

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2891-01  
Bill No.: SB 1044  
Subject: Health Care Insurance - Medical; Hospitals; Insurance Department  
Type: Original  
Date: March 11, 2002

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
All funds	(Unknown)	(Unknown)	(Unknown)
General Revenue	(\$87,150)	\$0	\$0
Insurance Dedicated	\$9,850	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$77,300 to Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Federal*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Revenues and Expenditures of \$87,150 net to \$0.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Local Government</b>	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

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## FISCAL ANALYSIS

### ASSUMPTION

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

The **Department of Social Services - Division of Medical Services (DMS)** state the requirement of 24 hour inpatient care following a surgery that takes three or more hours to complete would not impact the DMS. The DMS assumes recipients undergoing surgery that requires more than 3 hours would receive 24 hours of inpatient care thereafter, would be released with the consent of the attending physician after consulting the patient, or would be provided coverage for post-discharge. According to the Medicaid physician consultant, a representative from the Missouri Hospital Association, and a representative of Missouri Consolidated Health Care Plan (HCP), they all assume a 24 hour stay after a 3 or more hour surgery is most likely the current practice.

A HCP representative stated that there may be a minimal number of minor surgeries that take more than the 3 hours to complete that would not currently require a 24-hour inpatient stay, but these would be low overall and would be spread among the entire insured population in the form of slightly higher premiums. In addition, the Medical Review Services (MRS) that determines proper inpatient stays for the DMS stated that this legislation would not impact their current practice. However, the DMS cannot determine whether this situation occurs because there is no record of the length of a surgery in claims records. MRS determines inpatient stays based on diagnosis codes and if a surgery is performed, not on the length of surgery. Therefore DMS may need to make policy changes that state MRS is required to certify inpatient stays based on the length of surgery. DMS also may need to amend the contract with MRS to reflect this requirement. The DMS contracts with certain health maintenance organizations through the MC+ program to provide managed care services to certain Medicaid populations. The DMS assumes that the MC+ health plans would have no impact due to the reasons cited above.

DMS states this proposed legislation requires notification to recipients that Medicaid is required to provide 24 hours of inpatient care after a 3 or more hour surgery. The DMS would require MC+ health plans to include this requirement in their member handbooks that are sent to enrollees every year. For the Medicaid fee-for-service patients, the DMS would notify these recipients through the mail. Based on previous mailings sent to all recipients, the cost would be \$174,302. This cost is based on a projected Fee-for-service recipient population of 471,086 and includes printing, stuffing, and mailing costs. Any new fee-for-service eligibles would be informed through the current Medicaid literature that would be updated if this proposed legislation passes. Any new MC+ enrollees would receive notification through their member handbooks.

ASSUMPTION (continued)

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state it is very difficult to accurately predict the cost associated with this proposal. There are many different types of surgeries, some of which, although minor, could cause an operation to extend to three hours or longer. In those cases the 24-hour mandatory period could significantly increase the cost of minor surgery which would be reflected in increased premiums. In the case of more serious surgery, the patient will most likely already stay 24-hours or longer.

Officials from the **Department of Insurance (INS)** assume 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.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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**ALL FUNDS**

Costs - All funds

Increased contributions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON ALL FUNDS**

	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>
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**GENERAL REVENUE**

Costs - Department of Social Services -  
 Division of Medical Services

Notification costs	<u>(\$87,150)</u>	<u>\$0</u>	<u>\$0</u>
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**ESTIMATED NET EFFECT ON GENERAL REVENUE**

	<b><u>(\$87,150)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<b>INSURANCE DEDICATED</b>			
<u>Income - Department of Insurance</u>			
Form filing fees	<u>\$9,850</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>\$9,850</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>FEDERAL</b>			
<u>Income - Department of Social Services - Division of Medical Services</u>			
Medicaid reimbursements	\$87,150	\$0	\$0
<u>Costs - Department of Social Services - Division of Medical Services</u>			
Notification costs	<u>(\$87,150)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON FEDERAL</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Costs - All local governments</u>			
Increased contributions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>(UNKNOWN)</u></b>	<b><u>(UNKNOWN)</u></b>	<b><u>(UNKNOWN)</u></b>

FISCAL IMPACT - Small Business

Small business might be expected to pay higher insurance premiums as a result of this proposal.

DESCRIPTION

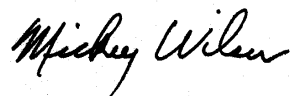
CM:LR:OD (12/01)

This proposal requires insurance companies to provide mandatory coverage for twenty-four hours of inpatient care following surgery. The inpatient care may be for less than twenty-four hours if the patient agrees to a shorter period of inpatient care and the insurance policy provides coverage of post-discharge care. All insurance policies shall provide notice of this required coverage. This required coverage shall not be subject to greater deductibles or copayments than other similar health care coverages provided in the policy.

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 Consolidated Health Care Plan  
Department of Insurance  
Missouri Department of Conservation  
Department of Public Safety -  
Missouri State Highway Patrol



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Acting Director  
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