

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3452-01
Bill No.: SB 842
Subject: Insurance - Medical; Physicians
Type: Original
Date: February 12, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$0 to \$3,918,355)	(\$0 to \$4,861,062)	(\$0 to \$5,079,810)
Insurance Dedicated	\$1,300	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$0 to \$3,917,055)	(\$0 to \$4,861,062)	(\$0 to \$5,079,810)

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

* Revenues and Expenditures would net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

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

Officials from **Missouri Consolidated Health Care Plan (HCP)** state this proposal requires all managed care organizations to provide chiropractic benefits without discrimination to access, fees, deductibles, co-payments, benefit limits, and practice parameters. Currently the HCP's HMO plans and the First Health Copay plan allow members to obtain chiropractic care with a participating chiropractor for the same copayment as any other physician. There is no dollar limit on this benefit. Therefore, HCP assumes this proposal does not fiscally impact HCP.

Officials from the **Department of Insurance (INS)** assume HMOs would be required to amend their policies to comply with this legislation. Amendments must be filed with INS. INS estimates that 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 \$1,300 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.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state that DMS contracts with managed care health plans to provide medical assistance to individuals eligible under Section 208.151. The managed care health plans are subject to the proposed legislation, therefore, there is a fiscal impact to the DMS.

DMS states if the service proposed in the new legislation is not a Medicaid state plan service, only the recipients enrolled in managed care would receive the service. There would be no federal financial participation (See Cost Scenario 1). In order to receive federal participation, the service would need to be included in the Medicaid state plan, therefore services would be provided to all Medicaid recipients (See Cost Scenario 2).

General Assumptions for Both Cost Scenarios:

A 1991 Gallup poll commissioned by the American Chiropractic Association found that 10.1% of adults (18 and over) had used chiropractic services within the last year. DMS assumes the adult Missouri Managed Care population will use chiropractic services at the same rate. DMS assumes that children will use chiropractic services but at a lower rate than adults. A 5%

participation rate was assumed by DMS.

ASSUMPTION (continued)

DMS assumes the average number of visits per user will be 11 visits. This is based on a Rand Study from 1991 - A Community-Based Study of the Use of Chiropractic Services.

DMS assumes the chiropractic services will be limited to those procedures currently covered by Medicare. The services will be limited to chiropractic manipulative treatment (CMT) spinal, one to five regions. The projected cost of a visit is \$17.39. The average rate for Medicare procedure codes for area 01 is \$34.78. The average rate was then multiplied by 50% to arrive at the Medicaid cost per visit. Historically, Medicaid rates are originally set at 50% of the Medicare rate.

Per the Division of Professional Registration's available statistics in January 2002, there are 1,886 licensed chiropractic physicians in Missouri. If 75% enroll in the Medicaid program, additional staff will be needed to handle the increased workload. Currently there are 13 staff who handle the enrollment issues and 34,155 providers enrolled in the Medicaid program. This is 2,627 providers per staff member. If 1,415 chiropractors enroll in the Medicaid program, one-half FTE will be needed ($1,415 / 2,627 = 53.9\%$). The FTE will be responsible for enrolling the providers - mailing enrollment packets, reviewing applications for accurate and complete information, issuing provider numbers, and updating provider files. **Oversight** assumes that DMS could absorb the additional workload and would not require an additional one-half FTE.

DMS further assumes that both cost scenarios would involve the following one-time administrative cost: (1) DMS's actuary would re-negotiate the current contracts with the managed care health plans. The increased fee is \$75,000, (2) A Medicaid bulletin would need to be prepared and distributed to all providers involved. The estimated cost is \$13,100. (3) At least two mailings would need to be prepared and sent to notify enrollees. The estimated cost is \$20,000. (4) State Fair hearings would also increase which will add additional costs for administration. The estimated cost is unknown. (5) System work would need to be completed for claims to be processed and paid. Total Administration costs for both scenarios are \$108,100.

