

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1801-01  
Bill No.: SB 403  
Subject: Insurance - Medical  
Type: Original  
Date: March 26, 2013

Bill Summary: This proposal allows health maintenance organizations to issue policies with deductibles and requires navigators to be licensed.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
County Foreign Ins.	\$0*	\$0*	\$0*
County Stock	\$0*	\$0*	\$0*
Insurance Dedicated	(\$369,790)	(\$387,416)	(\$391,577)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$369,790)</b>	<b>(\$387,416)</b>	<b>(\$391,577)</b>

\*Losses and Savings net to zero.

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Insurance Dedicated	7 FTE	7 FTE	7 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>7 FTE</b>	<b>7 FTE</b>	<b>7 FTE</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Local Government</b>	<b>(Unknown up to \$1.3 million)</b>	<b>(Unknown up to \$1.3 million)</b>	<b>(Unknown up to \$1.3 million)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** assume this legislation allows HMOs to have coinsurance and deductibles. HMO plans have historically not been allowed to use coinsurance and deductibles in Missouri. Since HMOs do not pay premium tax (HMOs pay income tax), some of the Missouri's current 411 PPO plans could establish HMO plans and cease writing under the PPO. Of the 411 plans, 214 primarily write individual policies and could have incentive to move the business from the PPO to the HMO model. Of the 214, 60 have premiums in excess of \$2 million and are estimated to be the most likely to move their business.

A reduction of premium tax revenues up to \$2.6 million dollars as a result of the PPOs to HMOs change is possible. It is unknown how much in income taxes the newly established HMOs would pay; therefore the department cannot estimate the gain in income tax general revenue vs. the loss of premium tax general revenue. A reduction of up to \$1.3 million to the County Foreign Insurance Fund may occur as premium tax is split 50/50 between General Revenue and County Foreign Insurance Fund.

If 10 or more of the PPOs establish new Missouri domestic HMOs, the department would require one (1.00) Insurance Financial Analyst FTE to complete the ongoing financial analysis that would be needed to meet accreditation standards established by the National Association of Insurance Commissioners (NAIC), which requires analysis to be completed within certain time frames, generally 60-90 days from receipt. Many insurers prefer to establish HMOs specific to a state because state laws can vary considerably with regard to health insurance from a market conduct perspective. Analysts are currently assigned 8-9 companies each. There are some different requirements for HMOs, but all companies must follow statutory accounting practices. Should workload be greater than anticipated, the department would request additional appropriation and/or FTE through the budget process.

In addition, under Missouri law, HMOs are subject to network adequacy requirements. The department must ensure that consumers have adequate access to all types of providers and specialists within that network arrangement. Depending upon the workload the department may need at least one (1.00) Planner II FTE to perform the additional network adequacy reviews for HMOs.

### Sections 376.405-376.1363:

This proposal would institute a review deadline of 45 days for health policy forms and modify

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ASSUMPTIONS (continued)

the department's duties and ability to ensure compliance with state law, if a noncompliant provision is identified after this time period. For example, if a provision excluding a state mandated benefit were not caught during the department's initial review, this legislation would prohibit the department from directing the health carrier to make consumer or provider restitution for those unpaid benefits, or to pay fines based on that behavior. The department will have to focus greater resources to the front end review of policy forms to ensure all potential compliance issues are identified and addressed.

Reducing the review time and modifying the department's duties and enforcement authority will require additional staffing to ensure policies are in compliance with state statutes and regulations. A minimum of five to eight additional FTEs are needed to ensure compliance before the policies are deemed approved - two (2.00) Insurance Product Analyst II FTEs will be needed to review group health policy filings, one (1.00) Insurance Product Analyst II FTE will be needed to review individual health policy filings, one (1.00) Attorney FTE and one (1.00) Senior Office Support Assistant FTE are required to review policy compliance with state statute and regulations. If the filing workload is greater than anticipated, additional appropriation and FTE will be requested through the budget process.

