct result of this proposal, it would charge its vendors a penalty in order to recoup any and all incurred costs. In future years, the vendors would add the cost into the contract and charge HCP more for this service over time.

Based on HCP's response, **Oversight** assumes the penalties charged by HCP against its vendors would equal and offset any additional costs incurred as a result of the forty-five day claims processing time. **Oversight** also assumes that, over time, vendors would strive to process claims within the forty-five day processing window rather than pay penalties.

Officials from the **Department of Social Services (DOS) - MO HealthNet Division (MHD)** state this legislation revises Chapter 376 which does not affect the claims paid by the MO HealthNet fee-for-service program. This legislation will apply to the MO HealthNet Managed Care program because it contracts with health maintenance organizations for the purpose of providing health care services through capitated rates. However, there will be no fiscal impact to MHD.

This legislation will affect the commercial health insurance recoveries received by the third party liability program within the MHD. The proposal extends the amount of time a health carrier has to process a claim, thereby decreasing the amount of interest collected by the third party liability program. The amount of interest collected by the MHD from health carriers has, historically, been very insignificant.

This legislation also imposes a penalty on the health carriers when a claim is paid beyond the forty-fifth processing day. This change will increase the commercial health insurance recoveries received by the third party liability program within the MHD, but the amount is unknown.

There will be no cost to MHD because this will not affect the MHD fee-for-service program or the Managed Care program. However, there will be a savings because health carriers will pay a penalty to the third party liability program if the claim is paid beyond the forty-fifth processing day. Therefore, the fiscal impact to the MHD is an unknown savings of less than \$100,000 annually.

ASSUMPTION (continued)

**Senate Amendment No. 3:**

HW-C:LR:OD

Officials from the **Department of Health and Senior Services, Office of Administration-Administrative Hearing Commission, Department of Conservation, Missouri Consolidated Health Care Plan, Department of Social Services, Department of Mental Health, Department of Insurance, Financial Institutions and Professional Registration, and the Department of Highways and Transportation** each assume the proposal would have no fiscal impact on their respective agencies.

**Senate Amendment No. 4:**

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the amendment will not fiscally impact the HCP assuming it does not apply to prescription medications.

Officials from the **Missouri Department of Conservation (MDC)** state the proposed amendment would not appear to have a fiscal impact on MDC funds, since it does not appear to apply to self-insured plans. However, if the legislation is intended to apply to self-insured plans, the fiscal impact to MDC funds is expected to exceed \$100,000 annually. The legislation is unclear whether this applies to deductibles for plans that require a deductible before coinsurance rates are applied.

Officials from the **Missouri Department of Transportation (DOT)** state while the DOT/Missouri State Highway Patrol (MHP) Medical plan would not fall under the definition of a health benefit plan or health carrier, as defined in section 376.1350, the Plan would arguably still be required to comply with the bill's requirements pursuant to Section 104.801, RSMo, which states that any legislation enacted by the general assembly which mandates the coverage of specific health benefits, services, or providers in the policies or contracts of insurers, health services corporations, HMOs, or other third party payors on or after January 1, 1991, shall also apply to the DOT/MHP Medical Plan.

DOT officials state the impact of the proposal would depend on the total cost charged for the health care services in addition to the network discounts provided to DOT/MHP members by the DOT network and claims administrator. The proposed legislation does not clarify what is included in the total cost. The DOT/MHP Medical Plan's copayments are a set amount and not a percentage. Therefore, it would be possible for an office visit copayment to be more than 50% of the total cost as stated in the proposed legislation because the copayment is more than 50% of the discounted charge.

ASSUMPTION (continued)

For example:

Total cost: \$75  
Network Discount Charge: \$35  
Copayment: \$20 (More than 50% of the total approved by the plan)

If the Medical Plan would be responsible for the difference as shown in the example above, there would be an impact to the Medical Plan. It is difficult to estimate the projected amount of the impact to the Plan, but incurring this extra expense many times over would add up quickly. Also, with the additional costs to health care services, DOT member rates would need to be increased to ensure that the Plan would have the required funds to support the additional costs. Therefore, DOT assumes the proposal would have an unknown negative fiscal impact exceeding \$100,000 annually.

**Senate Amendment No. 5:**

Officials from the **Department of Social Services (DOS) - MO HealthNet Division (MHD)** state this legislation does not revise Chapter 208, RSMo. Therefore it does not affect MO HealthNet eligibility or benefits.

This legislation does, however, revise Chapter 376, RSMo. The MHD assumes that since there is no specific exemption for contracts with the state, the legislation will pertain to HMOs that contract with the state to provide health benefits to MO HealthNet Managed Care participants.

