

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3679-03
Bill No.: HCS for HBs 1311 & 1341
Subject: Mental Health; Insurance - Medical
Type: Original
Date: February 8, 2010

Bill Summary: Provides health insurance coverage for the diagnosis and treatment of autism spectrum disorders.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(\$339,785)	(\$679,571)	(\$679,571)
Total Estimated Net Effect on General Revenue Fund	(\$339,785)	(\$679,571)	(\$679,571)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Psychology	\$0	\$25,023	(\$11,344)
PR Fees	(\$17,059)	\$0	\$0
Insurance Dedicated	Up to \$5,000	\$0	\$0
Conservation Commission	(Unknown exceeding \$50,000)	(Unknown exceeding \$100,000)	(Unknown exceeding \$100,000)
Road	(Unknown exceeding \$50,000)	(Unknown exceeding \$100,000)	(Unknown exceeding \$100,000)
Other	(\$68,697)	(\$137,394)	(\$137,394)
Total Estimated Net Effect on Other State Funds	(Unknown exceeding \$180,756)	(Unknown exceeding \$312,371)	(Unknown exceeding \$348,738)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Federal	(\$119,955)	(\$239,911)	(\$239,911)
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$119,955)	(\$239,911)	(\$239,911)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
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 2011	FY 2012	FY 2013
Local Government	(Unknown exceeding \$2,956,600)	(Unknown exceeding \$5,913,321)	(Unknown exceeding \$5,913,321)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator, Department of Revenue, Missouri Senate, Department of Mental Health, Office of State Public Defender, and St. Louis County** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Administration - Administrative Hearing Commission** anticipate this legislation will not significantly alter its caseload. However, if other similar bills pass, there are more cases, or the cases are more complex, there may be a fiscal impact.

Officials from the **Office of the Governor (GOV)** state no added costs are anticipated for the GOV as a result of this proposal. However, if additional duties are placed on the office related to appointments in other TAFP legislation, there may be the need for additional staff resources in future years.

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 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 operational cost through supervision provided by the Board of Probation and Parole (FY 09 average of \$3.71 per offender, per day, or an annual cost of \$1,354 per offender). Therefore, supervision by the DOC through probation would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also 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 what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs 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 **Department of Public Safety (DPS) - Director's Office** defer to the Missouri Consolidated Health Care Plan for response regarding the potential fiscal impact of this proposal on their organization.

ASSUMPTION (continued)

Officials from the **DPS - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the potential fiscal impact of the proposed legislation on their organization.

Officials from the **Department of Elementary and Secondary Education (DES)** assume the proposal will have no fiscal impact on their department, but state there will be increased costs to all insurance patrons, including self-insured school districts. DES officials state there is not way to estimate the increase in costs.

Officials from the **Francis Howell School District (Francis Howell)** estimate, based on the current population of students at Francis Howell, this proposal would cost the district approximately \$2.774 million for half of FY 11 and \$5.548 million each for FY 12 and FY 13 to provide health insurance coverage for autism spectrum disorders.

Officials from the **Special School District (SSD)** state they are currently covered under a self-insured medical insurance plan. It is estimated there are approximately 10 dependents covered by the plan that may receive autism services as a result of the mandate in this proposal. The SSD estimates the proposal will cost an estimated \$360,000 per year.

Officials from the **City of Centralia (Centralia)** state the proposal would likely impact the expenses for group health insurance, although they cannot currently calculate the amount of the impact. At the present time, Centralia has 31 covered employees and pays 100% of employee and family premiums.

Officials from the **City of St. Louis** are unable to determine a fiscal impact for this proposal at the present time.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** provide the following estimates for this proposal:

Licensure of Applied Behavior Analysis (ABA) Providers:

The DIFP estimates 1,150 individuals in the state of Missouri will be required to be licensed under the proposed legislation (100 Behavioral Analysts, 50 Assistant Behavioral Analysts, and 1,000 Line Therapists). The DIFP projects a 3% growth rate in licensees. It is estimated that collection of initial license fees will begin in FY 12 and renewal fees will not be collected until FY 14.

ASSUMPTION (continued)

Fiscal Year 2012 licensing revenue for all categories of licensure is estimated to be \$37,500; FY 13 licensing revenue is estimated to be \$1,200. It is assumed that all fees collected would be deposited into the State Committee for Psychology Fund and that all expenses would be paid out of that fund. It is also assumed no revenue will be generated by the Behavioral Analyst Advisory Board in FY 11. Therefore, expenses incurred by the board will be paid back to the PR fees Fund by a lending board within the division, pursuant to section 324.016, RSMo. It is estimated payback of any outstanding loans would be made in FY 2013. However, should the number of licensees vary significantly from the number estimated above, the licensure fees will be adjusted accordingly.

