

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4572-01
Bill No.: SB 1141
Subject: Insurance - Medical; Mental Health; Health Care; Health Care Professionals
Type: Original
Date: March 26, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)
Highway	(\$213,139 to (\$426,276)	(\$255,766 to (\$511,532)	(\$255,766 to (\$511,532)
Insurance Dedicated	\$9,850	\$0	\$0
Conservation	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds	(Greater than \$303,289 to Unknown)	(Greater than \$355,766 to Unknown)	(Greater than \$355,766 to Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$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 **Department of Economic Development - Division of Professional Registration** and the **Department of Health and Senior Services** assume this proposal will not fiscally impact their agency.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** deferred the fiscal impact response to the Department of Transportation.

Department of Transportation (DHT) officials state that the Highway & Patrol Medical Plan covers mental health services the same as medical services. As a result, DHT states there would be no impact to the Medical Plan for mental health services. However, DHT states the Medical Plan has a 30 day maximum per plan year for inpatient hospital services and inpatient medical care for the treatment of chemical dependency and a 20 day maximum per plan year for outpatient services and treatment of chemical dependency. In addition, DHT states the Medical Plan has a maximum of four times the plan year for chemical dependency treatments and services. Because this legislation would require the Medical Plan to cover chemical dependency services with no greater financial burden than medical services, this legislation would have a fiscal impact on the Medical Plan due to the chemical dependency provisions.

DHT spoke to the Medical Plan's actuary, who estimated that this legislation would result in an increase of .7% to 1.4% of total claims due to the annual number of days and lifetime maximum for treatment being removed. The actuary states a 1.4% increase and because the medical plan currently has parity with mental health services and not chemical dependency services, DHT assumes a range from .7% to 1.4%. The actuary was comfortable with a .7% increase on the low end of the range but felt that costs would actually fall somewhere in between. The actuary reported that the Medical Plan paid a total of approximately \$36,538,000 in claims for the calendar year 2001. Based on this information, DHT assumes there would be a fiscal impact of \$255,766 to \$511,532 per year ($\$36,538,000 \times .07$ and $\$36,538,000 \times 1.4\%$) to the Medical Plan. The Medical Plan consists of 77% DHT and 23% MHP participants. Therefore, there would be a fiscal impact of \$196,940 to \$393,880 due to DHT participation and \$58,826 to \$117,652 due to MHP participation.

Historically, MHP, DHT, 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 MHP and DHT must make a decision on what portion they will provide. Until a decision is made, DHT and MHP can only provide the cost to the medical plan.

ASSUMPTION (continued)

Department of Mental Health (DMH) officials state that to the extent that DMH consumers have insurance coverage, there could be minimal savings to the DMH. However, it is likely that any savings would be offset by increased service utilization of individuals who are currently underserved. Further, at this time, the DMH is unsure of the type of coverage, the amount of insurance coverage and/or the number of individuals that would be affected by this proposal. Based on DMH's current understanding that any savings would be offset by additional service utilization costs, the resulting fiscal impact to DMH would be zero.

Officials from the **Department of Conservation (MDC)** state this proposal could have significant impact on MDC funds because of increased health insurance claims. MDC states the amount of impact is unknown.

Missouri Consolidated Health Care Plan (HCP) officials state the HCP HMO, POS and Copay plans cover Mental Health and Chemical Dependency as any other medical benefit under the plan. The HCP State PPO plan allows for the member to pay a copayment of \$10 for visits 1-5, of \$15 for visits of 6-10, and \$20 for any additional visits. This benefit does not require the member to meet their deductible. Therefore, HCP states this benefit is more favorable than the medical benefit. HCP states this bill does not fiscally impact the state.

The HCP public entity PPO plan applies a different benefit to Chemical Dependency. Therefore, the additional coverage required will add some cost which HCP expects to cause minimal increases in premiums.

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.

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

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. DMS states there would ASSUMPTION (continued)

be no federal financial participation. 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. DMS states only services medically necessary are approved in the Medicaid state plan.

The DMS assumes the following:

1. The managed care capitated rates would increase due to services added. DMS states the estimated cost is unknown. DMS states managed care would have to add the service to the category which includes Foster Care, Child Welfare Services, Division of Youth Services, and Homeless, Dependent and Neglected children. Also, managed care currently only allows three days for alcohol and drug inpatient treatment in an acute hospitals.
2. Additional costs for fee-for-service recipients. The estimated cost is unknown. Currently, Medicaid fee-for-service only allows three days for alcohol and drug treatment in an acute care hospital.
3. DMS's actuary would renegotiate the current contracts with the managed care health plans. The estimated cost is \$75,000.
4. A Medicaid bulletin would need to be prepared and distributed to all providers involved. The estimated cost is \$13,100.
5. At least two mailings would need to be prepared and sent to notify enrollees. The estimated cost is \$20,000.
6. Hearings would also increase which would add additional costs for administration. The estimated cost is unknown.
7. System work would need to be completed for claims to be processed and paid.

DMS estimates the fiscal impact to be unknown but greater than \$100,000.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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GENERAL REVENUE

Costs - Department of Social Services -
 Division of Medical Services

Various program costs	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>
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ESTIMATED NET EFFECT ON

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>
INSURANCE DEDICATED FUND			
<u>Income</u> - Department of Insurance			
Form filing fees	<u>\$9,850</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$9,850</u>	<u>\$0</u>	<u>\$0</u>
HIGHWAY FUND			
<u>Costs</u> - Department of Transportation			
Increased state contribution	(\$164,117 to \$328,233)	(\$196,940 to \$393,880)	(\$196,940 to \$393,880)
<u>Costs</u> - Department of Public Safety - Missouri Highway Patrol			
Increased state contribution	<u>(\$49,022 to \$98,043)</u>	<u>(\$58,826 to \$117,652)</u>	<u>(\$58,826 to \$117,652)</u>
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>(\$213,139 to \$426,276)</u>	<u>(\$255,766 to \$511,532)</u>	<u>(\$255,766 to \$511,532)</u>
CONSERVATION FUND			
<u>Costs</u> - Department of Conservation			
Increased state contribution	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Small Business</u>			

Small businesses would be expected to be fiscally impacted to the extent that they may incur additional health insurance costs due to the requirements of this proposal.

DESCRIPTION

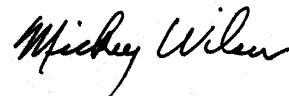
This proposal requires certain health insurance carriers to provide mental health coverage at a level equal to other services. A new Section 376.1550 prohibits health carriers which offer services on or after January 1, 2003, from charging additional fees or restricting requirements for mental health or addictive disorder services than would be charged or imposed for other medical services. This provision will not apply to certain insurance policies.

Sections 376.810, 376.811, 376.814, 376.825, 376.826, 376.827, 376.830, 376.833, 376.836, and 376.840, RSMo, regarding mental health and chemical dependency insurance are repealed.

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 Economic Development -
Division of Professional Registration
Department of Health and Senior Services
Department of Public Safety -
Missouri State Highway Patrol
Department of Transportation
Department of Mental Health
Missouri Department of Conservation
Missouri Consolidated Health Care Plan



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