The MHD recognizes there may be additional costs of doing business for HMOs if this legislation passes and that those costs may be passed on to the MHD. The MHD may incur additional costs for an actuarial analysis to determine if capitated rates should be adjusted for the additional costs incurred by the HMO.

If an actuarial analysis is needed, it will occur in the first year and is a one-time cost. The cost of the analysis will depend on the number of program changes that will need to be analyzed, as well as the complexity of those changes. This cost is unknown, but may be as high as \$100,000. Since this is an administrative costs, there will be a 50% federal match rate.

If the HMOs are required to provide additional benefits and the MHD's current rates don't support those costs, the actuary may require an increase in capitated rates to ensure actuarial soundness. If this occurs, the cost to the MHD is unknown. These additional costs would occur in the second and third years.

**ASSUMPTION** (continued)

Therefore, the MHD assumes FY 10 costs to be unknown less than \$100,000 (General Revenue



unknown less than \$50,000) and FY 11 and FY 12 costs to be unknown exceeding \$100,000 annually.

**Oversight** notes MO HealthNet currently covers basic prosthetics (arms and legs), with prior approval. If the legislation results in coverage of computerized prosthetics, the proposal could significantly impact the MO HealthNet Managed Care program. **Oversight** assumes the proposal will cover basic prosthetics, not computerized prosthetics, and there will be no fiscal impact to the MO HealthNet program.

Officials from the **Missouri Department of Transportation (DOT)** state Senate Amendment No. 6 requires any health carrier or health benefit plan to provide coverage for prosthetic devices. The coverage must include all services and supplies medically necessary for the effective use of a prosthetic device. The definition of prosthetic device is an artificial limb, device, or appliance designed to replace in whole or in part arms, legs, or eyes. The coverage may be subject to coinsurance or co-payments not to exceed the coinsurance or co-payment amounts applied to basic health care services. The legislation also stipulates the benefits will provide coverage for repair or replacement of the device as determined medically necessary and the plan shall not impose any annual or lifetime dollar limits on coverage not applied in aggregate to all terms and conditions covered under the plan.

Currently, the DOT/Missouri State Highway Patrol (MHP) Medical Plan provides coverage for prosthetic devices for arms, legs, and eyes, except for remote control devices or devices employing robotics or computerized prostheses. The coverage includes the initial purchase, fitting, and necessary adjustments and supplies and also includes the repair and replacement if deemed medically necessary. The repair and replacement of prosthetic devices is covered, but the member must seek repair of the equipment prior to replacement unless the cost of repair is greater than the replacement cost. The member would need to obtain the cost of both repair and replacement services and have it documented according to Plan guidelines.

The area of concern for the Plan, the proposed legislation does not specifically state whether we would be required to cover computerized prostheses; therefore, I made the assumption we would also have to cover computerized prosthetic devices. Currently the Medical Plan excludes coverage on any prosthetic appliance that has a remote control device or devices employing robotics. The DOT assumes that computerized prosthetics would fall within these categories and are not a covered benefit. As a result, this legislation will have a fiscal impact on the Highway and Patrol Medical Plan.

ASSUMPTION (continued)

Based on a report from the DOT's previous claims administrator, there was an average of 22

individuals in the Plan that had claims related to an arm or leg prostheses in the past three years. According to the VA's website, (VA Technology Assessment Program Project Report – Patient Summary on Computerized Lower Limb Prostheses) computerized lower limb prostheses cost about \$60,000 each. The DOT also assumes that upper limb prosthesis would be the same cost.

If each of the 22 individuals currently enrolled in our plan purchase a computerized prosthesis and assuming these individuals have met their deductible and maximum out-of-pocket expenses for the year, the DOT/MHP 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 could be a fiscal impact of \$1,003,200 ( $\$1,320,000 \times 76\%$ ) due to DOT participation and \$316,800 ( $\$1,320,000 \times 24\%$ ) due to Patrol participation under this scenario.

**Oversight** notes the DOT/MHP currently covers basic prosthetics. If the legislation results in coverage of computerized prosthetics, the proposal could significantly impact the DOT/MHP program. **Oversight** assumes the proposal will cover basic prosthetics, not computerized prosthetics, and there will not be a significant fiscal impact to the DOT/MHP health program.

#### **Senate Amendment No. 7:**

Officials from the **Missouri Senate, Department of Health and Senior Services, Department of Social Services** and the **Department of Elementary and Secondary Education** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Department of Mental Health (DMH)** state the legislation requires the establishment of the MO HealthNet data transparency program. The DMH already submits data to the federal Medicaid Statistical Information System, therefore, this proposed legislation poses no additional fiscal impact.

In response to a previous version of this proposal, officials from the **Missouri House of Representatives** assume the proposal would have no fiscal impact on their agency.

