

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0285-01  
Bill No.: HB 125  
Subject: Insurance - Health; Health Care; Department of Insurance, Financial Institutions  
and Professional Registration  
Type: Original  
Date: February 17, 2017

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Bill Summary: This proposal establishes the “Right to Shop Act” to allow state employees to obtain cost estimates for health care services.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue Fund	(Greater than \$2,542,000)	(Greater than \$2,542,000)	(Greater than \$2,542,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Greater than \$2,542,000)</b>	<b>(Greater than \$2,542,000)</b>	<b>(Greater than \$2,542,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Other State Funds	(Greater than \$615,000)	(Greater than \$615,000)	(Greater than \$615,000)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(Greater than \$615,000)</b>	<b>(Greater than \$615,000)</b>	<b>(Greater than \$615,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Federal Funds	(Greater than \$943,000)	(Greater than \$943,000)	(Greater than \$943,000)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(Greater than \$943,000)</b>	<b>(Greater than \$943,000)</b>	<b>(Greater than \$943,000)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** assume this proposed legislation would allow state employees to obtain cost estimates for shoppable health care services. This proposed legislation also would require MCHCP to share any savings with members that choose to obtain services from a provider that charges less than the average price paid for the shoppable health care service.

The projected cost of this proposed legislation is unknown but is expected to be greater than \$4 million, as outlined below:

1. MCHCP would competitively bid this service, as there is currently no mechanism in place to provide the cost-comparison features required by this program. The estimated cost of this service is projected to be \$3 million.
2. The projected cost for providing shared-saving incentives is unknown, but is expected to be greater than \$1 million. There is a range of costs for procedures based on the contractual arrangements with providers. From the lowest to the highest cost, there can be a range of different fees for the same procedure. Members choose providers based on many factors, including cost as one of many. Currently, members are choosing to go to providers who have lower fees than other providers even without an incentive. Unless the member goes to the highest-cost provider, there is a potential opportunity to earn an incentive even though the member had no intention of going to higher-cost providers. In that situation, there is no actual savings as MCHCP would not have incurred the higher cost service. As currently written, shared savings would be paid even if the member did not utilize the cost-comparison service but still obtained care at a lower-cost provider. Additionally, the proposed legislation does not require the use of regionalized pricing comparisons; therefore, a member obtaining care in a traditionally lower-cost area would receive shared savings simply based on their use of local care. Even if regional pricing comparisons would be permissible, if the member had a high cost provider in their market, they could potentially receive shared savings simply based on the fact the average cost is skewed and many providers in the market had a lower fee than the average price.
3. Because there is such a large opportunity to earn an incentive, to administer the shared savings portion of this program, MCHCP anticipates the need to add an estimated three FTEs at an unknown cost, but greater than \$100,000.

ASSUMPTION (continued)

Further, the implementation of this program may result in the need to re-negotiate or re-bid third party administrator (TPA) contracts, as a program such as this is not included in the current contracts' scope of services. This may result in additional TPA fees that could be incorporated in administrative costs as well as premiums.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Social Services**, the **Department of Labor and Industrial Relations**, the **Department of Mental Health**, the **Department of Transportation**, the **Department of Public Safety - Missouri Highway Patrol**, the **Missouri Department of Conservation** and the **Department of Health and Senior Services** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>GENERAL REVENUE FUND</b>			
<u>Cost - MCHCP</u>			
Competitive Bid Process	(\$1,860,000)	(\$1,860,000)	(\$1,860,000)
Shared-Savings Incentives	(Greater than \$620,000)	(Greater than \$620,000)	(Greater than \$620,000)
Administrative Personal	(Greater than \$62,000)	(Greater than \$62,000)	(Greater than \$62,000)
<u>Total Cost - MCHCP</u>	(Greater than \$2,542,000)	(Greater than \$2,542,000)	(Greater than \$2,542,000)
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b>(Greater than <u>\$2,542,000</u>)</b>	<b>(Greater than <u>\$2,542,000</u>)</b>	<b>(Greater than <u>\$2,542,000</u>)</b>

<u>FISCAL IMPACT - State Government</u>	FY 2018	FY 2019	FY 2020
(continued)	(10 Mo.)		

