

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2621-01
BILL NO.: SB 593
SUBJECT: Health Care; Public Health; Medical Insurance
TYPE: Original
DATE: February 6, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$52,572,638)	(\$307,664,142 to Unknown)	(\$439,967,944 to Unknown)
County Insurance Tax	(\$12,500,000)	(\$25,000,000)	(\$25,000,000)
Insurance Dedicated	(\$160,580)	(\$321,159)	(\$321,159)
Conservation	(\$1,166,667)	(\$3,500,000)	(\$3,500,000)
Highway	(\$4,602,179)	(\$9,157,768)	(\$9,098,946)
Missouri Health Care Trust	\$0	(Unknown)	(Unknown)
Health Professional Education and Training	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$71,002,064)	(\$345,634,069 TO UNKNOWN)	(\$477,888,049 TO UNKNOWN)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Federal funds	\$0	Unknown	Unknown

Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	UNKNOWN	UNKNOWN
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ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 15 pages.

FISCAL ANALYSIS

ASSUMPTION

This proposal would become effective if approved by the voters in the general election to be held on the Tuesday following the first Monday in November, 2000. Sections 1 through 16 of this proposal would become effective April first of the year following notice to the revisor of statutes that a waiver had been obtained from the Secretary of the Department of Health and Human Services. The health premium surcharge and the income tax surcharge would apply to all tax years beginning on or after January first of the year following receipt of notice that appropriate waivers had been obtained. The small employer tax credits would apply to five consecutive tax years beginning on or after January first of the first year following notice by the revisor of statutes that appropriate waivers had been obtained.

The **Office of State Courts Administrator**, the **Department of Health**, and the **Department of Economic Development** assume this proposal would not fiscally impact their agencies.

The **Coordinating Board for Higher Education (CBH)** assume that because health coverage for it's employees is provided by the state there would be no fiscal impact on CBH. CBH states the fiscal impact on institutions of higher education is unknown although an impact is likely. CBH states the fiscal impact is dependent upon a comparison between current expenditures on health care coverage at each institution and expenditures on the proposed new payroll taxes. CBH also states if there is a fiscal impact on colleges and universities it would likely result in an increase in state appropriation requests and/or increased tuition/fee charges.

The **Department of Insurance (INS)** estimates that over \$50 million in total accident and health

ASSUMPTION (continued)

insurance premium tax was collected in 1998. The premium tax revenue is split evenly between general revenue and the County Foreign Insurance Fund. This proposal would eliminate this revenue. In addition, INS states they are an agency of the state and would be required to pay the health premium surcharge of 12% beginning January 1st, 2001, if approved by voters in November, 2000. INS estimates personal service appropriations to be \$5,018,109 in FY2001. The estimated surcharge amount would be \$602,173 annually. Currently INS costs for insurance through the Missouri Consolidated Health Care Plan is approximately 5.6% of gross wages. This would result in costs of \$281,014 in FY01. Therefore, this proposal would result in annual additional costs to the Insurance Dedicated Fund of \$321,159.

The **Department of Conservation (MDC)** states the proposal would have a significant impact on MDC funds. MDC estimates that 12% of payroll would equate to an increase of \$3,500,000 to MDC's current insurance plan.

The **Department of Mental Health (DMH)** assumes that Title XVIII and Title XIX money will now be deposited into the Missouri Health Care Trust Fund rather than general revenue or the general revenue reimbursement fund (GRRF). For fiscal note purposes, DMH assumes that all money they currently deposit into the GRRF will be deposited into general revenue beginning FY2001. In FY99, DMH recovered \$218,961,209. DMH assumes all of this money would now be deposited into the trust fund. DMH states that this proposal does not represent a loss of funds to the state. Instead, these funds would be used to provide medical services to persons through the Missouri Health Care Trust Fund. If the program chooses DMH as a provider of services, the fiscal impact to DMH would depend on the payments made to them under the new plan in relation to current general revenue funding. If the program chooses not to utilize DMH as a provider, there could be a loss of funding to the department. DMH assumes that COA will include the employer surcharge in their fiscal note impact for all state employees.