#### **Senate Amendment No. 8:**

Officials from the **Department of Mental Health (DMH)** state Section 191.1005 defines "insurer" to include the state of Missouri and requires significant data collection around quality and performance measures. DMH understands that both the Department of Health and Senior ASSUMPTION (continued)

Services and Department of Social Services assumed they would be required to collect and report

on quality and performance measures and estimated costs associated with this provision. Therefore, DMH assumes a cost of greater than \$100,000 for a contract to meet the standards established in Section 191.1005.

Provisions contained in this legislation will create additional work for DMH in preparing reports (shifting demographics study). These costs cannot be quantified.

Officials from the **Department of Social Services** states Section 191.1005 will have a fiscal impact to the MO HealthNet Division (MHD). MHD will have costs for a contractor to collect, compile, evaluate and compare the quality of care data. The cost for a contractor is unknown, but greater than \$250,000. The first year cost (\$208,333) is calculated for 10 months and the second and third year costs (\$250,000) are for 12 months.

Officials from the **Missouri Department of Transportation (DOT)** state Senate Amendment No. 8 uses the same definition of “health carrier” that is provided in Section 376.1350 RSMo, which defines a “health carrier” as “an entity subject to the insurance laws and regulations of this state that contracts or offers to contract to provide, deliver, arrange for, pay for or reimburse any of the costs of health care services, including a sickness and accident insurance company, a health maintenance organization, a nonprofit hospital and health service corporation, or any other entity providing a plan of health insurance, health benefits or health services; except that such plan shall not include any coverage pursuant to a liability insurance policy, workers' compensation insurance policy, or medical payments insurance issued as a supplement to a liability policy”. While the DOT/MHP Medical Plan would not fall under this definition, the Plan would arguably still be required to comply with the bill’s requirements pursuant to Section 104.801 RSMo, which states that any legislation enacted by the general assembly which mandates the coverage of specific health benefits, services, or providers in the policies or contracts of insurers, health services corporations, HMOs, or other third party payors on or after January 1, 1991, shall also apply to the DOT/MHP Medical Plan.

The vast majority of the amendment will not have a fiscal impact upon DOT or upon the DOT/MHP medical plan. The amendment contains only one provision that may fiscally impact the DOT/MHP medical plan. The new language would allow for some competition on the market, as the public and other health providers could see rates.

Officials from the **Department of Health and Senior Services (DOH)** state this amendment requires the DOH to investigate complaints of alleged violations of this section by any person or entity other than a health carrier. If the complaint were against an individual, the DOH would have no authority. These complaints would need to be handled by the Board of Healing Arts or ASSUMPTION (continued)

the Board of Nursing. Complaints against an entity could also include types of health care

settings that are not currently under the regulatory charge of DOH such as physician's offices, clinics, etc. The violations referred to in this section do not seem to be clinical or regulatory in nature. Instead, they appear to be concerned more with data disclosure.

This legislation would require the department to promulgate rules for the processes for the investigations and also work with the program staff to levy the fines authorized by law.

It is unknown how many complaints of alleged violations will be received by the department. Depending upon the increase in workload, additional staff may be required.

The DOH is not able to determine how many complaints would be received that would require investigation; therefore we are unable to determine the fiscal impact of this section but assume costs would exceed \$100,000 annually.

**Oversight** notes various provisions in this proposal related to state health insurance plans would be effective January 1, 2010.

FISCAL IMPACT - State Government

FY 2010

FY 2011

FY 2012

**GENERAL REVENUE FUND**

HW-C:LR:OD

Income - DOS

Penalties for late payment of claims	Unknown less than \$29,563	Unknown less than \$35,490	Unknown less than \$35,490
--------------------------------------	----------------------------	----------------------------	----------------------------

Costs - Department of Mental Health

Program Costs	(Unknown exceeding \$83,333)	(Unknown exceeding \$100,000)	(Unknown exceeding \$100,000)
---------------	------------------------------	-------------------------------	-------------------------------

Costs - Department Social Services

Program Costs	(Unknown exceeding \$104,166)	(Unknown exceeding \$125,000)	(Unknown exceeding \$125,000)
---------------	-------------------------------	-------------------------------	-------------------------------

Costs - Department of Health and Senior Services

Program Costs	(Unknown exceeding \$83,333)	(Unknown exceeding \$100,000)	(Unknown exceeding \$100,000)
---------------	------------------------------	-------------------------------	-------------------------------

Loss - DIFP

Reduction in premium taxes from captive insurance companies	<u>(At least \$11,821)</u>	<u>(At least \$11,821)</u>	<u>(At least \$11,821)</u>
---	----------------------------	----------------------------	----------------------------

