

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1020-02
Bill No.: SB 245
Subject: Health Care; Health Care Professionals; Hospitals; Insurance - Health; Insurance, Financial Institutions and Professional Registration, Department of; Medical Procedures and Personnel
Type: Original
Date: February 7, 2017

Bill Summary: This proposal requires health carriers and health care providers to establish and participate in shared savings incentive programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue Fund	(Greater than \$2,602,740)	(Greater than \$2,579,205)	(Greater than \$2,580,731)
Total Estimated Net Effect on General Revenue	(Greater than \$2,602,740)	(Greater than \$2,579,205)	(Greater than \$2,580,731)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Other State Funds	(Greater than \$615,000)	(Greater than \$615,000)	(Greater than \$615,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Greater than \$615,000)	(Greater than \$615,000)	(Greater than \$615,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Federal Funds	(Greater than \$943,000)	(Greater than \$943,000)	(Greater than \$943,000)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Greater than \$943,000)	(Greater than \$943,000)	(Greater than \$943,000)

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

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** assume this proposed legislation would allow state employees to obtain cost estimates for shoppable health care services. This proposed legislation also would require MCHCP to share any savings with members that choose to obtain services from a provider that charges less than the average price paid for the shoppable health care service.

The projected cost of this proposed legislation is unknown but is expected to be greater than \$4 million, as outlined below:

1. MCHCP would competitively bid this service, as there is currently no mechanism in place to provide the cost-comparison features required by this program. The estimated cost of this service is projected to be \$3 million.
2. The projected cost for providing shared-saving incentives is unknown, but is expected to be greater than \$1 million. There is a range of costs for procedures based on the contractual arrangements with providers. From the lowest to the highest cost, there can be a range of different fees for the same procedure. Members choose providers based on many factors, including cost as one of many. Currently, members are choosing to go to providers who have lower fees than other providers even without an incentive. Unless the member goes to the highest-cost provider, there is a potential opportunity to earn an incentive even though the member had no intention of going to higher-cost providers. In that situation, there is no actual savings as MCHCP would not have incurred the higher cost service. As currently written, shared savings would be paid even if the member did not utilize the cost-comparison service but still obtained care at a lower-cost provider. Additionally, the proposed legislation does not require the use of regionalized pricing comparisons; therefore, a member obtaining care in a traditionally lower-cost area would receive shared savings simply based on their use of local care. Even if regional pricing comparisons would be permissible, if the member had a high cost provider in their market, they could potentially receive shared savings simply based on the fact the average cost is skewed and many providers in the market had a lower fee than the average price.
3. Because there is such a large opportunity to earn an incentive, to administer the shared savings portion of this program, MCHCP anticipates the need to add an estimated three FTEs at an unknown cost, but greater than \$100,000.

ASSUMPTION (continued)

Further, the implementation of this program may result in the need to re-negotiate or re-bid third party administrator (TPA) contracts, as a program such as this is not included in the current contracts' scope of services. This may result in additional TPA fees that could be incorporated in administrative costs as well as premiums.

Officials from the **Department of Social Services (DSS) - MO HealthNet Division (MHD)** assume this legislation revises Chapter 376, RSMo, by adding one new section that creates several requirements for health care providers and health carriers. Health carriers are defined in Chapter 376, RSMo, to include Health Maintenance Organizations (HMO). The MO HealthNet Managed Care health plans that provide services to MO HealthNet Managed Care members are considered HMOs. Since there is no specific exemption for the HMOs that provide services to MO HealthNet Managed Care members, it is assumed they will be required to comply with this legislation.

MHD assumes the HMOs that contract with the MO HealthNet Managed Care Program will request a waiver from the requirements of this legislation, as outlined in Section 376.2024.8. If the waiver is received, this legislation will have no impact on MO HealthNet.

If the waiver is not approved by the Department of Insurance, Financial Institutions and Professional Registration (DIFP), MHD assumes the health plans that contract with the MO HealthNet Managed Care Program would be required to comply with the provisions of this legislation. Therefore, this bill could increase the rates MO HealthNet pays the contracted HMOs by at least \$100,000. An actuarial review of the proposed language, which would be a one-time cost of \$50,000, would be required to determine the actual impact of the program change. A 4.1% inflationary factor was applied to FY19 and FY20.

Oversight will range the fiscal impact from \$0 (the waiver is approved by the Department of Insurance, Financial Institutions and Professional Registration) or the estimated provided by MHD (the waiver is not approved by Department of Insurance, Financial Institutions and Professional Registration)

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** assume the provisions of this bill can be handled within current appropriations, however, should the requirements of this bill be greater than anticipated the department would request more appropriation through the budget process

ASSUMPTION (continued)