Southwest Missouri State University (SMSU) officials estimate they would expect to incur a cost of \$10,075,760 for the health care surcharge described in this proposal. SMSU currently pays \$4,034,561 to cover its employees' health care insurance. Therefore, SMSU assumes this proposal would result in additional annual costs of approximately \$6,041,199.

The **Department of Transportation (DHT)** assumes this proposal, if approved, would become effective January 1, 2002. DHT employees are paid from general revenue, federal, and Highway and Road funds. Assuming a 12% surcharge to these various funds, the net fiscal impact of this legislation would be \$11,024 to general revenue, \$5,361 to federal, and \$4,604,822 to Highway and Road funds in FY02. The fiscal impact indicated is based on the assumption that the Highway and Patrol's medical plan would no longer be needed, resulting in savings equal to the ASSUMPTION (continued)

appropriation request in FY01. (The appropriation request was increased 4% each year for

inflation for fiscal note purposes.) Oversight has presented fiscal impact for the Highway and Transportation Fund only as the impact on the General Revenue, Federal, and Road funds were minimal.

The **Department of Labor (DOL)** assumes that salaries which would be paid in FY 99 would be \$52,469,646 resulting in an employer surcharge of \$6,296,358 to DOL. The FY 99 employee benefit rate of \$150 per month for each full-time employee would total \$3,223,800 for the DOL. This results in a net increase in costs totaling \$3,072,558. **Oversight** assumes the Office of Administration will calculate the increased benefit costs for all state employees.

Central Missouri State University officials assume this proposal would result in increased costs of \$4,200,000.

The **Department of Elementary and Secondary Education (DES)** assume that salaries which would be paid in FY01 would be \$81,631,270, resulting in an employer surcharge of \$9,795,752. DES states the rate of reduction of the workers' compensation insurance is not stated; therefore, the net fiscal impact cannot be estimated. However, DES estimates that costs will exceed \$100,000. **Oversight** assumes the Office of Administration will calculate the increased benefit costs for all state employees.

The **Office of Secretary of State (SOS)** states that the statewide public notice of the ballot issue will be published in selected newspapers throughout the state. Based on the actual publication costs of the November, 1998 election, SOS estimates the publication costs for this thirty page proposal to be approximately \$744,600. These costs would be paid from general revenue. SOS also notes that if the governor calls a special election, the fiscal impact could exceed \$1,000,000, depending on the date of the special election.

SOS also assumes the proposal would require the printing of additional pages in the Missouri Register and the Code of State Regulations and have estimated a publishing and distribution cost of \$2,303.50 for FY 00. Additionally, future costs are unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

While this proposal alone would not require SOS to acquire additional staff, SOS assumes the cumulative effect of additional Register and Code publishing duties could, at some point, require additional staff. Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple proposals pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the ASSUMPTION (continued)

appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

University of Missouri officials estimate that the costs to the university for providing health care coverage to its active employee population would increase by approximately \$51.97 million annually.

Missouri Western State College officials estimate that the surcharge would result in costs of \$1,620,051, \$2,025,064, and \$2,126,317 in FY01, FY02, and FY03, respectively.

Truman State University officials report that the 12% surcharge would result in costs of \$3,592,955 annually. The cost of its current plan is \$1,706,155 for an increased cost of \$1,886,800.

The **Department of Social Services, Division of Medical Services (DMS)** assumes that the population (Medicaid) would be the same whether they were served by the new entity or contracted to DMS to administer. DMS assumes that institutional care would remain constant regardless of the administering agency. To the contrary, independent providers shall be reimbursed on a fee-for-service schedule that is anticipated to represent usual and customary charges (UCR). As current Medicaid reimbursement for non-institutional providers, in many cases, represent less than UCR, costs are expected to increase. If the negotiated reimbursement were to reflect 100 % of UCR, DMS anticipates that additional costs of \$340,000,000 would be realized. This figure is derived through calculating the difference between current reimbursement for the dental, ambulance, and physician programs and the cost for these services at 100% of UCR. A dental program fee increase decision item was developed for the FY2001 budget in which procedures were identified by current Medicaid reimbursement and UCR. This resulted in a difference of \$34 million. A physician program fee increase decision item was developed for the FY99 budget. An increase of \$300 million would be needed to bring physician fees up to 100% of UCR. Similarly, an ambulance fee increase was developed and requested in the FY 98 budget in which Medicaid rates were compared to Medicare (UCR) rates (\$6 million).