**ESTIMATED NET EFFECT ON GENERAL REVENUE FUND**

<b><u>(Unknown exceeding \$253,090)</u></b>	<b><u>(Unknown exceeding \$301,330)</u></b>	<b><u>(Unknown exceeding \$301,330)</u></b>
---	---	---

FISCAL IMPACT - State Government

FY 2010

FY 2011

FY 2012

**INSURANCE DEDICATED FUND**

Income - DIFP

Form filing fees	Up to \$5,600	\$0	\$0
Premium taxes from captive insurance companies	<u>At least \$11,821</u>	<u>At least \$11,821</u>	<u>At least \$11,821</u>

**ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND**

At least \$11,821      At least \$11,821      At least \$11,821

**ROAD FUND**

Costs - DOT

Increase in medical plan costs	<u>(Unknown exceeding \$50,000)</u>	<u>(Unknown exceeding \$100,000)</u>	<u>(Unknown exceeding \$100,000)</u>
--------------------------------	-------------------------------------	--------------------------------------	--------------------------------------

**ESTIMATED NET EFFECT ON ROAD FUND**

(Unknown exceeding \$50,000)      (Unknown exceeding \$100,000)      (Unknown exceeding \$100,000)

**FEDERAL FUNDS**

Income - DOS

Penalties for late payment of claims	Unknown less than \$53,737	Unknown less than \$64,510	Unknown less than \$64,510
Federal Assistance	Unknown exceeding \$104,167	Unknown exceeding \$125,000	Unknown exceeding \$125,000

Costs - DOS

Reimbursement to federal funds of penalties received	(Unknown less than \$53,737)	(Unknown less than \$64,510)	(Unknown less than \$64,510)
Program Costs	<u>(Unknown exceeding \$104,167)</u>	<u>(Unknown exceeding \$125,000)</u>	<u>(Unknown exceeding \$125,000)</u>

**ESTIMATED NET EFFECT ON FEDERAL FUNDS**

0\*      0\*      0\*

\* Income and reimbursements to Federal Funds exceeding \$50,000 annually and net to \$0.

FISCAL IMPACT - Local Government      FY 2010 (10 Mo.)      FY 2011      FY 2012

\$0      \$0      \$0

### FISCAL IMPACT - Small Business

The proposal may impact small business insurance producers or companies that provide continuing education courses for insurance producers.

The proposal may impact small business healthcare providers if they receive payment for claims more quickly or receive interest and penalties as a result of the carrier not processing a claim within the specified time.

The proposal may impact small businesses that provide health insurance coverage for their employees if insurance premiums increase due to the provisions of this proposal.

### FISCAL DESCRIPTION

This proposal modifies various provisions of Missouri's captive insurance company law. Under this proposal, the definition of "association" is amended to include captive insurance companies formed as reciprocal insurers. The proposal amends multiple sections of the captive insurance law to permit reciprocal insurers to be used to form an association captive.

Under the terms of the proposal, the premium taxes imposed on captive insurance companies are redirected. Under the proposal, 90% of the taxes are deposited into the general revenue fund, while the remaining 10% are credited to the Insurance Dedicated Fund (Sections 379.1326 and 379.1332). The proposal contains a similar provision for the disposition of premium taxes assessed on special purpose life insurance captive companies (Section 379.1412).

Senate Amendment No. 2 modifies Missouri's prompt pay law. The proposal modifies the interest and penalty provision for failing to promptly pay a claim. Under the proposal, if the health carrier has not paid the claimant on or before the 45th processing day from the date of the receipt of the claim, the carrier must pay the claimant a penalty in an amount equal to one-fifth of the claim per day. The interest and penalties cease to accrue on the day a petition is filed in court to recover payment on a claim.

Senate Amendment No. 5 provides that health carriers and health benefit plans are to offer coverage for prosthetic devices, as prescribed by a physician, on or after January 1, 2010.

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 Attorney General

HW-C:LR:OD

L.R. No. 1575-07

Bill No. SS for SCS for HCS for HB 577 with SA 1, SA 2, SA 3, SA 4, SA 5, SA 6, SA 7, and SA 8

Page 16 of 16

May 6, 2009

Office of Administration -

Administrative Hearing Commission

Office of State Courts Administrator

Department of Elementary and Secondary Education

Department of Insurance, Financial Institutions and Professional Registration

Department of Mental Health

Department of Corrections

Department of Revenue

Department of Social Services

Missouri Department of Transportation

Department of Public Safety -

Director's Office

Missouri State Highway Patrol

Missouri Consolidated Health Care Plan

Missouri Department of Conservation

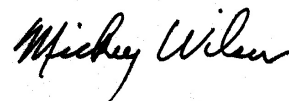
Missouri Senate

Office of Prosecution Services

Office of Secretary of State

Office of State Public Defender

Office of State Treasurer



Mickey Wilson, CPA

Director

May 6, 2009