

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0443-01
Bill No.: SB 138
Subject: Insurance - Health; Insurance, Financial Institutions and Professional Registration, Department of; Health Care; Health Care Professionals; Hospitals
Type: Original
Date: January 9, 2017

Bill Summary: This proposal creates standards for predetermination of health care benefit request and responses.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(\$1,526,080)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$1,526,080)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Federal Funds	(\$2,723,920)	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$2,723,920)	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section B

Officials from the **Department of Social Services (DSS)** state currently, the MO HealthNet Managed Care health plans have prior authorization systems that may or may not be integrated with their claims systems. These systems sometimes have a view to the claims system, but do not drill down to the provider level to see the specific contracted rate for specific services. The health plans subcontract with other benefit managers for services such as dental, behavioral health, and radiology. These systems also do not have this specificity of information.

To comply with this legislation, the health plans would need to integrate their systems with the systems of these subcontractors. Not all of the information required in this legislation is in a format that can be readily transferred to a prior authorization transmission.

It is assumed the health plans and their subcontractors would need to revise their systems and infrastructure which would result in an increase to the administrative cost of the managed care plans that will be reflected in an increase to their capitation rates.

MO HealthNet assumes that there would be a one-time cost to health plans for compliance of this legislation at \$1,400,000 per health plan. A total of \$4,200,000 for three plans to integrate their system and infrastructure.

The one-time cost for the initial set-up of the health plan systems would result in higher capitation rates for the initial year; this is a cost that would be above what the health plans currently receive in their administrative component of the capitation rate. MO HealthNet also estimates the actuarial cost to evaluate this program change to the Managed Care capitation rates to be \$50,000.

In year 2, it is assumed the system integration work would be completed and capitation rates would be reduced by the amount of the increase from the one-time costs in year 1.

It is also assumed that the health plans administrative component of the capitation rate would absorb any ongoing maintenance costs for the integrated system.

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Health and Senior Services, Missouri Consolidated Health Care Plan**, the **Missouri Department of Conservation**, the **Department of Transportation** and the **Department of Public Safety - Missouri Highway Patrol** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2018	FY 2019	FY 2020
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GENERAL REVENUE

<u>Cost - DSS</u> Health Plan System Upgrade/Actuarial Cost	<u>(\$1,526,080)</u>	<u>\$0</u>	<u>\$0</u>
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ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$1,526,080)</u>	<u>\$0</u>	<u>\$0</u>
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FEDERAL FUNDS

<u>Cost - DSS</u> Health Plan System Upgrade/Actuarial Cost	<u>(\$2,723,920)</u>	<u>\$0</u>	<u>\$0</u>
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ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(\$2,723,920)</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2018	FY 2019	FY 2020
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

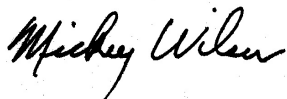
FISCAL DESCRIPTION

This proposal requires health benefit plans that receive electronic health care predetermination requests from health care providers to provide the requesting health care provider information on the amounts of expected benefits coverage on the procedures specified in the request. The proposal also requires health care providers and health benefit plans to comply with defined administrative simplification procedures when submitting and replying to health care predetermination requests. This proposal requires a health benefit plan's response to be returned in the same manner as the request was received. This proposal also requires that a health care clearinghouse that contracts with a health care provider shall complete the required predetermination transactions if requested by the health care provider. If the Health Insurance Portability Act of 1996 (HIPAA) mandated electronic transactions are modified to include predetermination transactions, this act shall not apply to health benefit plans that provide the information pursuant to HIPAA. This proposal specifies that the collection of any payment prior to receiving the health benefit services is not prohibited by the proposal. This proposal also exempts supplemental insurance policies from the provisions of the proposal. The proposal is effective July 1, 2018.

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
Department of Health and Senior Services
Department of Social Services
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Department of Transportation
Department of Public Safety
Missouri Highway Patrol



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January 9, 2017

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January 9, 2017