During the first year of implementation, the State Committee of Psychologists will promulgate rules and review applications for licensure until the Board of Behavioral Analysis can be appointed. FY 11 board meeting costs for the State Committee of Psychologists are estimated to be \$1,308. FY 12 and FY 13 board meeting costs for the Behavioral Analysis Board are estimated to be \$3,212 annually for 7 members, including per diem, meals and travel reimbursement.

Based on a board of similar size, it is estimated that the board will receive approximately 28 complaints annually. It is estimated that 30% of the complaints (8) would require field investigation and 50% of the complaints that are investigated (4) would require an investigator to incur overnight expenses. The division does not anticipate receiving any complaints until FY 12. Annual investigative expenses are estimated to be \$1,136 beginning in FY 13.

Costs are calculated for services provided to the division by the Attorney General's Office and the Administrative Hearing Commission. It is anticipated these costs will be incurred beginning in FY 12 and are based on a board of similar size. Annual Attorney General's Office and Administrative Hearing Commission expenses are estimated to be \$300.

During the first year of implementation, costs for the design, program and implementation of a licensure system for the new board are estimated to be \$540.

The DIFP estimates printing and postage expenses for FY 11 to be \$14,375. FY 12 and FY 13 printing and postage costs are estimated to be \$7,795.

Insurance - Related Requirements:

The DIFP states insurers 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 ASSUMPTION (continued)

HWC:LR:OD

with a \$50 filing fee. The number of insurance companies writing these policies in Missouri fluctuates each year. One-time additional revenues to the Insurance Dedicated Fund are estimated to be up to \$5,000

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 Conservation (MDC)** state the proposed legislation would have a fiscal impact on MDC funds. The exact amount of the impact is unknown, but is expected to exceed \$100,000 annually.

Officials from the **Missouri Department of Transportation (DOT)** state that currently their plan excludes services and supplies for conditions related to autistic disease of childhood, milieu therapy, learning disabilities, mental retardation, or for inpatient admission for environmental change if the medical claims are recognized as services for autistic disease.

The actuary for the DOT/MHP (Highway Patrol) Medical Plan (Plan), Watson Wyatt Worldwide, has researched the fiscal impact if the Plan is required to provide this coverage. It is likely that the DOT is currently covering a substantial part of the costs for these claimants already, under the medical/prescription benefits of the Plan. The best source of data is a study performed by a Harvard School of Public Health professor. Assuming the DOT population has incidence similar to the estimate in the study (1.0 million to 1.5 million out of a total U.S. population of 300 million), that would suggest approximately 0.3% - 0.5% of DOT's and MHP's active membership, or about 48 - 80 members, an unknown number which would be children, would have autism spectrum disorder.

Using the average cost of \$29,000 for medical treatment as listed, the total cost for these individuals might be as high as \$2.3 million. However, costs are going to vary widely depending on the individual and the Plan may currently cover 75% or more of this cost under the plan.

Therefore, although there will not be a fiscal impact to the Missouri Highway and Transportation Commission (MHTC), there would be a fiscal impact to the Plan. The impact cannot be determined, but is assumed to be greater than \$100,000 annually.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the legislation would require the HCP to provide coverage for Autism Spectrum Disorders (ASD), specifically requiring coverage for Applied Behavioral Analysis (ABA) therapy for children less than 21
ASSUMPTION (continued)

years of age. According to the Center for Autism and Related Disorders, ABA is defined as, “The process of systematically applying interventions based upon the principles of learning theory to improve socially significant behaviors to a meaningful degree, and to demonstrate that the interventions employed are responsible for the improvement in behavior.”

The Department of Insurance, Financial Institutions, and Professional Registration provided the HCP with an Actuarial Cost Estimate conducted by Oliver Wyman in February, 2009, that looks at the potential costs associated with ASD and mandating ABA therapies. Their study reported that implementing the mandate would cause health insurance premiums to increase by less than 1%. Although the HCP has not conducted its own study, it is relying on other actuaries certifying the methodology in the Oliver Wyman study.

The Centers for Disease Control (CDC) and Harvard Medical School released joint reports in the October 5, 2009 issue of *Pediatrics* finding that the ratio of children with ASD is approximately 1 out of 91 U.S. children.

