

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1653-01
Bill No.: HB 604
Subject: Health Care; Insurance - Medical; Insurance Dept.; Taxation and Revenue -
 General
Type: Original
Date: March 9, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(Unknown exceeding \$64,610)	(Unknown exceeding \$64,610)	(Unknown exceeding \$64,610)
Total Estimated Net Effect on General Revenue Fund	(Unknown exceeding \$64,610)	(Unknown exceeding \$64,610)	(Unknown exceeding \$64,610)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Other State	(Unknown exceeding \$14,490)	(Unknown exceeding \$14,490)	(Unknown exceeding \$14,490)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown exceeding \$14,490)	(Unknown exceeding \$14,490)	(Unknown exceeding \$14,490)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Federal	(Unknown exceeding \$20,900)	(Unknown exceeding \$20,900)	(Unknown exceeding \$20,900)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Unknown exceeding \$20,900)	(Unknown exceeding \$20,900)	(Unknown exceeding \$20,900)

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	(Unknown exceeding \$100,000)	(Unknown exceeding \$100,000)	(Unknown exceeding \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue - Division of Taxation and Collection, Department of Public Safety (DPS) - Director’s Office, Office of Administration - Division of Personnel** and **Missouri Department of Conservation** assume the proposal will have no fiscal impact on their organizations.

Officials from the **DPS - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the potential fiscal impact of this proposal on their organization.

Officials from the **Missouri Department of Transportation (DOT)** state the pertinent portion of the Trade Act of 2002 helps certain displaced workers who have lost their jobs because of foreign competition to obtain health coverage. The Act does this by providing a fully refundable, advanceable federal income tax credit to cover health insurance costs for eligible individuals. An eligible individual can arrange for the federal government to pay the credits to health insurance companies as the premiums come due. This proposal explains what plans will be available as a “state-qualified health coverage option” in Missouri so that eligible individuals may take

ASSUMPTION (continued)

advantage of the tax credit under the Trade Act of 2002. The Highway and Patrol health plan appears to fall within the language of the proposal. However, it is difficult to speculate whether the DOT does or will have any employees who will be considered eligible to receive these tax credits. Under the Trade Act it is the individual's responsibility to obtain a certificate of eligibility. The language within this proposal merely provides for a federal tax credit individuals can take advantage of. Therefore, there will be no fiscal impact on the Highway and Patrol Medical Plan or on the Missouri Highway Transportation Commission/DOT.

Officials from the **Department of Insurance (INS)** state the proposal would have no fiscal impact on the INS as the proposal does not actually guarantee that any of the types of health plans listed will actually meet the federal rules for being "qualified", nor does it provide any displaced workers with eligibility or an enrollment mechanism for joining the state employee health plan or any other health plan.

A state law that calls a health plan "qualified" for purposes of allowing health plan members to claim the federal health coverage tax credit does not actually make any health plan "qualified." Laws related to the Missouri health insurance high risk pool and other state health plans would need to be changed in order for members to claim the federal tax credit.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state currently the Copay Plan through First Health contains a six-month pre-existing condition limitation. Health care plans through the Public Entities also contain pre-existing condition limitations. However, if a member was previously covered by other health insurance coverage and the break in coverage was less than 63 days, the pre-existing limitation is reduced by the time covered under the previous plan. Due to this pre-existing condition limitation, the HCP would not meet the criteria of a state-qualified health coverage option. Elimination of pre-existing condition limitations would add cost due to additional claims. HCP's requirement to provide eligible members with monthly certificates of Trade Adjustment Assistance eligibility would also add additional cost. Although it is very difficult to determine the fiscal impact, HCP estimates the impact would be greater than \$100,000 annually for each, the state and Public Entities' funds.

Officials from the **Office of Secretary of State (SOS)** state this proposal permits certain health insurance plans to be available as state-qualified health coverage options for purposes of the federal health coverage tax credit. This proposal may result in the Department of Insurance promulgating rules to implement the legislation. These rules will be published in the Missouri Register and the Code of State Regulations. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Insurance could require as many as 10 pages in the Code of State Regulations. For any given rule, roughly one-half again as many pages are

ASSUMPTION (continued)

published in the Missouri Register as are published in the Code because of cost statements, fiscal notes and notices that are not published in the Code. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded, and withdrawn. The SOS estimates the cost of the proposal to be \$615 [(10 pgs. X \$27) + (15 pgs. X \$23)] for FY 06.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE FUND			
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state share of health insurance premiums	<u>(Unknown exceeding \$64,610)</u>	<u>(Unknown exceeding \$64,610)</u>	<u>(Unknown exceeding \$64,610)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown exceeding \$64,610)</u>	<u>(Unknown exceeding \$64,610)</u>	<u>(Unknown exceeding \$64,610)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
OTHER STATE FUNDS			
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state share of health insurance premiums	<u>(Unknown exceeding \$14,490)</u>	<u>(Unknown exceeding \$14,490)</u>	<u>(Unknown exceeding \$14,490)</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>(Unknown exceeding \$14,490)</u>	<u>(Unknown exceeding \$14,490)</u>	<u>(Unknown exceeding \$14,490)</u>
FEDERAL FUNDS			
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state share of health insurance premiums	<u>(Unknown exceeding \$20,900)</u>	<u>(Unknown exceeding \$20,900)</u>	<u>(Unknown exceeding \$20,900)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(Unknown exceeding \$20,900)</u>	<u>(Unknown exceeding \$20,900)</u>	<u>(Unknown exceeding \$20,900)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
ALL LOCAL GOVERNMENTS			
<u>Costs - All Local Governments</u>			
Increase in share of health insurance premiums	<u>(Unknown exceeding \$100,000)</u>	<u>(Unknown exceeding \$100,000)</u>	<u>(Unknown exceeding \$100,000)</u>
ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS	<u>(Unknown exceeding \$100,000)</u>	<u>(Unknown exceeding \$100,000)</u>	<u>(Unknown exceeding \$100,000)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

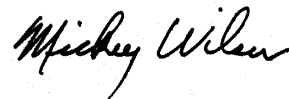
DESCRIPTION

This proposal allows certain health benefit plans to be available as a state-qualified health coverage option for persons eligible for the federal health coverage tax credit. The Department of Insurance will facilitate and coordinate the filing of documentation necessary by state agencies to qualify the health plans.

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

Office of Administration -
 Division of Personnel
Department of Revenue
Missouri Department of Transportation
Department of Public Safety -
 Director's Office
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation
Office of Secretary of State



Mickey Wilson, CPA
Director
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