The loss of the advantage of competitively bidding managed care contracts would result in additional costs of over \$21,000,000 or five percent of current Missouri Care Plus (MC+) payments. DMS cannot arrive at an actual dollar increase to Medicaid; however, they estimate an increase exceeding \$100,000 annually. No impact for FY 01 is anticipated due to the time frames involved in waiver applications and implementations. No cost to DSS is associated with the DSS director serving on the Board of Governors, as all expenses would be paid from the Health Care Trust Fund.

ASSUMPTION (continued)

Oversight notes that based on DOS FY 99 budget for the provision of medical services through the Medicaid program (\$2,595,809,000), a base figure of \$1,038,323,600 would be used to

estimate federal matching funds which would be deposited in the General Revenue Fund annually for appropriation to the plan after the required waiver would be obtained. For fiscal note purposes, Oversight has represented **unknown** costs associated with personal services and expense and equipment for DMS as being saved by the state because the state's Medicaid program as it now exists would no longer be in place. Depending on the provisions of the waivers, if obtained, some of the functions of the DMS could be required to be performed by the Missouri Universal Health Assurance Program.

Missouri Consolidated Health Care Plan (HCP) officials state the proposal would require employers with more than 499 employees to pay 12% of payroll into the insurance fund. The state's contribution for employee health care would fall into this category. HCP estimates that the first year cost of this program would be \$24,859,791 more than the cost of the current medical plan options. HCP assumes a six percent inflation factor in future fiscal years. HCP also estimates the first year cost of this program for public entities would be \$76,185,843 more than the cost of the current medical plan options.

The **Office of Administration (COA)** has projected the income which would result from the imposition of a surcharge on each individual's adjusted gross income using an Individual Tax Simulator. The estimate of the tax base for the health insurance premium surcharge was based on wage and salary data provided by the U.S. Department of Commerce, Bureau of Economic Analysis (Annualized 1994 second quarter).

COA estimates the premium tax on employers would generate revenues of \$5,685,000,000 for the Health Care Trust Fund. In addition, COA estimates the surcharge tax on individuals would generate \$690,000,000 in revenues for the Health Care Trust Fund.

COA states that the gross wages paid to all state employees in FY99 equaled \$1,767,502,198. The 12.0% surcharge on that amount would accrue to various funds and would have been \$212,100,263 in FY99. This figure includes wages paid to employees of all state agencies and would accrue to various state funds. **Oversight**, will present the 12% surcharge for Department of Conservation and Department of Transportation employees separately from the rest of the state government employees. Oversight will also inflate the FY 95 amount by 2.5% annually for FY01 and FY 02 amounts of fringe benefit calculation.

COA notes that the employer premium tax on wages would have a direct effect on business and corporate income taxes by increasing operating expenses. COA is not able to determine what the ASSUMPTION (continued)

amount of lost business and corporate income taxes would be.

The **Department of Natural Resources (DNR)** states that they will be required to pay a twelve

percent health premium surcharge. Based on a FY2000 personal service budget of \$64,970,279, a twelve percent surcharge would be \$7,796,433. Using the same personal service budget of \$64,970,279 minus \$158,905 for part-time, seasonal employees ineligible for state medical coverage, approximately \$3,982,702 would be transferred from DNR's funds, if all employees eligible for coverage elected coverage.

The **Department of Revenue (DOR)** did not respond to our fiscal impact request. However, in their response to a similar proposal from last session, DOR assumed they would need additional FTE within the Division of Taxation and Collection, and outside contractors to implement this proposal. DNR assumes the Central Processing Bureau would need fourteen Clerks I for mail extraction and to pre-sort the 1.3 million employer forms and 2.4 million returns; and two clerks I to operate two new remittance processors which cost \$5,500 each.