Sections 376.2000-376.2014:

The legislation creates new requirements for licensing navigators in Missouri. Due to these new regulatory requirements, the department will need one (1.00) Licensing Technician I FTE to review and process navigator licensure applications and one (1.00) Investigator II FTE to ensure compliance with these new requirements and investigate consumer complaints against navigators. The department will require minimal contract computer programming to add these new requirements to our current licensing system and can do so under existing appropriation.

Officials from the **Department of Mental Health** assume the current proposal would not fiscally impact their agency.

In response to similar legislation from this session, HB 701, officials from the **Department of Health and Senior Services, Department of Social Services, Missouri Department of Conservation** and **Joint Committee on Administrative Rules** each assumed the proposal would not fiscally impact their respective agencies.

Officials from the **Department of Public Safety - Missouri Highway Patrol** defer to the Department of Transportation Employee Benefits Section to respond on their behalf.

ASSUMPTIONS (continued)

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**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.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>GENERAL REVENUE</b>			
<u>Revenue - DIFP</u>			
Gain in Income Tax	Unknown	Unknown	Unknown
<u>Cost - DIFP</u>			
Loss of Premium Tax	<u>(Unknown up to \$1,300,000)</u>	<u>(Unknown up to \$1,300,000)</u>	<u>(Unknown up to \$1,300,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2014	FY 2015	FY 2016
	(10 Mo.)		
<b>COUNTY FOREIGN INSURANCE FUND</b>			
<u>Cost - DIFP</u>			
Loss of premium tax because of new split requirements with General Revenue	(Unknown up to \$1,300,000)	(Unknown up to \$1,300,000)	(Unknown up to \$1,300,000)
<u>Savings - Schools</u>			
Reduced distributions to schools	Unknown up to <u>\$1,300,000</u>	Unknown up to <u>\$1,300,000</u>	Unknown up to <u>\$1,300,000</u>
<b>ESTIMATED NET EFFECT ON COUNTY FOREIGN INSURANCE FUND</b>	<b><u>\$0*</u></b>	<b><u>\$0*</u></b>	<b><u>\$0*</u></b>

\*Losses and Savings net to zero.

**COUNTY STOCK FUND**

<u>Cost - DIFP</u>			
Loss of premium tax because of new split requirements with General Revenue	(Unknown)	(Unknown)	(Unknown)
<u>Savings - Counties</u>			
Reduced distributions to counties	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON COUNTY STOCK FUND</b>	<b><u>\$0*</u></b>	<b><u>\$0*</u></b>	<b><u>\$0*</u></b>

\*Losses and Savings net to zero.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>INSURANCE DEDICATED FUND</b>			
<u>Cost - DIFP</u>			
Salaries	(\$198,823)	(\$240,974)	(\$243,384)
Fringe Benefits	(\$105,058)	(\$127,331)	(\$128,604)
Equipment and Expense	<u>(\$65,909)</u>	<u>(\$19,111)</u>	<u>(\$19,589)</u>
<u>Total Costs - DIFP</u>	<u>(\$369,790)</u>	<u>(\$387,416)</u>	<u>(\$391,577)</u>
FTE change - DIFP	7 FTE	7 FTE	7 FTE
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>(\$369,790)</u></b>	<b><u>(\$387,416)</u></b>	<b><u>(\$391,577)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>LOCAL GOVERNMENTS</b>			
<u>Costs - Schools</u>			
Reduction in premium tax collection distributions	(Unknown up to \$1,300,000)	(Unknown up to \$1,300,000)	(Unknown up to \$1,300,000)
<u>Costs - Counties</u>			
Reduction in premium tax collection distributions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>(Unknown up to \$1,300,000)</u></b>	<b><u>(Unknown up to \$1,300,000)</u></b>	<b><u>(Unknown up to \$1,300,000)</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The proposal establishes the Health Insurance Marketplace Innovation Act of 2013.

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  
Department of Mental Health  
Department of Health and Senior Services  
Joint Committee on Administrative Rules  
Office of the Secretary of State  
Missouri Department of Conservation  
Missouri Highway Patrol



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Acting Director  
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