

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2242-01
Bill No.: SB 547
Subject: Insurance - Medical; Insurance Dept.; Health Care Professionals
Type: Original
Date: March 30, 2009

Bill Summary: Modifies several provisions of law 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 \$33,500)	(Unknown exceeding \$67,000)	(Unknown exceeding \$67,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown exceeding \$33,500)	(Unknown exceeding \$67,000)	(Unknown exceeding \$67,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
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 <u>Other</u> State Funds	(Unknown exceeding \$6,000)	(Unknown exceeding \$12,000)	(Unknown exceeding \$12,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 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 <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 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 and Department of Insurance, Financial Institutions and Professional Registration** assume the proposal will have no fiscal impact on their organizations.

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 **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 timeframe.

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 charges 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 **Missouri Consolidated Health Care Plan (HCP)** state the proposal would allow HCP subscribers age 55 and 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 this proposal would be effective January 1, 2010.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (6 Mo.)	FY 2011	FY 2012
GENERAL REVENUE FUND			
<u>Costs - HCP</u>			
Increase in the state's share of employee insurance premiums	<u>(Unknown exceeding \$33,500)</u>	<u>(Unknown exceeding \$67,000)</u>	<u>(Unknown exceeding \$67,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown exceeding \$33,500)</u>	<u>(Unknown exceeding \$67,000)</u>	<u>(Unknown exceeding \$67,000)</u>
ROAD FUND			
<u>Costs - DOT</u>			
Increase in employee health benefit costs	<u>(Unknown less than \$50,000)</u>	<u>(Unknown less than \$100,000)</u>	<u>(Unknown less than \$100,000)</u>
ESTIMATED NET EFFECT ON ROAD FUND	<u>(Unknown less than \$50,000)</u>	<u>(Unknown less than \$100,000)</u>	<u>(Unknown less than \$100,000)</u>
OTHER FUNDS			
<u>Costs - HCP</u>			
Increase in the state's share of employee insurance premiums	<u>(Unknown exceeding \$6,000)</u>	<u>(Unknown exceeding \$12,000)</u>	<u>(Unknown exceeding \$12,000)</u>
ESTIMATED NET EFFECT ON OTHER FUNDS	<u>(Unknown exceeding \$6,000)</u>	<u>(Unknown exceeding \$12,000)</u>	<u>(Unknown exceeding \$12,000)</u>

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

The proposal may impact small businesses that provide health insurance benefits to employees.

FISCAL DESCRIPTION

This proposal amends or enacts several provisions of law related to health insurance.

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. 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).

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).

FISCAL DESCRIPTION (continued)

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 group member turns 65 (Section 376.437).

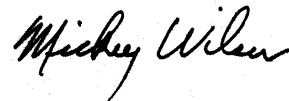
RATING OF MISSOURI CONTINUATION COVERAGE POLICIES - This proposal requires health insurance policies that are issued to individuals eligible for continuation coverage under state law to be pooled across all fully insured group business in Missouri. The rating system in which the premium for all persons covered under a continuation of coverage provision shall be based on the experience of all persons covered by a continuation of coverage provision with any cost of the pool experience spread over all fully insured premiums on an equal percentage basis (Section 376.439).

CONTINUATION OF COVERAGE RIGHTS THROUGH A HSA ELIGIBLE PLAN - This proposal requires health carriers who provide group insurance policies to persons who are exercising their continuation of coverage rights under COBRA or the state continuation of coverage law (Section 376.428) to offer such persons the option of continuation of coverage through a HSA eligible high deductible plan rather than the underlying group policy.

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
Missouri Department of Transportation
Department of Public Safety -
 Director's Office
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Office of Secretary of State



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