DOR assumes the Tax Administration Bureau would require six Tax Processing Technicians I to work with withholding errors and twelve Tax Processing Technicians to work with individual return type errors for the expected 20% error rate.

DOR assumes the Collections Bureau would require eighteen Tax Processing Technicians I to be responsible for processing correspondence, bankruptcy claims, and petitions, and handling incoming and outgoing telephone calls associated with billings and non-filer notices. The Collections Bureau would also need four Clerks I to support the Tax Processing Technicians, eight Tax Service Representatives I to pursue delinquent and non-filer employers, and one Clerk I to support these additional FTE.

DOR assumes the Information Systems Division would need three Programmer Analysts II to be responsible for new programming and maintenance of programs, and one Senior System Analyst to supervise the Programmer Analysts and contract programmers. Contract programmers would also be needed for 550 hours in FY00 and 22,000 hours in FY 01, at costs of \$62,576 and \$2,593,250, respectively. State Data Center costs are anticipated at \$19,822 in FY 00, \$122,223 in FY 01, and \$40,578 in FY 02. Oversight has adjusted all costs estimates for inflation.

ASSUMPTION (continued)

For purposes of this fiscal note, **Oversight** assumes:

1. Should the proposal be approved by the voters in a general election in November, 2000, the health premium surcharge on employers and the individual income tax surcharge

- would be levied on the wages paid or received in the taxable year beginning January 1, 2001.
2. In accordance with projections made by DOS officials, the waiver which would be required by this proposal would become effective prior to January, 2001, and the federal financial participation for Medicaid and Medicare would begin to accrue to the plan at that time.
 3. In accordance with the provisions of this proposal, the Missouri Universal Health Care Plan would become effective on April 1, 2001.
 4. The state would pay both the surcharge and premiums for health care coverage for employees from January 1, 2001, to April 1, 2001. Further, all state-financed insurance plans would be dropped as of April 1, 2001.
 5. Expenditures for health care in Missouri are in line with those across the United States. The Health Care Financing Administration states that the per capita expenditure for health care in the United States was \$3,509 in 1995 and can be used as a basis for projecting statewide costs. The 1990 census of Missouri's population was 5,117,073. Further, increases in health care costs since 1993 have been approximately 5% annually.
 6. Health care costs which would be covered by the plan and are currently paid by state agencies from a number of funds which would accrue to the Missouri Health Care Trust Fund and be saved by the current fund. Further, these costs would be included in projections made based on per capita cost of health care. Agencies affected would include the Department of Elementary and Secondary Education, Department of Corrections, Department of Labor, Department of Health, Department of Mental Health, etc. The 12 % employer surcharge tax for health care premiums for the Departments of Conservation and Transportation will be presented separately. The 12% surcharge for the rest of the state employees will be presented under the Office of Administration.
 7. After April 1, 2001, growth in health care expenditures would be limited to "2% above the total percentage increase in the state's gross domestic product for the previous year".

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

<u>Income - Department of Social Services</u>			
Medicaid reimbursements	\$0	Unknown	Unknown

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>Savings - Department of Social Services</u>			
Possible elimination or cutback in Division of Medical Services	\$0	Unknown	Unknown
<u>Costs - Department of Revenue</u>			
Personal service (69 FTE)	\$0	(\$1,161,407)	(\$3,944,812)
Fringe benefits	\$0	(\$347,145)	(\$1,179,104)
Expense and equipment	<u>\$0</u>	<u>(\$874,187)</u>	<u>(\$427,704)</u>
Total <u>Costs</u> - Department of Revenue	<u>\$0</u>	<u>(\$2,382,739)</u>	<u>(\$5,551,620)</u>
<u>Loss - Department of Insurance</u>			
Insurance premium tax	(\$12,500,000)	(\$25,000,000)	(\$25,000,000)
<u>Costs - Secretary of State</u>			
Election costs	(\$748,697)	(Unknown)	(Unknown)
<u>Costs - Office of Administration</u>			
Fringe benefit surcharge for state employees other than DOC and DHT employees	\$0	(\$122,985,640)	(\$252,120,561)
<u>Cost - Department of Mental Health</u>			
Medicaid reimbursements	(\$39,323,941)	(\$157,295,763)	(\$157,295,763)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>(\$52,572,638)</u>	<u>(\$307,664,142</u> <u> TO</u> <u>UNKNOWN)</u>	<u>(\$439,967,944</u> <u> TO</u> <u>UNKNOWN)</u>

