

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4177-04
Bill No.: HCS for SS for SB 597
Subject: Insurance - Health
Type: Original
Date: April 25, 2018

Bill Summary: This proposal modifies provisions relating to fees for insurance services.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$1,440,466 to \$2,669,270)	\$4,290,396 to \$5,807,454	\$4,606,468 to \$6,181,173
Total Estimated Net Effect on General Revenue	(\$1,440,466 to \$2,669,270)	\$4,290,396 to \$5,807,454	\$4,606,468 to \$6,181,173

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Insurance Dedicated Fund	\$1,105,157	\$2,210,314	\$2,210,314
Total Estimated Net Effect on <u>Other</u> State Funds	\$1,105,157	\$2,210,314	\$2,210,314

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income, savings, expenditures and losses could exceed \$10.8 million annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§208.152- Chiropractors to be reimbursed under MO HealthNet

Officials from the **Department of Social Services (DSS)** state section 208.152(7) is added to include chiropractic physician as a provider for services currently covered by reimbursement under MO HealthNet. Senate Amendment #1 further adds “Up to twenty visits per year for services limited to” at the beginning of (7).

The **MO HealthNet Division (MHD)** states in Section 208.152, which defines what medical services are to be paid by MO HealthNet on behalf of needy persons described in 208.151, other services explicitly read that the service must be medically necessary, such as (20) prescribed medically necessary durable medical equipment; (22) prescribed medically necessary dental services; and (23) prescribed medically necessary optometric services. In order to qualify for federal match, any service reimbursed by MO HealthNet must be deemed medically necessary. For the purpose of this fiscal note, MO HealthNet assumes the only chiropractic services that will be provided are those categorized as medically necessary which would qualify for federal match funds.

This legislation will increase utilization of currently paid procedure codes.

Studies that determined the utilization of chiropractic care in the general population were reviewed to determine the potential number of MO HealthNet (MHN) participants who might receive chiropractic care if this legislation passed. It is assumed that utilization in the MHN population would be similar to the general population. The National Center for Health Statistics (December 10, 2008) found that 8.6% of adults and 2.8% of children used chiropractic or osteopathic manipulation within the previous 12 months. MHD selected 9% for adults and 3% for children as the estimated population percentage that will use chiropractic services.

The number of MHN adults in fee-for-service (FFS) in October 2017 was 237,872. MHD excluded dual eligibles from this number (those with Medicare and Medicaid) because Medicare would be the primary payer in these instances. There were 154,956 dual eligibles, and therefore, the remaining non-dual adult FFS population is 82,916. It is estimated that 7,462 (82,916 x 9%) adult participants will utilize medically necessary chiropractic care. There were 3,157 children in FFS in FY17. It is estimated that 95 (3,157 x 3%) will utilize medically necessary chiropractic care. Therefore, a total of 7,557 FFS participants are estimated to use medically necessary chiropractic care in FFS.

ASSUMPTION (continued)

It is assumed under this legislation chiropractors would, at a minimum, bill for manipulative treatment and certain physical therapies. Procedure codes 98940, 98941, and 98942 are codes not currently covered by MHD. Based on rates provided by the industry for osteopathic manipulations, and weighted by the utilization frequency of 98940, 98941, and 98942, MHD arrived at an average rate of \$23.48. This was further reduced by an additional \$3.00 for copay, for a net cost per visit of \$20.48.

The number of medically necessary chiropractic visits that will be prior authorized for each participant is assumed to be **20 visits per year**, which will be used to calculate the high range of total cost. The annual cost for one person in FFS will be \$409.60 [20 visits x \$20.48 (\$23.48 less \$3.00 for copay)]. The **total yearly FFS cost would be \$3,095,347** (\$409.6 x 7,557 participants), rounded.

The **low range** for total cost is assumed to be 14.4 visits per year, based on the annual number of recommended chiropractic visits found in "A Survey of Practice Patterns and the Health Promotion and Prevention Attitudes of US Chiropractors" (Rupert, RL). The annual cost for one person in FFS will be \$294.91 [14.4 visits x \$20.48 (\$23.48 less \$3.00 copay)]. The **total yearly FFS cost would be \$2,228,635** (\$294.91 x 7,557 participants), rounded.

It is assumed under this legislation that an increase in provider access from the addition of chiropractic providers will increase utilization for other physical therapy services within the chiropractic scope of work that are typically offered by a physician's office. Procedure codes 97014, 97032, 97035, 97110, 97124 and 97140 are therapy codes highly utilized in the physician office setting that could fall under the chiropractor's scope of work.

For the Managed Care (MC) population, MO HealthNet used the same methodology as FFS. The number of MHD adults in MC in October 2017 was 119,162. It is estimated that 10,725 (119,162 x 9%) participants will utilize medically necessary chiropractic care. There were 619,491 children in MC in October 2017. It is estimated that 18,585 (619,491 x 3%) will utilize medically necessary chiropractic care. Therefore, a total of 29,310 (10,725 adults + 18,585 children) participants are estimated to use medically necessary chiropractic care in MC. The high range annual cost for one person is estimated to be \$409.60. The **high range total yearly cost for MC would be \$12,005,376**. The **low range annual cost** for one person is estimated to be \$294.91. The total yearly cost **for MC would be \$8,643,812** (29,310 participants X \$294.91).

