

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0911-02
Bill No.: SCS for HB 270 with SA 1
Subject: Insurance - General; State Employees
Type: Original
Date: April 27, 2011

Bill Summary: Modifies provisions relating to the administration of health care benefits by the Missouri Consolidated Health Care Plan.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue *	\$466,875 to \$933,750	\$933,750 to \$1,867,500	\$933,750 to \$1,867,500
Total Estimated Net Effect on General Revenue Fund *	\$466,875 to \$933,750	\$933,750 to \$1,867,500	\$933,750 to \$1,867,500

* Does not include Unknown costs to Unknown savings for High Deductible Health Plan.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Other *	\$100,725 to \$201,450	\$201,450 to \$402,900	\$201,450 to \$402,900
Total Estimated Net Effect on Other State Funds *	\$100,725 to \$201,450	\$201,450 to \$402,900	\$201,450 to \$402,900

* Does not include Unknown costs to Unknown savings for High Deductible Health Plan.

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Federal *	\$182,400 to \$364,800	\$364,800 to \$729,600	\$364,800 to \$729,600
Total Estimated Net Effect on <u>All</u> Federal Funds *	\$182,400 to \$364,800	\$364,800 to \$729,600	\$364,800 to \$729,600

* Does not include Unknown costs to Unknown savings for High Deductible Health Plan.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Department of Transportation** and **Department of Insurance, Financial Institutions and Professional Registration** assume the proposal would have no fiscal impact on their organizations.

In response to an earlier version of this proposal, officials from the **Missouri Department of Conservation** assumed the proposal would have no fiscal impact on their organization.

Officials from the **Department of Public Safety - 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 **Missouri Consolidated Health Care Plan (HCP)** project this legislation will save \$750,000 to \$1.5 million for FY 12 and an additional \$1.5 million to \$3.0 million for each FY 13 and FY 14.

Under section 103.080, the MCHCP assumes it will continue offering a High Deductible Health Plan with Health Savings Account (HDHP with HSA) along with Preferred Provider Organization (PPO) medical plan options similar to the medical plans offered today. The MCHCP Board of Trustees and its actuaries are responsible for setting rates and plan designs that meet the needs of MCHCP members, the state budget and this proposal.

Based on this proposal, the deductible for the HDHP offered must be between \$1,200 to \$2,400 for self-only coverage and between \$2,400 to \$4,800 for family coverage. The sum of the deductible and other out-of-pocket expenses cannot exceed \$5,950 for self-only coverage and \$11,900 for family coverage.

In 2006, the state of Indiana implemented one HDHP and 4% of employees enrolled in the plan. In 2007, Indiana introduced another HDHP to replace one of the PPO plan options and enrollment increased to 18% for both HDHPs. In subsequent years, Indiana made additional plan design changes and currently 85% of employees are enrolled in the HDHP options. In 2010, a Mercer study indicated the two HDHPs saved the state an average of 10.7% over the study period from 2006 to 2009. However, officials from the state of Indiana indicated they do not have a breakdown of savings per year. They also indicated the HDHPs attracted healthier populations leaving the less healthy population in the PPO plan.

The MCHCP is unable to estimate potential costs or savings at this time based on Indiana's experience because there are several variables that could present varying outcomes including member enrollment, medical and prescription drug utilization, income, age and health status.

ASSUMPTION (continued)

Oversight assumes changes in the design of retiree health insurance plans would not be effective until January 1, 2012.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (6 Mo.)	FY 2013	FY 2014
GENERAL REVENUE			
<u>Savings - HCP</u>			
Reduction in Medicare-eligible participant benefits	<u>\$466,875 to</u> <u>\$933,750</u>	<u>\$933,750 to</u> <u>\$1,867,500</u>	<u>\$933,750 to</u> <u>\$1,867,500</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE *	<u>\$466,875 to</u> <u>\$933,750</u>	<u>\$933,750 to</u> <u>\$1,867,500</u>	<u>\$933,750 to</u> <u>\$1,867,500</u>
* Does not include Unknown costs to Unknown savings for HDHPs			
OTHER STATE FUNDS			
<u>Savings - HCP</u>			
Reduction in Medicare-eligible participant benefits	<u>\$100,725 to</u> <u>\$201,450</u>	<u>\$201,450 to</u> <u>\$402,900</u>	<u>\$201,450 to</u> <u>\$402,900</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS *	<u>\$100,725 to</u> <u>\$201,450</u>	<u>\$201,450 to</u> <u>\$402,900</u>	<u>\$201,450 to</u> <u>\$402,900</u>
* Does not include Unknown costs to Unknown savings for HDHPs			
FEDERAL FUNDS			
<u>Savings - HCP</u>			
Reduction in Medicare-eligible participant benefits	<u>\$182,400 to</u> <u>\$364,800</u>	<u>\$364,800 to</u> <u>\$729,600</u>	<u>\$364,800 to</u> <u>\$729,600</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS *	<u>\$182,400 to</u> <u>\$364,800</u>	<u>\$364,800 to</u> <u>\$729,600</u>	<u>\$364,800 to</u> <u>\$729,600</u>
* Does not include Unknown costs to Unknown savings for HDHPs			

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (6 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Small Business</u>			

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Under this proposal, Missouri Consolidated Health Care Plan participants who are eligible for Medicare benefits and who are not eligible for their state employee health care coverage to be their primary plan of coverage shall be provided substantially similar benefits provided to participants who are not eligible for Medicare benefits. Under current law, a participant in the state employee health care plan who is eligible for Medicare, and whose state employee coverage is not primary, must be provided the same benefits provided to participants who are not eligible for Medicare benefits.

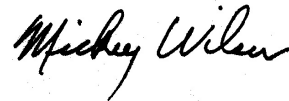
Beginning with the open enrollment period for the 2012 plan year, the Missouri Consolidated Health Care Plan board must offer a qualified high deductible health plan that has a monthly subscriber premium that is materially lower than non-high deductible health plan monthly subscriber premiums with a goal of monthly subscriber premiums being at least 50% lower than non-high deductible health plan premiums. The amount of the annual deductible for the high deductible health plan offered shall be no greater than 200% of the minimum annual deductible for self-only coverage and family coverage as established by the Internal Revenue Service for the current tax year. The sum of the annual deductible and the other annual out-of-pocket expenses required to be paid under a high deductible health plan offered by the board shall not exceed the amount set forth by the Internal Revenue Service for the current tax year. The coverage afforded by the high deductible health plan, after the deductible has been met, shall be substantially similar or better than the coverage provided by the non-high deductible health plan chosen by a plurality of qualified employees.

If, after the completion of the open enrollment period for the 2012 plan year, fewer than 10% of Missouri's active state employees have enrolled in a high deductible health plan described in the act, then the board shall offer a more competitive high deductible health plan with increased financial and coverage incentives, including but not limited to alternative annual deductibles, out-of-pocket expenses, and other health plan design features, all within the federal guidelines, with the goal of having 40% of Missouri's active state employees enrolling in a health savings account compatible high deductible health plan by the open enrollment period for the 2015 plan year.

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



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Director
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