***Does not include possible income
and/or cost for Medicaid
reimbursements from the Department
of Social Services, Division of Medical
Services.**

COUNTY INSURANCE TAX FUND

<u>Loss - Department of Insurance</u>			
Insurance premium tax	(\$12,500,000)	(\$25,000,000)	(\$25,000,000)

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
ESTIMATED NET EFFECT ON COUNTY INSURANCE TAX FUND	<u>(\$12,500,000)</u>	<u>(\$25,000,000)</u>	<u>(\$25,000,000)</u>
INSURANCE DEDICATED FUND			
<u>Costs - Department of Insurance</u>			
Fringe benefit surcharge	<u>(\$160,580)</u>	<u>(\$321,159)</u>	<u>(\$321,159)</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$160,580)</u>	<u>(\$321,159)</u>	<u>(\$321,159)</u>
CONSERVATION FUND			
<u>Costs - Department of Conservation</u>			
Fringe benefit surcharge for employees	<u>\$0</u>	<u>(\$3,500,000)</u>	<u>(\$3,500,000)</u>
ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>\$0</u>	<u>(\$3,500,000)</u>	<u>(\$3,500,000)</u>
HIGHWAY FUND			
<u>Costs - Department of Transportation</u>			
Fringe benefit surcharge for employees	<u>(\$4,602,179)</u>	<u>(\$9,157,768)</u>	<u>(\$9,098,946)</u>
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>(\$4,602,179)</u>	<u>(\$9,157,768)</u>	<u>(\$9,098,946)</u>
MISSOURI HEALTH CARE TRUST FUND			
<u>Income - Office of Administration</u>			
Employer premium tax*	\$0	\$2,842,500,000	\$5,685,000,000
Individual surcharge tax	<u>\$0</u>	<u>\$345,000,000</u>	<u>\$690,000,000</u>
Total Income - Office of Administration	<u>\$0</u>	<u>\$3,187,500,000</u>	<u>\$6,375,000,000</u>

***Includes premium tax paid by the
state for all state employees.**

FISCAL IMPACT - State Government

FY 2001
 (10 Mo.) FY 2002 FY 2003

Costs - Missouri Health Care Trust Fund

The plan could become effective on April 1, 2001, at which time costs to administer the plan (staff, Board of Governor's expense, Regional Advisory Council expenses, etc.) And to provide health care benefits at costs, which would be negotiated by the Board of Governors as specified in the proposal, would be borne by the Fund. Using HCFA per capita, 1990 census figures for Missouri and 5% annual increases in health care costs, it is projected that expenditures from the Fund for benefits would equal \$6,598,759,865 for four months in FY2002.

Administrative costs would be capped at four percent of the income generated from the various sources. A reserve equal to expenditures in the preceding three months would be required.

**ESTIMATED NET EFFECT ON
 MISSOURI HEALTH CARE TRUST
 FUND***

\$0 (UNKNOWN) (UNKNOWN)

***Does not include possible income and /or costs for Medicaid reimbursements from the Department of Social Services - Division of Medical Services.**

**HEALTH PROFESSIONAL
 EDUCATION AND TRAINING FUND**

Income

Federal government and other \$0 Unknown Unknown

Costs

Personal services, expense and equipment \$0 (Unknown) (Unknown)

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
ESTIMATED NET EFFECT ON HEALTH PROFESSIONAL EDUCATION AND TRAINING FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FEDERAL FUNDS

<u>Savings - Department of Social Services</u> Possible elimination or cutback in Division of Medical Services	\$0	Unknown	Unknown
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<u>Loss - Department of Social Services</u> Medicaid funding	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>UNKNOWN</u>	<u>UNKNOWN</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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ALL LOCAL GOVERNMENTS

<u>Savings - All Local Governments</u> Health insurance programs	\$0	Unknown	Unknown
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<u>Costs - All Local Governments</u> Fringe benefits	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS	<u>\$0</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent that they would incur additional administrative costs and additional payroll tax expense due to the requirements of this proposal.

