COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3509-01
Bill No.: SB 952
Subject: Insurance - Medical; Health Care Professionals
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	$9,850	$0	$0
Highway	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on All State Funds	**(Unknown)**	**(Unknown)**	**(Unknown)**

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 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 8 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Department of Conservation** assume this proposal would not fiscally impact their agency.

Officials from **Missouri Consolidated Health Care Plan (HCP)** state this proposal requires all policies to provide for direct access to a participating chiropractor. The care received shall be within the scope of practice. Other medical physicians cannot discriminate against any health care provider or group of providers acting within the scope of their business. All health care providers may be subject to reasonable deductibles, coinsurance, copayments practice parameters and reasonable utilization provided that such parameters are not discriminatory and more restrictive than any other health care provider. HCP states a health care provider is defined in this bill as a chiropractic physician or medical physician or surgeon as defined by their respective statutes.

Currently, the HCP plans provide chiropractic benefits. The HMO and Copay plans allow a member to receive chiropractic services with a network provider at the same copayment as a medical physician. There is no specific dollar limit on these services. However, the gatekeeper HMO plans do require a referral. Health plans may see eliminating the referral from the PCP as a cost driver. Gatekeeper HMO's utilize the referral system as a means to control costs. Therefore, HCP states the plans may increase premiums to recoup this cost. HCP anticipates the increases to be minimal as the member is probably receiving medical care from the PCP, a chiropractor or other specialist for the condition anyway.

The HCP PPO plan provides chiropractic services but restricts each visit to a maximum allowable benefit and each year to an annual maximum benefit. Medical physicians and surgeons are not restricted to a specific dollar benefit. The PPO plan does not require a PCP; the member has direct access to network providers. Modifying the plan to remove any discriminating benefit designs will increase the premium required for the policy. However, the increase is expected to be minimal.

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.

ASSUMPTION (continued)

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer their fiscal note response to Department of Transportation.

Officials from the **Department of Transportation (DHT)** state this legislation requires health carriers to provide chiropractic care with deductibles and co-payments which are no more restrictive than for other medical services. DHT states this legislation will have no fiscal impact on DHT. The Highway & Patrol Medical Plan is not included in the definition of health carrier in Chapter 376 but section 104.801 RSMo. 2000 would require the Medical Plan to provide similar coverage. The Medical Plan currently covers some chiropractic care, but excludes many services as well as limits the number of services that it does cover with a chiropractor. As a result, DHT states there will be a fiscal impact to the Medical Plan because the Medical Plan would not be able to limit its services unless it was limiting those same services with other medical physicians.

Currently the medical plan covers only the manual manipulation of the spine by a licensed chiropractor to correct a subluxation that has been demonstrated by X-ray from a physician or chiropractor (the plan allows coverage for one X-ray by a chiropractor per calendar year). DHT states covered services for manual manipulations are limited to 30 treatments per calendar year. Assuming that the Medical Plan would have to cover office visits as well as many of the other services that a chiropractor offers and not limit the number of treatments per calendar year, DHT assumes there would be a substantial fiscal impact to the medical plan. Without knowing the exact procedures or how many individuals would start utilizing a chiropractor, there is no way to estimate a fiscal impact. DHT states that the impact would be very substantial due to the increase in coverage as well as an increase in utilization.

Historically, the DHT, MHP and the plan members have shared in any premium increases necessary because of increases in benefits. The costs may be shared in the long run (meaning shared between three categories: absorbed by the plan, state appropriated funds, and/or costs to individuals covered under the plan). However, the DHT (commission) must make a decision on what portion they will provide. Until the commission makes a decision, DHT can only provide the cost to the medical plan.

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 Scenario1). In order to receive federal participation, the ASSUMPTION (continued)

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.

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.

ASSUMPTION (continued)

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 is 8,806 (87,192 x 10.1%). DMS states the projected child population of chiropractic users is 15,560 (311,191 x 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 users x 11 visits x $17.39/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 x 10.1%). DMS states projected child population of chiropractic users is 23,667 (473,346 x 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 users x 11 visits x $17.39/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.

ASSUMPTION (continued)

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.

FISCAL IMPACT - State Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE			
Costs - Department of Social Services			
Medicaid program costs	($0 to $3,918,355)	($0 to $4,861,062)	($0 to $5,079,810)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**($0 to $3,918,355)**	**($0 to $4,861,062)**	**($0 to $5,079,810)**
INSURANCE DEDICATED FUND			
Revenue - Department of Insurance			
Form filing fees	$9,850	$0	$0
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	**$9,850**	**$0**	**$0**
HIGHWAY FUND			
Costs - Department of Transportation			
Increased state contribution	(Unknown)	(Unknown)	(Unknown)
Costs - Department of Public Safety - Missouri State Highway Patrol			
Increased state contribution	(Unknown)	(Unknown)	(Unknown)

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FISCAL IMPACT - State Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
ESTIMATED NET EFFECT ON HIGHWAY FUND	**(UNKNOWN)**	**(UNKNOWN)**	**(UNKNOWN)**
FEDERAL FUNDS			
Income - Department of Social Services			
Medicaid reimbursements	$0 to $6,188,313	$0 to $7,677,143	$0 to $8,022,615
Costs - Department of Social Services			
Medicaid program costs	($0 to $6,188,313)	($0 to $7,677,143)	($0 to $8,022,615)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

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

DESCRIPTION

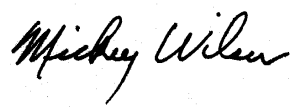
This proposal requires health carriers to provide chiropractic care as part of basic health care services. Covered enrolles who wish to receive such care shall have direct access to a chiropractic physician within the provider network. The enrollee shall have the right to obtain clinically necessary and appropriate follow-up care. Health carrier gatekeepers shall not intentionally misinform an enrollee about the availability of chiropractic services under the enrollee's plan. Chiropractic services provided by a chiropractor shall be subject to reasonable deductibles, copayments and other benefit limits, but such limits shall not function to direct

treatment in a manner which unfairly discriminates against the chiropractor

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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February 12, 2002

CM:LR:OD (12/01)