

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0591S.01I
Bill No.: SB 230
Subject: Department of Commerce and Insurance; Insurance - Health; Medical Procedures and Personnel; Physicians; Health Care Professionals
Type: Original
Date: February 17, 2025

Bill Summary: This proposal enacts provisions relating to prior authorization of health care services.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue Fund	(Could exceed \$831,500 - \$1,335,500)	(Could exceed \$819,000 - \$1,323,000)	(Could exceed \$819,000 - \$1,323,000)
Total Estimated Net Effect on General Revenue	(Could exceed \$831,500 - \$1,335,500)	(Could exceed \$819,000 - \$1,323,000)	(Could exceed \$819,000 - \$1,323,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Other State Funds	(\$195,000 - \$315,000)	(\$195,000 - \$315,000)	(\$195,000 - \$315,000)
State Road Fund (3020)	\$0 to (\$588,000)	\$0 to (\$588,000)	\$0 to (\$588,000)
Conservation Commission Fund (0609)*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown, Could exceed \$783,000 - \$903,000)	(Unknown, Could exceed \$783,000 - \$903,000)	(Unknown, Could exceed \$783,000 - \$903,000)

*Potential prior authorization exemptions.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Federal Funds (MCHCP)	(\$286,000 - \$462,000)	(\$286,000 - \$462,000)	(\$286,000 - \$462,000)
Federal Funds (DSS)	(\$12,500)	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$298,500 - \$474,500)	(\$286,000 - \$462,000)	(\$286,000 - \$462,000)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

*Potential prior authorization exemptions.

FISCAL ANALYSIS

ASSUMPTION

Sections 376.2100 - 376.2108 - Prior Authorization Exemption

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** assume this legislation creates a prior authorization exemption, which would allow providers to skip prior authorization requirements if they qualify by meeting a 90% approval threshold in the 6 months prior. Once this exemption is applied, payment can only be withheld for limited reasons that does not include the service being later found not medically necessary in whole or in part.

It is unknown how many providers serving MCHCP members would qualify for this exemption. For this calculation, it is assumed that 15% of providers would qualify. It is also unknown how many cases would be authorized under the exemption that would otherwise be deemed not medically necessary in whole or in part. It is assumed a 5% utilization increase once Prior Authorization controls are off. SB 230 would have an estimated impact of \$1,300,000 to \$2,100,000 for MCHCP.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the cost estimated provided by MCHCP, broken out as follows:

General Revenue Fund -	\$819,000 - \$1,323,000 (63%)
Federal Fund -	\$286,000 - \$ 462,000 (22%)
Other Fund -	\$195,000 - \$ 315,000 (15%)
Total -	\$1,300,000 - \$2,100,000 (100%)

Officials from the **Missouri Department of Transportation (MODOT)** state the MoDOT/MSHP medical plan is not a health carrier under the definitions of this bill. However, should these provisions apply to Anthem or any other administrator, the plan expects costs to be passed on of \$49,000 per month or \$588,000 per year due to removal of pre-authorization for health services.

Since it is unknown if this legislation will apply to the MoDOT/MSHP plan, **Oversight** will range cost as \$0 (the legislation does not apply to the plan) to the estimated cost provided by MoDOT to the State Road Fund (0320).

Officials from the **Missouri Department of Conservation** assume the proposal will have no fiscal impact on their organization.

Oversight notes that although the Missouri Department of Conservation assumes no fiscal impact, Oversight assumes this legislation could affect other insurance plans such as the

Missouri Department of Conservation and local political subdivisions. Oversight will reflect a \$0 to Unknown cost to the Conservation Commission Fund (0609) and local political subdivisions.

Officials from the **Department of Social Services (DSS)** assume this legislation applies to Chapter 376 and states that a Medicaid managed care organization, as defined in section 208.431, shall be considered a health carrier for purposes of sections 376.2100 to 376.2108. Subsequently, this legislation would apply to MO HealthNet Managed Care and there could be a fiscal impact.

The Managed Care Health Plans (HP) have prior authorization processes in place, and this legislation would result in providers not needing to obtain prior authorization for services unless the HP determines that it has approved or would have approved less than 90% of prior authorization requests submitted by that provider for health care services in the most recent evaluation period. MHD estimates that there could be an impact on the administrative component of the rate for the additional reporting, reviewing, and monitoring of the prior authorizations.

However, MHD does not have enough information at this time to ascertain whether there would be an impact on the service portion of the capitated rate. This will require an actuarial analysis estimated to cost \$25,000 for this program change. (FY 2026 - \$25,000 (GR: \$12,500; Federal: \$12,500))

Since it is unknown if and how this legislation will impact the service portion of the capitated rate, **Oversight** will range the cost to GR and Federal funds as \$0 to (Unknown, could exceed \$250,000). Oversight will also reflect the actuarial analysis cost provided by DSS in FY 2026 only.