DESCRIPTION

This proposal would establish the Missouri Universal Health Assurance Program (Program). The Program would be a publicly-financed, statewide insurance program that would provide comprehensive health care coverage for Missouri residents. The Director of the Department of Health would divide the population of the state into six regional districts, with an advisory council of 7 private citizens established for each district. The advisory councils would assist the Board in development of a comprehensive state health care plan and would develop a transportation plan for indigent, elderly, and disabled clients. The Program would be administered by a nineteen member Board of Governors, ten of which would be appointed by the Governor. The Directors of the Departments of Social Services, Health, and Mental Health would be ex-officio members and the Board would include a representation of minority and disabled individuals. The Board would be responsible for implementing the Program, monitoring expenditures, adopting rules, employing staff, and studying the means of incorporating institutional long-term care benefits into the Program. An annual report would be required after conducting investigations and utilization reviews.

An annual comprehensive state health care plan would be established by the Board and would include a budget, an evaluation of district health care needs, and goals for various parts of the Program. Prior to establishment, the Board would appoint advisory subcommittees of health care research and ethics experts and public hearings would be held. The resulting comprehensive health care plan would seek to secure the most cost-effective health care.

The Board would establish the "Missouri Health Care Trust Fund" which would be used for all aspects of Program operation. Revenues held in the trust fund would not be subject to DESCRIPTION (continued)

appropriation or allotment by the State or any political subdivision of the State. Various accounts would be created within the trust fund for specific purposes.

Every person who is a resident of Missouri, regardless of preexisting conditions, would be eligible to receive benefits for covered services under the Program. Persons who not residents, but who are employed in Missouri would be eligible for benefits if a health premium surcharge would be paid. Certain services, as listed, would not be covered under this Program. The Program would pay the expenses of institutional providers of health care and each provider would negotiate an annual budget with the Program to cover anticipated expenses. The Program would reimburse independent providers of health care on a fee for service basis. Other insurers and employers would offer benefits that do not duplicate those offered by the Program. Sections 354.750 to 354.816 of this proposal would become effective April 1 of the year following the award of a waiver by the Department of Health and Human Services.

Every employer or self-employed person within the State would pay a health premium surcharge to the Department of Revenue based on the number of employees it has. A health premium

surcharge, in addition to the state income tax, would be imposed on residents' gross income. An employer may agree to pay all or part of an employee's surcharge.

No later than thirty days after the effective date of this proposal, the Department of Social Services would apply to the United States Secretary of Health and Human Services for all health care program waivers that would enable the state to deposit federal funds into the Missouri health care trust fund created in Section 354.771. The Department would also identify other federal fund sources. Under the same time frame, the Governor would appoint Board members. The Board would request that the Program be made available to federal employees and retirees while they are residents of Missouri.

For five consecutive tax years after approval of the Program, any employer who has twenty-five or less employees would be allowed a tax credit against the new tax due in incremental amounts.

Certain sections of this proposal have a conditional effective date and the entire proposal would be submitted to the voters of the state for approval or rejection in November, 2000.

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 Conservation
Department of Economic Development
Department of Elementary and Secondary Education
Department of Health
Coordinating Board for Higher Education
Department of Transportation
Department of Insurance
Department of Labor and Industrial Relations
Department of Natural Resources
Department of Mental Health
Department of Social Services
Office of State Courts Administrator
Office of Secretary of State
Missouri Consolidated Health Care Plan
Central Missouri State University
Southwest Missouri State University
Harris-Stowe College

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BILL NO. SB 593
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February 6, 2000

Missouri Western College
University of Missouri
Truman State University

NOT RESPONDING: Department of Corrections and Department of Public Safety

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director
February 6, 2000