

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0052-02
Bill No.: SB 82
Subject: Health Care; Health Care Professionals; Insurance Department; Hospitals;
 Medical Procedures and Personnel; Physicians
Type: Original
Date: January 22, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
All Funds	(Unknown)	(Unknown)	(Unknown)
General Revenue*	(Unknown)	(Unknown)	(Unknown)
Insurance Dedicated	\$0	\$12,153	\$14,480
Total Estimated Net Effect on <u>All</u> State Funds	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

*Expected to exceed \$100,000.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Federal	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds*	\$0	\$0	\$0

*Unknown revenues and expenditures would net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health**, the **Department of Transportation**, the **Department of Conservation**, and the **Department of Economic Development - Division of Professional Registration** assume this proposal would not fiscally impact their agencies.

Missouri Consolidated Health Care Plan (HCP) officials state the proposal allows competing physicians within the service area to meet and communicate for the purpose of jointly negotiating terms and conditions with the health insurance plans. Joint negotiation could affect network stability and costs. Currently, physicians or physician offices contract directly with the plan. The contracts vary throughout the year and by individual health plan. If the parties of the joint contractors could not agree on the renewal terms, a reduction of providers could result. Even though the proposal states the individual physicians could then negotiate with the health insurance plans, in certain circumstances the individual physician may not be able to compete with the group of physicians. Joint negotiations could also end with higher reimbursement costs. If the group represents a significant share of providers in the service area, the group of physicians would demand higher capitation rates. Higher rates require higher premiums from employers. However, the overall cost impact cannot be determined at this time.

Officials from the **Office of Secretary of State (SOS)** state this proposal creates The Patient-Physician Advocacy Act. SOS states that based on experience with other divisions, the rules, regulations, and forms issued by the Attorney General could require as many as 20 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register in the Code because cost statements, fiscal notes, and the like are not repeated in Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The actual cost could be more or less than the numbers given. The fiscal impact of this proposal in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded, or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Office of Attorney General (AGO) officials state the cost is unknown because the AGO cannot project the number of physician/HMO agreements that might be submitted for review under this proposal.

Officials from the **Department of Insurance (INS)** state that while the approval or disapproval

ASSUMPTION (continued)

of provider contracts is done by the Attorney General's Office, INS would still be required to review the amended or newly filed provider agreements. INS states that currently each HMO has a limited number of standard contracts for all providers. This proposal would allow numerous individual provider contracts to be negotiated and approved. INS states it is unknown the exact number of contract filings that would result from this proposal but the department assumes it could reach 50 per HMO. INS estimates that one Insurance Product Analyst III (\$36,012) and related expenses would be required to review these contracts upon filing to ensure compliance. INS states the proposal applies to contracts which will be in effect August 28, 2003. INS would require the additional FTE the year prior to handle contract filings done in anticipation of the effective date. INS estimates additional revenue of \$72,500 (29 HMOs x 50 filings x \$50).

Department of Social Services (DOS) officials state the proposal would have a fiscal impact on the **Division of Medical Services (DMS)**. DOS assumes the third party acting on behalf of the physicians as a group could negotiate a higher rate from the HMO than if each person negotiated his own rate. DOS states that typically the physicians have a one year contract with the HMOs and the contracts are negotiated annually. If the physicians negotiated a significant yearly increase and the HMOs collectively had to pay more DMS may respond by increasing the capitation rate paid to the HMO for that year. This is a possibility but the scenario most likely to happen is one in which the capitation rate would be increased when the HMO contracts are rebid. DOS states that during the rebid, the actual experience of the health plans are considered when the upper premium limit is calculated. The higher rates paid to the physicians would be included in the actual costs of the health plans.

DOS states the fiscal impact is unknown but is expected to be greater than \$100,000. As an example, there are over 330,000 Medicaid eligibles enrolled in MC+ and an increase of \$.15 in the rate would be \$594,000 (330,000 x \$.15 x 12 months). DOS states the Western Region will be rebid on February 1, 2002 (FY 2002) while the Eastern Region (December 1, 2002) and the Central Region (March 1, 2003) will be rebid in FY 2003.

Officials from the **Department of Public Safety - Missouri State Highway Patrol (MHP)** did not respond to our fiscal impact request. However, in responding to a similar proposal last year MHP assumed no fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
ALL FUNDS			
<u>Cost - All Funds</u>			
Medical assistance payments	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON ALL FUNDS	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
GENERAL REVENUE FUND			
<u>Costs - Department of Social Services</u>			
Medical assistance payments	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
*Expected to exceed \$100,000.			
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Contract filings	\$0	\$72,500	\$72,500
<u>Costs - Department of Insurance</u>			
Personal service (1 FTE)	\$0	(\$37,835)	(\$38,781)
Fringe benefits	\$0	(\$12,610)	(\$12,926)
Expense and equipment	<u>\$0</u>	<u>(\$9,902)</u>	<u>(\$6,313)</u>
Total <u>Costs</u> - Department of Insurance	<u>\$0</u>	<u>(\$60,347)</u>	<u>(\$58,020)</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$0</u>	<u>\$12,153</u>	<u>\$14,480</u>

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
FEDERAL FUNDS			
<u>Income - Department of Social Services</u>			
Medicaid reimbursements	Unknown	Unknown	Unknown
<u>Costs - Department of Social Services</u>			
Medical assistance payments	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business would expect to be fiscally impacted to the extent that they would incur additional administrative costs as a result of the requirements of this proposal.

DESCRIPTION

This proposal would create procedures for physicians to engage in negotiations with health maintenance organizations (HMO) and certain other insurance companies. This proposal would be known as the Patient-Physician Advocacy Act. Physicians may negotiate their contracts with HMOs and certain other large insurance entities as a group or through a third party representative, which may be a member of the physicians' group or another person designated by the group to be the negotiator. Physicians within a service area of a health insurance policy may meet and discuss, for the purpose of negotiating practices and procedures that include, but would not be limited to: contract negotiations; the delivery of care and cost-efficient health management; promoting patient education; identifying fraud; administrative needs; dispute resolution; patient referral; physician reimbursement; quality assurance; utilization review; and physician selection and termination criteria. The Department of Insurance may collect annual information on the impact of this provision on state physician fees. Any person authorized as a physician representative must comply with specific requirements and provide specific information to the Attorney General of this proposal. After the parties have negotiated, the representative must provide a copy of the proposed contract to the Department for review and response within certain time limits. Physicians may not jointly coordinate the cessation or

DESCRIPTION (continued)

limitation of health care services. They may not negotiate with the insurance company to restrict non-physician health care providers from participation in the policy simply because they are non-physicians. Finally, the physician representative would be required to pay a fee to the Department in order to act as a representative.

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
Missouri Consolidated Health Care Plan
Department of Transportation
Department of Conservation
Department of Social Services
Department of Economic Development
Division of Professional Registration
Department of Health
Office of Secretary of State
Office of Attorney General

NOT RESPONDING: Department of Public Safety - Missouri State Highway Patrol



Jeanne Jarrett, CPA
Director

January 22, 2001