Officials from the **Department of Transportation**, the **Department of Mental Health**, the **Missouri Department of Conservation**, the **Department of Health and Senior Services** and the **Office of Administration** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Cost - MCHCP</u>			
Competitive Bid Process	(\$1,860,000)	(\$1,860,000)	(\$1,860,000)
Shared-Savings Incentives	(Greater than \$620,000)	(Greater than \$620,000)	(Greater than \$620,000)
Administrative Personal	(Greater than \$62,000)	(Greater than \$62,000)	(Greater than \$62,000)
<u>Total Cost - MCHCP</u>	(Greater than <u>\$2,542,000</u>)	(Greater than <u>\$2,542,000</u>)	(Greater than <u>\$2,542,000</u>)
<u>Cost - DSS</u>			
Program Distributions	\$0 or (\$35,740)	\$0 or (\$37,205)	\$0 or (\$38,731)
Actuarial Study	<u>\$0 or (\$25,000)</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Cost - DSS</u>	<u>\$0 or (\$60,740)</u>	<u>\$0 or (\$37,205)</u>	<u>\$0 or (\$38,731)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	(Greater than <u>\$2,602,740</u>)	(Greater than <u>\$2,579,205</u>)	(Greater than <u>\$2,580,731</u>)
OTHER STATE FUNDS			
<u>Cost - MCHCP</u>			
Competitive Bid Process	(\$450,000)	(\$450,000)	(\$450,000)
Shared-Savings Incentives	(Greater than \$150,000)	(Greater than \$150,000)	(Greater than \$150,000)
Administrative Personal	(Greater than \$15,000)	(Greater than \$15,000)	(Greater than \$15,000)
<u>Total Cost - MCHCP</u>	(Greater than <u>\$615,000</u>)	(Greater than <u>\$615,000</u>)	(Greater than <u>\$615,000</u>)
ESTIMATED NET EFFECT TO OTHER STATE FUNDS	(Greater than <u>\$615,000</u>)	(Greater than <u>\$615,000</u>)	(Greater than <u>\$615,000</u>)

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2018 (10 Mo.)	FY 2019	FY 2020
FEDERAL FUNDS			
<u>Cost - MCHCP</u>			
Competitive Bid Process	(\$690,000)	(\$690,000)	(\$690,000)
Shared-Savings Incentives	(Greater than \$230,000)	(Greater than \$230,000)	(Greater than \$230,000)
Administrative Personal	(Greater than \$23,000)	(Greater than \$23,000)	(Greater than \$23,000)
<u>Total Cost - MCHCP</u>	(Greater than \$943,000)	(Greater than \$943,000)	(Greater than \$943,000)
<u>Income - DSS</u>			
Program reimbursements	\$0 or \$60,740	\$0 or \$37,205	\$0 or \$38,731
<u>Cost - DSS</u>			
Program Distributions	\$0 or (\$35,740)	\$0 or (\$37,205)	\$0 or (\$38,731)
Actuarial Study	\$0 or (\$25,000)	\$0	\$0
<u>Total Cost - DSS</u>	\$0 or (\$60,740)	\$0 or (\$37,205)	\$0 or (\$38,731)
ESTIMATED NET EFFECT TO THE FEDERAL FUNDS	<u>(Greater than \$943,000)</u>	<u>(Greater than \$943,000)</u>	<u>(Greater than \$943,000)</u>
<u>FISCAL IMPACT - Local Government</u>			
	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act establishes the "Missouri Right to Shop Act".

Health care providers are required to disclose, to the best of their ability, the allowed amount or the charge for a non-emergency admission, procedure, or service within 2 days of a prospective patient's request. If a health care provider can not provide a specific amount in advance due to an inability to predict the specific treatment or diagnostic code, the provider shall disclose what information is known for the estimated amount and inform the prospective patient that the estimate is incomplete and that the patient may obtain an updated estimate once additional information is determined. At an insured prospective patient's request, a health care provider shall, to the best of its ability, provide the patient with sufficient information for the patient to receive from his or her health carrier an estimate of out-of-pocket costs. Health care providers may assist prospective patients in obtaining this estimate from the health carrier.

Health carriers shall establish a web-accessible interactive mechanism enabling enrollees to obtain information on the payments made by the carrier to health care providers for health care services. The mechanism must allow enrollees to compare the cost of a particular health care service between in-network providers.

This act provides that health carriers shall, within 2 days of an enrollee's request, provide a good faith estimate of the allowed amount and the out-of-pocket cost of a non-emergency admission, procedure, or service that is a medically-necessary covered benefit from an in-network provider. Health carriers shall notify enrollees that the provided information is an estimate that may vary because of unforeseen circumstances arising out of the proposed non-emergency admission, procedure, or service.

Health carriers shall develop and implement a program providing incentives for enrollees electing to receive covered shoppable health care services from a provider charging less than the average price that carrier pays for that shoppable health care service. This act also provides methodologies for calculating the incentive and the average price, and provides that the incentive shall be provided to the enrollee as a cash payment.

This act requires health carriers to make incentive programs available as a component of all health plans offered in this state, and to provide eligible enrollees with annual notice of the program at enrollment or renewal. Health carriers are required to file a description of the incentive program with the Director of the Department of Insurance, Financial Institutions, and Professional Registration ("DIFP"), who may review the filing to determine compliance with this act. Filings and supporting documentation are confidential until the filing has been reviewed.

FISCAL DESCRIPTION (continued)

Health carriers must apply shared savings incentive payments to enrollees' member cost sharing the same way for out-of-network providers as the health plan specifies for in-network providers, and the act provides that shared savings incentive payments are not administrative expenses of the carrier for rate development or rate filing purposes.

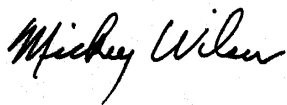
This act requires health carriers to annually file with the Director of DIFP information from the most recent calendar year on the total number of incentive payments made, the use of shoppable health care services by category, the total payments made to enrollees, the average size of incentive payments made by service, the total savings achieved below average price by service, and the total number and percentage of the carrier's enrollees that participated in such transactions. This act requires the Director of DIFP to submit an aggregate report of this data to the legislative committees having jurisdiction over health insurance matters.

This act has an effective date of February 28, 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 Social Services
Missouri Consolidated Health Care Plan
Department of Health and Senior Services
Department of Mental Health
Office of Administration
Department of Transportation
Missouri Department of Conservation



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