

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4419-04
Bill No.: SCS for HCS for HB 1764
Subject: Insurance - General; Insurance Dept.
Type: Original
Date: April 26, 2010

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Insurance Dedicated	Up to \$5,000	\$0	\$0
Road	(Unknown greater than \$50,000)	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown greater than \$45,000)	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

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	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

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.

Officials from the **DPS - Missouri State Highway Patrol** 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 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 Insurance, Financial Institutions, and Professional Registration (DIFP)** state 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 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 Transportation (DOT)** state the proposed legislation has two areas that may impact the DOT/Missouri State Highway Patrol (MHP) Medical Plan. The two sections are 376.882 relating to refunds and 376.1257 relating to cancer treatments.

ASSUMPTION (continued)

Section 376.882 states “if a Medicare supplement policy issued, delivered or renewing in this state on or after January 1, 2011 is cancelled for any reason, the insurer will refund the unearned portion of any premium paid.” The Plan’s current policy is not to issue refunds based on this scenario and as a result this may impact the Plan. The potential impact is unknown.

This legislation proposes that orally administered anti-cancer medications should be administered on a basis no less favorable than intravenously or injected cancer medications.

According to the DOT Chief Counsel’s Office, the “health carrier” definition used does not apply to the Plan. There may, however, be an argument that the Plan would still be required to comply with the bill’s requirements.

Independent Pharmaceutical Consultants, Inc. (IPC) reviewed the legislation on behalf of the DOT/MHP Medical Plan. According to IPC’s review, the legislation presents a complication to the Plan. The I.V. cancer treatments are covered under the DOT medical plan. The Oral cancer agents are generally covered under the pharmacy benefit, often with the maximum co-pay.

It is the DOT’s understanding the Plan would need to stop covering the oral cancer treatments in the prescription drug benefit and cover them only through the medical benefit, which could have some financial impact to the Plan and the member. The medical benefit is not intended to handle pharmacy claims for oral dosage forms, as I.V. treatments are office administered and they do not have the same negotiated prices as in the prescription benefit. This complexity for the member seeking coverage may be a concern and could add cost to the plan and/or member. As a result, there could be a financial impact to the Missouri Highway Transportation Commission (MHTC). The impact cannot be determined based on the language provided in the proposal, but is assumed to exceed \$100,000 annually.

Oversight assumes the provisions of the proposal relating to the coverage of anti-cancer drug treatments would be effective January 1, 2011.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (6 Mo.)	FY 2012	FY 2013
INSURANCE DEDICATED FUND			
<u>Income - DIFP</u>			
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>
ROAD FUND			
<u>Costs - DOT</u>			
Increase in state's share of insurance premiums	<u>(Unknown greater than \$50,000)</u>	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>
ESTIMATED NET EFFECT ON ROAD FUND	<u>(Unknown greater than \$50,000)</u>	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2011 (6 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal may impact small businesses that provide insurance coverage for employees if insurance rates are increased as a result of the anti-cancer drug parity.

FISCAL DESCRIPTION

This proposal modifies various provisions relating to the regulation of insurance.

ANTICANCER DRUG PARITY - Under this proposal, every health benefit plan that is issued in this state that provides coverage for cancer chemotherapy treatment must provide coverage for a

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FISCAL DESCRIPTION (continued)

prescribed, orally administered anti-cancer medication used to kill or slow the growth of cancerous cells on a basis no less favorable than intravenously administered or injected cancer medications that are covered under the health benefit plan. The proposal shall not apply to certain supplemental insurance policies such as specified disease policies, Medicare supplement policies, and similar products (section 376.1257).

APPROVAL OF LONG-TERM CARE INSURANCE RATES - Under this proposal, no insurance company shall issue any policy or certificate of long-term care insurance in this state, unless the classification of risks and the premium rates pertaining to such policy have been filed with and approved by the director.

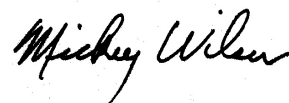
REFUNDING OF MEDICARE SUPPLEMENT AND LONG-TERM CARE INSURANCE PREMIUMS - This proposal enacts various provisions pertaining to refunding of unearned premiums for Medicare supplement policies and long-term care insurance policies. Under this proposal, if a Medicare supplement policy or long-term care insurance policy is issued, delivered, or renewed in Missouri on or after January 1, 2011, is cancelled for any reason, the insurer must refund the unearned portion of any premium paid beyond the month in which the cancellation is effective. Any refund shall be returned to the policyholder within 20 days from the date the insurer receives notice of the cancellation.

The long-term care insurance policy must contain notices which inform applicants that they are entitled to a refund of unearned premiums if such policies are cancelled for any reason. Under the proposal, a policyholder may cancel a long-term care insurance policy by sending verbal, written, or electronic notification (Section 376.1109).

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 -
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Office of Secretary of State



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