

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1704-01
Bill No.: SB 320
Subject: Insurance - Medical
Type: Original
Date: March 2, 2009

Bill Summary: Requires health carriers to provide coverage for prosthetic devices under certain circumstances.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Insurance Dedicated	Up to \$5,600	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	Up to \$5,600	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 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 **Missouri Department of Conservation (MDC)** state the proposed legislation would not appear to have a fiscal impact on MDC funds.

Officials from the **Department of Public Safety (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 **DPS - 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 Consolidated Health Care Plan (HCP)** state the HCP currently covers prosthetic equipment that meets the basic medical needs as well as replacement and repair due to normal wear and tear. This proposal does not fiscally impact the HCP.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** estimate up to 90 insurers and 22 HMOs (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 \$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.

Officials from the **Missouri Department of Transportation (DOT)** state 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, necessary adjustments and supplies, and repair and replacement if deemed medically necessary.

The DOT was unable to determine if computerized prostheses or robotic prostheses were covered under Medicare. If they are, then the DOT would have a fiscal impact as a result of this legislation. At this time, however, the DOT is assuming computerized prosthetics are not covered by Medicare and the proposal would have no fiscal impact on the DOT.

ASSUMPTION (continued)

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.

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.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (6 Mo.)	FY 2011	FY 2012
INSURANCE DEDICATED FUND			
<u>Income - DIFP</u>			
Form filing fees	<u>Up to \$5,600</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>Up to \$5,600</u>	<u>\$0</u>	<u>\$0</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 may impact small businesses that provide health insurance for employees if insurance premiums increase as a result of the added coverage requirement.

FISCAL DESCRIPTION

This proposal requires, by January 1, 2010, health carriers provide coverage for certain prosthetic devices and related services and supplies that meet minimum standards as provided under the federal Medicare Program. "Prosthetic device" is defined as an artificial limb, device, or appliance designed to replace in whole or in part an arm, leg, or eye.

Under the terms of the proposal, a health insurance carrier may require an insured to obtain prior authorization for any prosthetic device. The health carrier may impose co-payments and co-insurance requirements in accordance with Part B of the federal Medicare Fee-for-service Program. The health benefit plan must reimburse an insured for the devices at no less than the fee schedule amount under the federal Medicare reimbursement schedule.

The coverage shall include repair services and replacement of prosthetics needed to restore or maintain the daily living or essential job-related activities.

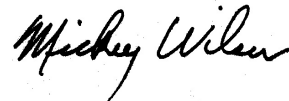
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

HW-C:LR:OD

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Department of Insurance, Financial Institutions and Professional Registration
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



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