COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1620-01
Bill No.: SB 391
Subject: Health Care; Health Care Professionals; Insurance - Medical; Insurance Department
Type: Original
Date: February 13, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(More than $40,000)	(More than $40,000)	(More than $40,000)
Total Estimated Net Effect on All State Funds	**(MORE THAN $40,000)**	**(MORE THAN $40,000)**	**(MORE THAN $40,000)**

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

***Revenues and expenditures of more than $60,000 annually 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 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance**, the **Department of Conservation**, the **Department of Mental Health**, and the **Department of Transportation** assume this proposal would not fiscally impact their agencies.

Missouri Consolidated Health Care Plan (**HCP**) officials state modifications available under this proposal are:

- Adding the definition of "clean claim" to 376.383 RSMo.
- Until April 1, 2002, carriers may return or hold a claim and request additional information necessary to determine if all or part of the claim would be a covered benefit.
- On or after April 1, 2002, carriers would be required to provide a complete description of the additional information or documentation necessary to process the entire claim as a "clean claim".
- Allow carriers to accrue interest due a member until the amount exceeds $5.
- On or after April 1, 2002, health care professionals would use the HCFA 1500 universal form.
- A health carrier would permit:
    - Non-participating healthcare professionals up to one year after the date of service to file a claim.
    - Participating healthcare professionals up to six months after the date of service to file a claim.
- Any health carrier could not request a refund or offset against a claim more than twelve months after the paid date except for fraud and misrepresentation.
- Issue a confirmation notice to healthcare professionals of receipt of an electronically filed claim.
- On or after January 1, 2003, all claims would be submitted in standard electronic format.

HCP states the fiscal impact of the proposal would: 1) allow carriers to accrue interest until the amount payable reaches five dollars may save the plans some administrative costs, but the savings should be minimal; and 2) allow non-participating healthcare providers up to one year to file a claim may not add any additional costs. HMOs do not cover claims out of the network unless prior approval was granted. The POS and PPO plans allow out of network coverage but the member bears a larger portion of the cost. Therefore, they are encouraged to stay in the network. But allowing participating providers up to six months to file a claim may hamper the plan's ability to estimate the premium for the next year. The plans may rely on older data to determine their premium or may inflate their premium to protect themselves against unknown costs. This cost, however, is too difficult to determine. There may also be some additional cost for all providers to submit claims electronically.

ASSUMPTION (continued)

Oversight assumes that participating providers would not wait six months to file a claim with a plan.

Officials from the **Department of Social Services - Division of Medical Services** (**DMS**) state they would be affected by this proposal because it 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 would be subject to the regulations in this proposal. DMS assumes that any additional costs incurred by managed care contractors because of mandated Federal or State laws would have an effect on the administrative costs included in future bids with the Medicaid program. The cost impact to DMS would be incurred when managed care contracts are rebid. The fiscal impact is unknown but greater than $100,000.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** did not respond to our fiscal impact request.

FISCAL IMPACT - State Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
Costs - Department of Social Services - Division of Medical Services			
Increase in managed care contracts	(More than $40,000)	(More than $40,000)	(More than $40,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**(MORE THAN $40,000)**	**(MORE THAN $40,000)**	**(MORE THAN $40,000)**
FEDERAL FUND			
Income - Department of Social Services - Division of Medical Services			
Medicaid reimbursements	More than $60,000	More than $60,000	More than $60,000

MW:LR:OD (12/00)

FISCAL IMPACT - State Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
Costs - Department of Social Services - Division of Medical Services			
Increase in managed care contracts	(More than $60,000)	(More than $60,000)	(More than $60,000)
ESTIMATED NET EFFECT ON FEDERAL FUND	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

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

DESCRIPTION

Under this proposal, a health carrier would pay a clean claim within 45 days. The current statute does not mention the term "clean claim". The proposal defines a "clean claim" as a claim that has no defect or impropriety and which does not lack any required substantiating documentation. On or after April 1, 2002, a health carrier may request additional information by sending a notice that additional information is needed to determine if the claim is to be paid. Under this proposal, a health carrier may combine interest payments and make payment once the aggregated amount reaches five dollars. After April 1, 2002, health care professionals would be required to file all reimbursement claims using the HCFA 1500 universal form. Under this proposal, health carriers would permit non-participating health care professionals to file a reimbursement claim for a period of up to one year from the date of service. Participating health care professionals would have six months to file a claim for reimbursement unless the contract between the health carrier and professional specifies a different standard. A health carrier would not request a refund or offset a claim more than 12 months after it has paid the claim except in cases of fraud or misrepresentation by the health care professional. A health carrier would issue a confirmation of receipt of an electronically filed claim within 24 hours. On or after January 1, 2003, all reimbursement claims would be submitted in an electronic format consistent with federal guidelines. Any claims filed in a non-electronic format after this date would not be governed by the late payment provisions of section 376.383. This proposal would also require the director of

DESCRIPTION (continued)

the Department of Insurance to appoint a task force to develop industry standards for the electronic exchange of reimbursement claims.

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
Department of Conservation
Department of Transportation
Department of Mental Health
Department of Social Services
Missouri Consolidated Health Care Plan

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

Jeanne Jarrett, CPA
Director

February 13, 2001

MW:LR:OD (12/00)