Cost Scenario 1

The DMS makes the following assumption if the service were not a Medicaid state plan service and only recipients enrolled in managed care would receive the service: (1) Fee for service recipients--the estimated cost is no fiscal impact because fee for service individuals would not receive this service. (2) The managed care recipients--capitated rates would increase due to the added service.

DMS states the current Managed Care population (October 2001) consists of 87,192 adults and 311,191 children (age 0 to 17). DMS states the projected adult population of chiropractic users

ASSUMPTION (continued)

is 8,806 ($87,192 \times 10.1\%$). DMS states the projected child population of chiropractic users is 15,560 ($311,191 \times 5\%$). DMS states the projected population of chiropractic users is 24,366 ($8,806 + 15,560$). Therefore, DMS states the projected annual cost increase in managed care capitation payments is \$4,660,972 ($24,366 \text{ users} \times 11 \text{ visits} \times \$17.39/\text{visit}$). There would be no federal match rate for the program expenditures.

FY 03 - \$3,884,143 (10 months); Administration \$108,100
FY 04 - \$4,870,716 (includes 4.5% inflationary factor)
FY 05 - \$5,089,898 (includes 4.5% inflationary factor)

Cost Scenario 2

The DMS assumes chiropractic services would be included in the Medicaid State Plan and services would be provided to all recipients in this scenario

The current Medicaid population (October 2001) consists of 386,694 adults and 473,346 children (age 0 to 17). DMS states projected adult population of chiropractic users is 39,056 ($386,694 \times 10.1\%$). DMS states projected child population of chiropractic users is 23,667 ($473,346 \times 5\%$). DMS states the projected population of chiropractic users is 62,723 ($39,056 + 23,667$). Assuming no increase from actuarial calculations, the projected annual cost is calculated as \$11,998,283 ($62,723 \text{ users} \times 11 \text{ visits} \times \$17.39/\text{visit}$).

DMS states the match rate of 61.23% is used for program expenditures.

FY 03 - \$9,998,568 (10 months); Administration \$108,100
FY 04 - \$12,538,205 (includes a 4.5% inflationary factor)
FY 05 - \$13,102,425 (includes a 4.5% inflationary factor)

DMS is presenting scenario 2 as the cost for the fiscal note due to its more efficient usage of state resources.

Oversight assumes the amount presented by DMS reflect a maximum number of individuals that would obtain chiropractic services. Oversight will present a range which includes the administrative portion and the program cost but not the additional one-half FTE. Oversight will present costs at \$0 to \$9,998,568 for FY 03; \$0 to \$12,538,205 for FY 04; and \$0 to \$13,102,425 for FY 05.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Costs</u> - Department of Social Services			
Increased capitation payments	(\$0 to <u>\$3,918,355</u>)	(\$0 to <u>\$4,861,062</u>)	(\$0 to <u>\$5,079,810</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$0 to \$3,918,355)</u>	<u>(\$0 to \$4,861,062)</u>	<u>(\$0 to \$5,079,810)</u>
INSURANCE DEDICATED FUND			
<u>Revenues</u> - Department of Insurance			
Form filing fees	<u>\$1,300</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$1,300</u>	<u>\$0</u>	<u>\$0</u>
FEDERAL FUNDS			
<u>Income</u> - Department of Social Services			
Medicaid Reimbursements	\$0 to \$6,188,313	\$0 to \$7,677,143	\$0 to \$8,022,615
<u>Costs</u> - Department of Social Services			
Medicaid program costs	(\$0 to <u>\$6,188,313</u>)	(\$0 to <u>\$7,677,143</u>)	(\$0 to <u>\$8,022,615</u>)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business could be affected by this proposal which could result in higher health insurance premiums.

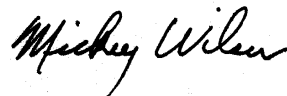
DESCRIPTION

This proposal requires managed care organizations to provide chiropractic benefits to enrollees. A covered enrollee may utilize chiropractic services without discrimination relative to access, fees, deductibles, copayments, and benefit limits. This proposal prohibits a managed care organization from prohibiting a chiropractic doctor from providing care on an elective, self-pay, fee-for-service basis.

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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