An October 29, 2007 study, “Management of Children with Autism Spectrum Disorders” published in *Pediatrics* reported “...the effectiveness of ABA-based intervention in ASD has been well documented through five decades of research...Children who receive early intensive behavioral treatment have been shown to make substantial, sustained gains in IQ, language, academic performance and adaptive behavior...” Therefore, the expenditure projected reflects costs based on age and utilization required to fund the mandate in FY 11. It is unknown how many children will actually qualify or will require ABA treatment since diagnosis, assessment and treatment standards are not in place (Missouri 2007 Blue Ribbon Panel on Autism recommendations #17 and #21).

The HCP currently covers 32,885 children in the State plan and 215 children in the Public Entity Plan through age 21. Age categories are broken down in the chart below along with the projected utilization rates by month by the Wyman Study. The utilization projection is based on: 1) The average age for a first time autistic diagnosis of age 3; 2) On the level of publicity surrounding the proposal; and 3) the rarity of insurance coverage for autism diagnoses currently. Utilization of treatment reflects 2009 actuarial studies and other states’ experience. NOTE: This is not an actuarial study of the cost of the autism proposal, but a mathematical calculator designed to show the cost to HCP based on the current Senate bill amounts and other actuarial studies.

ASSUMPTION (continued)

HWC:LR:OD

Age in Years	# of covered children	Prevalence rate MO = 1:158	Utilization	ABA Annual	
				Cost Per child	Cost of ABA
3-6	5,110	32.34	63%	\$36,000	\$727,924
7-9	4,185	26.49	23%	\$36,000	\$223,093
10 -21	20,287	128.40	4%	\$20,000	<u>\$105,858</u>
Total FY 11 Cost					<u>\$1,056,875</u>

The HCP assumes the Missouri-specific prevalence ratio of 1:158 accurately predicts costs and that these costs would be passed directly to the HCP, requiring an additional appropriation beginning FY 11, FY 12, and FY 13 of \$1,056,875 (approximately 0.2% of projected total FY 11 plan costs). For the Public Entity plan, premiums would need to be increased to cover the additional \$5,321 in increased costs estimated for FY 11, FY 12, and FY 13.

Officials from the **Office of Attorney General, Office of Prosecution Services, and Office of State Treasurer** did not respond to our request for a statement of fiscal impact.

No other officials from **School Districts, Cities, or Counties** responded to our request for a statement of fiscal impact.

FISCAL IMPACT - State Government

FY 2011
(6 Mo.)

FY 2012

FY 2013

GENERAL REVENUE FUND

Costs - HCP

Increase in state share of health care premium costs	<u>(\$339,785)</u>	<u>(\$679,571)</u>	<u>(\$679,571)</u>
--	--------------------	--------------------	--------------------

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$339,785)</u>	<u>(\$679,571)</u>	<u>(\$679,571)</u>
---	---------------------------	---------------------------	---------------------------

PSYCHOLOGY FUND

Transfer-In - DIFP

Transfer-in from PR Fees Fund	\$17,059	\$0	\$0
-------------------------------	----------	-----	-----

Income - DIFP

License and renewal fees	\$0	\$37,500	\$1,200
--------------------------	-----	----------	---------

Expenses - DIFP

Board expenses	(\$1,308)	(\$3,212)	(\$3,212)
AGO, AHC, investigation, postage and licensure system expenses	<u>(\$16,051)</u>	<u>(\$9,265)</u>	<u>(\$9,332)</u>
Total <u>Costs</u> - DIFP	<u>(\$17,059)</u>	<u>(\$12,477)</u>	<u>(\$12,544)</u>

ESTIMATED NET EFFECT ON PSYCHOLOGY FUND	<u>\$0</u>	<u>\$25,023</u>	<u>(\$11,344)</u>
--	-------------------	------------------------	--------------------------

PR FEES FUND

Transfer-Out - DIFP

Transfer-out to Psychology Fund	<u>(\$17,059)</u>	<u>\$0</u>	<u>\$0</u>
---------------------------------	-------------------	------------	------------

ESTIMATED NET EFFECT ON PR FEES FUND	<u>(\$17,059)</u>	<u>\$0</u>	<u>\$0</u>
---	--------------------------	-------------------	-------------------

INSURANCE DEDICATED FUND

Income - DIFP

Form filing fees	<u>Up to \$5,000</u>	<u>\$0</u>	<u>\$0</u>
------------------	----------------------	------------	------------

ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>Up to \$5,000</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - State Government</u>	FY 2011 (6 Mo.)	FY 2012	FY 2013

CONSERVATION COMMISSION FUNDS

Costs - MDC

Increase in state share of health care premium costs

<u>(Unknown exceeding \$50,000)</u>	<u>(Unknown exceeding \$100,000)</u>	<u>(Unknown exceeding \$100,000)</u>
---	--	--

ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUNDS

<u>(Unknown exceeding \$50,000)</u>	<u>(Unknown exceeding \$100,000)</u>	<u>(Unknown exceeding \$100,000)</u>
---	--	--

ROAD FUND

Costs - DOT

Increase in state share of health care premium 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

<u>(Unknown exceeding \$50,000)</u>	<u>(Unknown exceeding \$100,000)</u>	<u>(Unknown exceeding \$100,000)</u>
---	--	--

OTHER STATE FUNDS

Costs - HCP

Increase in state share of health care premium costs

<u>(\$68,697)</u>	<u>(\$137,394)</u>	<u>(\$137,394)</u>
-------------------	--------------------	--------------------

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

<u>(\$68,697)</u>	<u>(\$137,394)</u>	<u>(\$137,394)</u>
-------------------	--------------------	--------------------

FISCAL IMPACT - State Government

FY 2011
(6 Mo.)

FY 2012

FY 2013

FEDERAL FUNDS

Costs - HCP

Increase in state share of health care premium costs	<u>(\$119,955)</u>	<u>(\$239,911)</u>	<u>(\$239,911)</u>
--	--------------------	--------------------	--------------------

ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(\$119,955)</u>	<u>(\$239,911)</u>	<u>(\$239,911)</u>
--	---------------------------	---------------------------	---------------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (6 Mo.)	FY 2012	FY 2013
---	--------------------	---------	---------

ALL LOCAL GOVERNMENTS

Costs - All Local Governments

Increase in share of health care premiums costs	<u>(Unknown exceeding \$2,956,600)</u>	<u>(Unknown exceeding \$5,913,321)</u>	<u>(Unknown exceeding \$5,913,321)</u>
---	--	--	--

ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS	<u>(Unknown exceeding \$2,956,600)</u>	<u>(Unknown exceeding \$5,913,321)</u>	<u>(Unknown exceeding \$5,913,321)</u>
--	---	---	---

FISCAL IMPACT - Small Business

The proposal could directly impact small businesses that provide employees with health benefits if insurance premiums increase.

FISCAL DESCRIPTION

This proposal creates the Behavior Analyst Advisory Board within the State Committee of Psychologists. The Board will consist of seven members, appointed by the Governor and will meet at least quarterly. Board members will receive compensation and be reimbursed for necessary and actual expenses. The Behavior Analyst Advisory Board will review applications for registration and licensing of Behavior Analysts, Assistant Behavior Analysts and Line Therapists, review complaints, review entities responsible for certifying registrants, and may make recommendations to the State Committee of Psychologists relating to fees, educational and training requirements, and codes of conduct.

FISCAL DESCRIPTION (continued)

This proposal requires all group health benefit plans that are delivered, issued, continued, or renewed on or after January 1, 2011, to provide coverage for the diagnosis and treatment of pervasive developmental disorders (PPD) for children through twenty-one years of age. The coverage provided is limited to medically necessary treatment ordered by the insured individual's licensed treating physician or psychologist in accordance with a treatment plan.

Coverage for the applied behavior analysis (ABA) services will have a maximum benefit of \$36,000 per year for children through age nine and \$20,000 per year for children ages nine through twenty-one.

Payments and reimbursements for ABA services can only be made to the PPD service providers. PPD services cannot be subject to any greater deductible, co-insurance, co-payment, or utilization review than other physical health care services provided by the health benefit plan. Coverage for treatment shall not be denied on the basis that it is educational or habilitative in nature.

The provisions of this proposal shall apply to any health care plan issued to employees and their dependents under the Missouri Consolidated Health Care Plan, self-insured governmental plans, self-insured group arrangements, multiple employer welfare arrangements, and self-insured school district health plans. Health carriers and benefit plans are not required to reimburse a school district for PPD services that it provides.

The provisions of the proposal do not apply to the MO HealthNet Program or any program administered or sponsored by the MO HealthNet Division within the Department of Social Services.

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
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

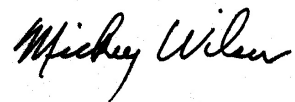
SOURCES OF INFORMATION (continued)

HWC:LR:OD

L.R. No. 3679-03
Bill No. HCS for HBs 1311 & 1341
Page 13 of 13
February 8, 2010

Missouri Department of Transportation
Department of Public Safety -
 Director's Office
 Missouri State Highway Patrol
Office of the Governor
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Missouri Senate
Office of Secretary of State
Office of State Public Defender
Francis Howell School District
Special School District
St. Louis City
St. Louis County
City of Centralia

**NOT RESPONDING: Office of Attorney General, Office of Prosecution Services, and
Office of State Treasurer**



Mickey Wilson, CPA
Director
February 8, 2010

HWC:LR:OD