Officials from the **Department of Commerce and Insurance** and **Kansas City** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Department of Public Safety - Missouri Highway Patrol** defer to the Missouri Department of Transportation for the potential fiscal impact of this proposal.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Cost – MCHCP §§376.2100 - 376.2108</u> <u>Prior Authorization Exemptions p.3</u>	(\$819,000 - \$1,323,000)	(\$819,000 - \$1,323,000)	(\$819,000 - \$1,323,000)
<u>Cost- DSS §§376.2100 - 376.2108</u> <u>Actuarial analysis p. 4</u>	(\$12,500)	\$0	\$0
<u>Cost- DSS §§376.2100 - 376.2108</u> <u>Prior Authorization Exemptions p.4</u>	\$0 to (Unknown, could exceed \$250,000)	\$0 to (Unknown, could exceed \$250,000)	\$0 to (Unknown, could exceed \$250,000)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(Could exceed</u> <u>\$831,500 -</u> <u>\$1,335,500)</u>	<u>(Could exceed</u> <u>\$819,000 -</u> <u>\$1,323,000)</u>	<u>(Could exceed</u> <u>\$819,000 -</u> <u>\$1,323,000)</u>
FEDERAL FUNDS			
<u>Cost – MCHCP §§376.2100 - 376.2108</u> <u>Prior Authorization Exemptions p.3</u>	(\$286,000 - \$462,000)	(\$286,000 - \$462,000)	(\$286,000 - \$462,000)
<u>Cost- DSS §§376.2100 - 376.2108</u> <u>Actuarial analysis p. 4</u>	(\$12,500)	\$0	\$0
ESTIMATED NET EFFECT TO FEDERAL FUNDS	<u>(\$298,500 -</u> <u>\$474,500)</u>	<u>(\$286,000 -</u> <u>\$462,000)</u>	<u>(\$286,000 -</u> <u>\$462,000)</u>
OTHER STATE FUNDS			
<u>Cost – MCHCP §§376.2100 - 376.2108</u> <u>Prior Authorization Exemptions p.3</u>	(\$195,000 - \$315,000)	(\$195,000 - \$315,000)	(\$195,000 - \$315,000)
ESTIMATED NET EFFECT TO OTHER STATE FUNDS	<u>(\$195,000 -</u> <u>\$315,000)</u>	<u>(\$195,000 -</u> <u>\$315,000)</u>	<u>(\$195,000 -</u> <u>\$315,000)</u>

CONSERVATION COMMISSION FUND (0609)			
<u>Cost – MDC §§376.2100 - 376.2108</u> Prior Authorization Exemptions p.3	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT TO THE CONSERVATION COMMISSION FUND	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
STATE ROAD FUND (0320)			
<u>Cost – MoDOT §§376.2100 - 376.2108</u> Prior Authorization Exemptions p.3	\$0 to (\$588,000)	\$0 to (\$588,000)	\$0 to (\$588,000)
ESTIMATED NET EFFECT TO OTHER STATE FUNDS	<u>\$0 to</u> <u>(\$588,000)</u>	<u>\$0 to</u> <u>(\$588,000)</u>	<u>\$0 to</u> <u>(\$588,000)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost – Local Political Subdivisions</u> §§376.2100 - 376.2108 Prior Authorization Exemptions p.3	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill provides that a health carrier or utilization review entity cannot require health care providers to obtain prior authorization for health care services, except under certain circumstances. Prior authorization shall not be required unless an individual licensed to practice medicine in this state makes a determination that less than 90% of prior authorization requests

submitted by the health care provider in the previous evaluation period, as defined in the bill, were or would have been approved.

The bill establishes separate 90% thresholds for requiring prior authorization for individual health care services or requiring prior authorization for all health care services. If the provider is a licensed physician, the determination must be made by a licensed physician with the same or similar specialty.

The bill specifies requirements for notifying the provider of determinations in the bill, requires carriers and utilization review entities to maintain an online portal giving providers access to certain information, and provides that prior authorizations may be required beginning 15 business days after notice to the provider until the end of the evaluation period. Failure to notify providers of a determination as required in the bill will constitute prior authorization of the applicable health care services.

Lastly, no health carrier or utilization review entity can deny or reduce payments to a health care provider who had a prior authorization, unless the provider made a knowing and material misrepresentation with the intent to deceive the carrier or utilization review entity, or unless the health care service was not substantially performed.

This bill will not apply to Medicaid, except with regard to a Medicaid managed care organization as defined by law. The bill also does not apply to providers who have not participated in a health benefit plan offered by the carrier for at least one full evaluation period.

This bill will not be construed to authorize providers to provide services outside the scope of their licenses, nor to require health carriers or utilization review entities to pay for care provided outside the scope of a provider's license

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 Commerce and Insurance
Department of Public Safety - Missouri Highway Patrol
Department of Social Services
Missouri Department of Conservation
Missouri Department of Transportation

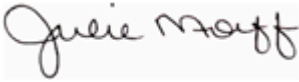
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Missouri Consolidated Health Care Plan
Kansas City
City of Springfield

A handwritten signature in cursive script, reading "Julie Morff".

Julie Morff
Director
February 17, 2025

A handwritten signature in cursive script, reading "Jessica Harris".

Jessica Harris
Assistant Director
February 17, 2025