

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3367-02
BILL NO.: SB 984
SUBJECT: Insurance - Medical; Health Care Professionals; Insurance Department
TYPE: Original
DATE: March 16, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
All Funds	(Unknown)	(Unknown)	(Unknown)
General Funds*	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds	(Unknown)	(Unknown)	(Unknown)

*Could exceed \$100,000 annually.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Federal	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds*	\$0	\$0	\$0

*Unknown revenues and expenditures net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Department of Conservation (MDC)** and **Department of Transportation (DHT)** assume the proposed legislation would have no fiscal impact on their agencies.

Officials from the **Missouri State Highway Patrol (MHP)** assume a health carrier is the same as “insurer, nonprofit health service plan or health maintenance organization”. Based on this assumption, the Patrol anticipates no fiscal impact.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** assume prohibiting the tying practices should not fiscally impact MCHCP. However, allowing a person who has filed a claim the right to file a civil action against the carrier for violating 376.1350 would have a fiscal impact. Since the nature of the suits and the settlements may vary, it is impossible to determine the additional costs the plans could acquire. However, the plans can pass this additional cost on through increased premiums. The fiscal impact of this bill is too difficult to determine but could be significant.

Officials from the **Department of Insurance (INS)** assume current appropriations will be able to absorb the expense of implementing this proposal. However, if additional proposals are approved an increase in appropriations may be requested due to the combined affect of multiple proposals. Any increase in MDI expenditures resulting from the passage of this proposal would be paid from the insurance dedicated fund. Insurer fees set by statute finance the dedicated fund. Any expenditures resulting from implementation of this proposal would reduce the fund balance.

Officials from the **Department of Social Services (DOS) - Division of Medical Services (DMS)** assume this proposal would have an unknown impact on its agency. DMS administers a managed care program which contracts with health maintenance organizations (HMOs) for the purpose of providing health care services through capitated rates. These HMOs are subject to the regulations in this legislation.

DOS assumes that any additional costs incurred by managed care contractors because of mandated Federal or State laws will have an effect on the administrative costs included in future bids with the Medicaid program. This legislation could affect the shape of the plans’ networks and reduce the ability of the plans to negotiate terms with health care providers.

It is not possible to estimate the amount of the impact at this time. The cost impact to DOS will be incurred when managed care contracts are rebid.

ASSUMPTION (continued)

Currently, the Medicaid managed care plans average a 9% administrative cost built into the capitation payments. Although it is not possible to predict capitation payment amounts that will be bid in future contracts, for the sake of perspective DOS conservatively estimated a 1% increase in capitation payments due to increased administrative costs. The fiscal impact could range from \$0 to over \$5 million.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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ALL FUNDS

Costs - All Funds

Increased state contributions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON ALL FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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GENERAL REVENUE FUND

Cost - Department of Social Services

Program specific expenditures*	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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*Could exceed \$100,000 annually.

<u>FISCAL IMPACT - Federal Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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FEDERAL FUNDS

Income - Department of Social Services

Medicaid reimbursements	Unknown	Unknown	Unknown
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Cost - Department of Social Services

Program specific expenditures	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON FEDERAL FUNDS*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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*Unknown revenues and expenditures net to \$0.

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FISCAL IMPACT - Small Business

Small health maintenance organizations may be fiscally impacted to the extent they may incur additional administrative costs due to the requirements of this proposal.

DESCRIPTION

Under this act, it is an unfair trade practice for an insurance company to require licensed health care professionals to participate in all of the insurance company's health care or managed care plans in order to participate in another plan or policy. The insurance company shall not deny participation in one of its plans or policies simply because the licensed health care professional has decided not to participate in another plan. If an agreement is signed by an authorized representative of a group of health care professionals, the agreement shall apply to all members of the group. An unfair trade practice can result in an injunction against the insurance company, a monetary penalty (\$1000 per violation or \$25,000 per violation if committed flagrantly) and revocation of the insurance company's license.

This act also creates a cause of action against health insurance carriers who fail to reimburse a person for health service within the statutory time period. A person whose claim is not promptly reimbursed may file a civil action to recover such payment and may also recover attorney fees and other expenses if the health carrier's failure to pay was not substantially justified.

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

Missouri Department of Conservation
Department of Transportation
Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Department of Insurance
Department of Social Services



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Director
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