Physical therapy is not currently a covered benefit for adults. MHD assumes 600 children less than 19 years of age in MC may receive 20 physical therapy treatments annually at an average cost of \$13.94 (\$16.94 less an additional \$3.00 for copays). The **yearly cost for physical therapy for children in MC would be \$120,442**.

There will also be a one-time system cost of \$200,000 to add a new provider type and a one-time cost for an actuarial study for managed care of \$50,000.

ASSUMPTION (continued)

For the **high range**, it is assumed there will be only a 10 month cost in FY 2019. Medical inflation of 3.8% was applied to FY 2020 and FY 2021.

FY 2019 (10 months): \$12,611,753 (GR \$4,388,511; FF \$8,223,242);

FY 2020: \$15,570,213 (GR \$5,417,967; FF \$10,152,246);

FY 2021: \$16,161,881 (GR \$5,623,850; FF \$10,538,031)

For the **low range**, it is assumed there will be only a 10 month cost in FY 2019. Medical inflation of 3.8% was applied to FY 2020 and FY 2021.

FY 2019 (10 months): \$9,080,401 (GR \$3,159,707; FF \$5,920,694)

FY 2020: \$11,210,478 (GR \$3,900,910; FF \$7,309,568)

FY 2021: \$11,636,476 (GR \$4,049,145; FF \$7,587,331)

MO HealthNet may see savings by including chiropractic physicians as a provider group. Based upon an analysis of using alternative treatments such as chiropractic services, physical therapy, and acupuncture as well as cognitive-behavioral therapy in lieu of prescribing opioids for pain, savings were achieved by reducing costs for hospital, pharmacy and physician services.

The portion of FY 2019 savings related to chiropractic services is estimated to be \$5.3 million; FY 2020 savings is estimated at \$27.9 million; and FY 2021 savings could be up to \$29.4 million, all split between General Revenue and Federal Funds.

Total cost for chiropractic services in lieu of opioids for pain (Low Range):

FY 2019 (10 months) cost: \$4,030,401 (GR \$2,589,935; FF \$1,440,466);

FY 2020 savings: \$16,689,523 (GR \$10,882,069; FF \$5,807,454);

FY 2021 savings: \$17,763,524 (GR \$11,582,351; FF \$6,181,173).

ASSUMPTION (continued)

Total cost for chiropractic services in lieu of opioids for pain (High Range):

FY 2019 (10 months) cost: \$7,561,753 (GR \$2,669,270; FF \$4,892,483);

FY 2020 savings: \$12,329,788 (GR \$4,290,397; FF \$8,039,391);

FY 2021 savings: \$13,238,119 (GR \$4,606,468; FF \$8,631,651).

The **Division of Legal Services (DLS)** state the proposal will have no impact to the DLS, but defer to MHD to determine costs for the proposal.

§354.150, 354.495, 374.150 and 374.230 - Fee requirements for insurance companies

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assume this proposal increases certain fees authorized under state law that are paid by insurance companies to do business in Missouri. Based upon FY 2017 counts, the DIFP expects to collect an additional \$2,210,314 in revenue per fiscal year in the Insurance Dedicated Fund.

Bill as a whole

Officials from the **Department of Revenue** and the **Missouri Consolidated Health Care Plan** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Savings - DSS (§208.152)</u>			
Reduction in program expenditures	\$1,844,241	\$9,708,363	\$10,230,318
<u>Costs - DSS (§208.152)</u>			
Increase in state share of program expenditures	(\$3,159,707 to \$4,388,511)	(\$3,900,909 to \$5,417,967)	(\$4,049,145 to \$5,623,850)
Actuarial study and system update	(<u>\$125,000</u>)	<u>\$0</u>	<u>\$0</u>
Total <u>Costs</u> - DSS	(<u>\$3,284,707 to \$4,513,511</u>)	(<u>\$3,900,909 to \$5,417,967</u>)	(<u>\$4,049,145 to \$5,623,850</u>)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$1,440,466 to \$2,669,270)</u>	<u>\$4,290,396 to \$5,807,454</u>	<u>\$4,606,468 to \$6,181,173</u>
 INSURANCE DEDICATED FUND			
<u>Income - DIFP (§§354.150, 354.495, 374.150 & 374.230)</u>			
Increase in insurance fees paid	<u>\$1,105,157</u>	<u>\$2,210,314</u>	<u>\$2,210,314</u>
ESTIMATED NET EFFECT ON THE INSURANCE DEDICATED FUND	<u>\$1,105,157</u>	<u>\$2,210,314</u>	<u>\$2,210,314</u>

FISCAL DESCRIPTION (continued)

This bill modifies the fee requirements for every individual or entity making a filing with the Department of Insurance, Financial Institutions and Professional Registration. These fees will be deposited in the State Treasury to the credit of the insurance dedicated fund. (§§354.150, 354.495, 374.150 and 374.230)

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 Revenue
Department of Social Services -
 MO HealthNet Division
 Division of Legal Services

Ross Strope



Acting Director
April 25, 2018