COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2652-02
Bill No.: SB 651
Subject: Health Care; Health Care Professionals; Physicians; Insurance - Medical; Medical Procedures and Personnel
Type: Original
Date: January 14, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
All Funds	$0 to ($10,583,717)	$0 to ($13,970,506)	$0 to ($15,367,557)
General Revenue*	(Unknown)	(Unknown)	(Unknown)
Insurance Dedicated	$9,850	$0	$0
Total Estimated Net Effect on All State Funds*	**(UNKNOWN)**	**(UNKNOWN)**	**(UNKNOWN)**

***Expected to exceed $100,000 annually.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Federal*	$0	$0	$0
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

***Revenues and expenditures are expected to exceed $100,000 annually and would net to $0.**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	**$0 to ($2,451,477)**	**$0 to ($3,235,949)**	**$0 to ($3,559,544)**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Transportation**, the **Department of Conservation**, and the **Department of Public Safety - Missouri State Highway Patrol** assume this proposal would not fiscally impact their agencies.

Officials from the **Department of Social Services - Division of Medical Services** (**DMS**) state the proposal affects them because DMS administers a managed care program which contracts with health maintenance organizations (HMO) for the purpose of providing health care services through capitated rates. These HMOs would be subject to the regulations in this proposal.

DMS states the proposal mandates that plans cannot prohibit or limit a health care provider willing to accept the plan's operating terms and conditions, its schedule of fees, covered expenses, utilization regulations and quality standards, from the opportunity to participate in that plan. DMS states this is essentially "any willing provider" language. "Any willing provider" language reduces a plan's ability to negotiate aggressive rates based on guaranteed volume because the potential for guaranteed volume is reduced when the number of providers cannot be strictly controlled. This affects the entity paying the plans to operate the program which in the case of the managed care program is DMS.

DMS estimates there would be fiscal impact to DMS because of this proposal. The proposal affects the shape of the plans' networks and also reduces the ability of the plans to negotiate terms. DMS states it is not possible to estimate the amount of the impact at this time. The cost impact would be incurred when bids are made by the plans because they would include the increased cost in their bid. Capitation payments to managed care plans in FY2001 were more than $447 million. For the sake of perspective, an increase of just one percent in the cap rate would result in an additional annual cost of $4.5 million.

Missouri Consolidated Health Care Plan (**HCP**) officials state that competition fuels the contract negotiations between a physician and a medical plan. Typically, providers give discounts in exchange for patient volume. If every physician participates in a health plan, the carrier is limited on controlling costs. The participating physicians may also refuse to participate if the volume is no longer guaranteed and the prices would start to escalate. This would result in significant cost to the plans that would recoup these costs through increased premiums.

According to opponents in Minnesota, the "Any Willing Provider" Law could increase costs as much as 29%. A few years ago, several studies were done on this issue with a wide range of impacts. A study by the Barents Group, LLC of KPMG Peat Marwick, LLP for the Alliance for Managed Care states the impact to be about 15 percent. Another study done by Atkinson and Company estimates the impact to be between 9.1 and 28.7 percent. MCP will assume a rather

ASSUMPTION (continued)

conservative approach on the impact of this legislation and use 10%

In 2001 managed care plans requiring a gatekeeper and having no out of network option cost a total of $171,628,742 for the state members and $29,417,723 for the Public Entities. Currently, the state contributes approximately 74% toward the state member's premium. The total fiscal impact for the first year could be $12,700,460 for the state portion and $2,941,772 for the Public Entity portion, including the member's portion.

Oversight assumes a ten percent increase per year.

Department of Insurance (INS) officials state that insurers and HMOs would be required to amend their policies to comply with this legislation. Amendments must be filed with INS. INS estimates that 171 insurers and 26 HMOs would be required to file at least one amendment to their policy form with a filing fee of $50, resulting in revenue of $9,850 in FY 2003. INS has reached capacity in policy form reviews and the additional workload created by this legislation would cause delays in policy form reviews. Additional staff are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form amendments, the department would need to request additional staff to handle the increase in workload.

FISCAL IMPACT - State Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
ALL FUNDS			
Cost - All Funds			
Increased state contributions	$0 to ($10,583,717)	$0 to ($13,970,506)	$0 to ($15,367,557)
ESTIMATED NET EFFECT ON ALL FUNDS	**$0 to ($10,583,717)**	**$0 to ($13,970,506)**	**$0 to ($15,367,557)**
GENERAL REVENUE FUND			
Cost - Department of Social Service			
Medical assistance payments*	(unknown)	(unknown)	(unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	**(UNKNOWN)**	**(UNKNOWN)**	**(UNKNOWN)**

FISCAL IMPACT - State Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
***Expected to exceed $100,000 annually.**			
INSURANCE DEDICATED FUND			
Income - Department of Insurance			
Form filing fees	$9,850	$0	$0
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	**$9,850**	**$0**	**$0**
FEDERAL FUNDS			
Income - Department of Social Services			
Medicaid reimbursements *	Unknown	Unknown	Unknown
Cost - Department of Social Services			
Medical assistance payments*	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0**	**$0**	**$0**
***Expected to exceed $100,000 annually**			

FISCAL IMPACT - Local Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
POLITICAL SUBDIVISIONS			
Cost - Political Subdivisions			
Increased local contributions	$0 to ($2,451,477)	$0 to ($3,235,949)	$0 to ($3,559,544)
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	**$0 to ($2,451,477)**	**$0 to ($3,235,949)**	**$0 to ($3,559,544)**

FISCAL IMPACT - Small Business

Small business practices would expect to be fiscally impacted to the extent they would be able to participate in more health plans.

CM:LR:OD (12/01)

DESCRIPTION

This proposal requires a health carrier to allow any health care provider to participate in its network if that person satisfies all of the selection standards. This prooposal will be known as the Patient Freedom of Choice Act of 2002.

Currently, Section 354.606, RSMo, deals with contracts between health carriers (currently defined as HMOs) and health care professionals (currently defined as physicians or other health care practitioners who provide specific health services). New language provides that health carriers may not develop selection criteria in such a way that it will deny a health care professional the opportunity to become a participating provider if that professional meets all of the selection criteria and is willing to abide by all other terms and conditions. Current language also contains a provision that health carriers do not, however, need to hire more providers than necessary to maintain an adequate network.

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 Transportation
Department of Social Services
Missouri Consolidate Health Care Plan
Department of Insurance
Department of Conservation
Department of Public Safety
  Missouri State Highway Patrol

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Acting Director
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