

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1014-03
Bill No.: SS for HB 259 with SA #1 and SA #5
Subject: Health Care; Insurance - Medical; Insurance Dept.
Type: Original
Date: April 22, 2009

Bill Summary: Modifies Missouri's prompt pay statute with respect to the payment of health insurance claims.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	Unknown less than \$29,563	Unknown less than \$35,490	Unknown less than \$35,490
Total Estimated Net Effect on General Revenue Fund	Unknown less than \$29,563	Unknown less than \$35,490	Unknown less than \$35,490

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Road	(Unknown less than \$83,333)	(Unknown less than \$100,000)	(Unknown less than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown less than \$83,333)	(Unknown less than \$100,000)	(Unknown less than \$100,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Federal	0*	0*	0*
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0*	\$0*	\$0*

* Penalties received and reimbursements to Federal Funds less than \$64,510 annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Department of Conservation** and **Department of Insurance, Financial Institutions and Professional Registration** assume the proposal will have no fiscal impact on their organizations.

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

Officials from the **Department of Social Services (DOS) - MO HealthNet Division (MHD)** state this legislation revises Chapter 376 which does not affect the claims paid by the MO HealthNet fee-for-service program. This legislation will apply to the MO HealthNet Managed Care program because it contracts with health maintenance organizations for the purpose of providing health care services through capitated rates. However, there will be no fiscal impact to MHD.

This legislation will affect the commercial health insurance recoveries received by the third party liability program within the MHD. The proposal extends the amount of time a health carrier has to process a claim, thereby decreasing the amount of interest collected by the third party liability program. The amount of interest collected by the MHD from health carriers has, historically, been very insignificant.

This legislation also imposes a penalty on the health carriers when a claim is paid beyond the forty-fifth processing day. This change will increase the commercial health insurance recoveries received by the third party liability program within the MHD, but the amount is unknown.

There will be no cost to MHD because this will not affect the MHD fee-for-service program or the Managed Care program. However, there will be a savings because health carriers will pay a penalty to the third party liability program if the claim is paid beyond the forty-fifth processing day. Therefore, the fiscal impact to the MHD is an unknown savings of less than \$100,000 annually.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the HCP may incur additional unknown costs that would be passed directly to the health plans. At this time, there is no way to determine the costs. If the HCP were to incur any costs as a direct result of this proposal, it would charge its vendors a penalty in order to recoup any and all incurred costs. In future years, the vendors would add the cost into the contract and charge HCP more for this service over time.

ASSUMPTION (continued)

Based on HCP's response, **Oversight** assumes the penalties charged by HCP against its vendors would equal and offset any additional costs incurred as a result of the forty-five day claims processing time. **Oversight** also assumes that, over time, vendors would strive to process claims within the forty-five day processing window rather than pay penalties.

Officials from the **Missouri Department of Transportation (DOT)** state that while the DOT/MHP Medical Plan would not fall under this definition of "health carrier," the Plan would arguably still be required to comply with the bill's requirements. If required to comply with the bill's requirements, this bill could have a fiscal impact on the DOT/MHP Medical Plan. During the bidding process, the Plan's ability to learn what any participating provider is charging other health carriers allows the Plan to get a competitive bid for its network of providers and claims administrator.

It is difficult to estimate the impact to the DOT/MHP Medical Plan. The proposed legislation could cause the Plan to pay higher fees for health care coverage for the Plan's members which would cause an increase in premiums to the Missouri Highway Transportation Commission, the Patrol, and DOT members. DOT's current administrator's contracts would not be impact by the proposed legislation.

The DOT assumes the proposal would have an unknown fiscal impact of less than \$100,000 annually.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE FUND			
<u>Income - DOS</u>			
Penalties for late payment of claims	<u>Unknown less than \$29,563</u>	<u>Unknown less than \$35,490</u>	<u>Unknown less than \$35,490</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Unknown less than \$29,563</u>	<u>Unknown less than \$35,490</u>	<u>Unknown less than \$35,490</u>

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
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ROAD FUND

Costs - DOT

Increase in employee insurance costs	<u>(Unknown less than \$83,333)</u>	<u>(Unknown less than \$100,000)</u>	<u>(Unknown less than \$100,000)</u>
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ESTIMATED NET EFFECT ON ROAD FUND	<u>(Unknown less than \$83,333)</u>	<u>(Unknown less than \$100,000)</u>	<u>(Unknown less than \$100,000)</u>
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FEDERAL FUNDS

Income - DOS

Penalties for late payment of claims	Unknown less than \$53,737	Unknown less than \$64,510	Unknown less than \$64,510
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Costs - DOS

Reimbursement to federal funds of penalties received	<u>(Unknown less than \$53,737)</u>	<u>(Unknown less than \$64,510)</u>	<u>(Unknown less than \$64,510)</u>
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ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

The proposal may have a negative impact on health care related businesses if carriers take longer to process and pay health care claims.

FISCAL DESCRIPTION

This proposal modifies Missouri's prompt pay law. The proposal modifies the interest and penalty provision for failing to promptly pay a claim. Under the proposal, if the health carrier has not paid the claimant on or before the 45th processing day from the date of the receipt of the

FISCAL DESCRIPTION (continued)

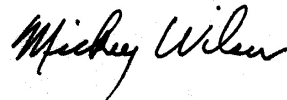
claim, the carrier must pay the claimant 1% interest per month and a penalty in an amount equal to one-fifth of the claim per day. The interest and penalties cease to accrue on the day a petition is filed in court to recover payment on a claim.

This proposal prohibits contracts between health carriers and health care providers from containing provisions that require health care providers to disclose their reimbursement rates with other health carriers. Under the proposal, such provisions are void and unenforceable.

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 Insurance, Financial Institutions and Professional Registration
Department of Social Services
Missouri Department of Transportation
Department of Public Safety -
 Director's Office
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Missouri Department of Conservation



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Director
April 22, 2009