

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4950-01
Bill No.: HB 1405
Subject: Insurance - Health; Department of Insurance, Financial Institutions and Professional Registration; Public Health
Type: Original
Date: January 5, 2016

Bill Summary: This proposal requires health carriers to file and the Department of Insurance, Financial Institutions and Professional Registration to approve the classification of risks and premium rates of all health benefit plans.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Insurance Dedicated	(\$188,171)	(\$200,506)	(\$203,440)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$188,171)	(\$200,506)	(\$203,440)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Insurance Dedicated	3	3	3
Total Estimated Net Effect on FTE	3	3	3

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assume the proposal requires independent rate filings any time rates change for an existing policy form, including each separate rider/amendment. The proposal applies to all forms of health insurance, not just major medical. It is expected that there will be approximately 2,350 filings per year x \$50 filing fee = \$117,500.

Due to the turn-around time prescribed in the proposal, the department will need at least 3 FTE; 1 Actuary (\$140,000 annually) and 2 Research Analyst III (\$40,380 annually/each) for policy review, and review of rates for actuarial soundness.

The requirements of this proposal would also require web development processes for public comments, reviewing and posting, posting of forms and supporting documents from specific rate filings, and a back office processes to assist in the monitoring and posting requirements. Costs for implementation of these changes are estimated at approximately 380 programming hours providing the current Rate Review infrastructure is sufficient. Any solution substantially different than what is currently in place would result in increase in cost.

In summary, DIFP assumes a net cost of \$188,171 in FY17, \$200,506 in FY18, and \$203,440 in FY19.

Officials from the **Department of Health and Senior Services**, the **Missouri Department of Conservation**, the **Department of Social Services**, and the **Department of Transportation** each assume the current proposal would not fiscally impact their respective agencies.

Officials from the **Department of Public Safety - Missouri Highway Patrol** defer to Department of Transportation for fiscal impact.

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** assume this proposal does not fiscally impact MCHCP. MCHCP is not a health carrier and is not subject to the oversight of the Department of Insurance, Financial Institutions and Professional Registration; therefore this legislation would not apply.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
INSURANCE DEDICATED FUND			
<u>Costs - DIFP</u>			
Salaries	(\$183,967)	(\$222,968)	(\$225,197)
Fringe Benefits	(\$75,490)	(\$91,191)	(\$91,800)
Equipment and Expense	<u>(\$46,214)</u>	<u>(\$3,847)</u>	<u>(\$3,943)</u>
Total Costs - DIFP	<u>(\$305,671)</u>	<u>(\$318,006)</u>	<u>(\$320,940)</u>
FTE Change	3 FTE	3 FTE	3 FTE
<u>Revenue - DIFP</u>			
Filing Fees	<u>\$117,500</u>	<u>\$117,500</u>	<u>\$117,500</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$188,171)</u>	<u>(\$200,506)</u>	<u>(\$203,440)</u>
Estimated Net FTE Change on the General Revenue Fund	3 FTE	3 FTE	3 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Health carriers will be required to file their classification of risks and premium rates for all health benefit plans to the State for approval.

FISCAL DESCRIPTION

Beginning July 1, 2017, this proposal prohibits a health carrier from delivering, issuing for delivery, continuing, or renewing any health benefit plan written in Missouri or written outside of Missouri but insuring Missouri residents until the classification of risks and premium rates have been filed with the Director of the Department of Insurance, Financial Institutions and Professional Registration. A health carrier is prohibited from using premium rates until at least 30 days after the date the classification of risks and the premium rates have been filed with the department director.

FISCAL DESCRIPTION (continued)

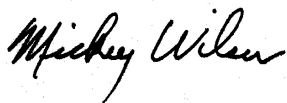
Premium rates must not be excessive, inadequate, unfairly discriminatory, or unjustified as specified in the proposal. If a premium rate meets the premium rate change threshold, the health carrier must file, along with the classification of risks and premium rates, information sufficient to justify the premium rate, including information specified in the proposal and the department director must issue a determination as to whether the premium rates filed are excessive, inadequate, unfairly discriminatory, or unjustified. The health carrier may appeal the department director's determination under these provisions to the department. Specified required information filed pursuant to these provisions must be considered an open record and available for public review and inspection but information which is a trade secret, of a proprietary nature, or both must not be an open record.

Any violation of these provisions must constitute a level two violation under Section 374.049, RSMo. Each use of a premium rate that was not filed as required under these provisions, as specified in the bill, must constitute a separate violation.

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 Health and Senior Services
Department of Social Services
Department of Public Safety
Missouri Department of Conservation
Department of Transportation
Missouri Consolidated Health Care Plan



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Director

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