**OTHER STATE FUNDS**

Cost - MCHCP

Competitive Bid Process	(\$450,000)	(\$450,000)	(\$450,000)
Shared-Savings Incentives	(Greater than \$150,000)	(Greater than \$150,000)	(Greater than \$150,000)
Administrative Personal	(Greater than \$15,000)	(Greater than \$15,000)	(Greater than \$15,000)

<u>Total Cost - MCHCP</u>	(Greater than \$615,000)	(Greater than \$615,000)	(Greater than \$615,000)
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<b>ESTIMATED NET EFFECT TO OTHER STATE FUNDS</b>	<b>(Greater than \$615,000)</b>	<b>(Greater than \$615,000)</b>	<b>(Greater than \$615,000)</b>
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**FEDERAL FUNDS**

Cost - MCHCP

Competitive Bid Process	(\$690,000)	(\$690,000)	(\$690,000)
Shared-Savings Incentives	(Greater than \$230,000)	(Greater than \$230,000)	(Greater than \$230,000)
Administrative Personal	(Greater than \$23,000)	(Greater than \$23,000)	(Greater than \$23,000)

<u>Total Cost - MCHCP</u>	(Greater than \$943,000)	(Greater than \$943,000)	(Greater than \$943,000)
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<b>ESTIMATED NET EFFECT TO THE FEDERAL FUNDS</b>	<b>(Greater than \$943,000)</b>	<b>(Greater than \$943,000)</b>	<b>(Greater than \$943,000)</b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2018	FY 2019	FY 2020
	(10 Mo.)		

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

## FISCAL DESCRIPTION

This bill creates the "Right to Shop Act." The bill defines a "patient" as any person employed full time by the state or a participating member agency or a person eligible for coverage by a state-sponsored retirement system or a retirement system sponsored by a participating state agency. The bill requires a health care provider to disclose the allowable amount, if subject to insurance, or amount that will be charged for a nonemergency admission, procedure, or service if requested by a patient or prospective patient. If a health care provider is unable to quote a specific amount due to an inability to predict the specific treatment or diagnostic code, the provider must disclose what is known for the estimated amount, the incomplete nature of the estimate, and the ability of the patient or perspective patient to obtain an updated estimate once additional information is determined. If a patient or perspective patient is covered by insurance and the health care provider is in-network, upon request the provider must provide sufficient information regarding the proposed admission, procedure, or service for the patient to obtain a cost estimate of out-of-pocket expenses from his or her insurance carrier.

The bill requires each health carrier to establish an interactive mechanism on such carrier's public websites that enables an enrollee to request and obtain information on the payments made by the carrier to network providers for health care services. Such mechanism must allow an enrollee seeking information to compare costs among network providers.

Upon the request of an enrollee, the bill requires each health carrier to provide a good faith estimate of the amount the enrollee will be responsible to pay out-of-pocket for a proposed nonemergency procedure or service that is a medically necessary, covered benefit from an in-network provider. These provisions must not prohibit a carrier from imposing cost-sharing requirements pursuant to an enrollee's certificate of coverage for unforeseen health care services that arise out of the nonemergency procedure or service or for a procedure or service not included in the original estimate. A carrier must notify an enrollee that these are estimated costs and that the actual amount the enrollee will be responsible to pay may vary.

The bill requires each health carrier to develop and implement a program that provides incentives for enrollees in a health plan to elect to receive shoppable health care services that are covered by the plan from providers that charge less than the average price paid by the carrier for the shoppable health care services. The incentives must meet certain requirements as specified in the bill. Each health carrier must make the incentive program available as a component of all health plans offered in Missouri and must file a description of the program with the Department of Insurance, Financial Institutions and Professional Registration. Each health carrier must annually file with the department the total number of shared savings incentive payments for the most recent calendar year as specified in the bill.

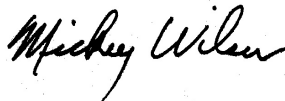
FISCAL DESCRIPTION (continued)

The bill has a delayed effective date of March 1, 2018.

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 Health and Senior Services  
Department of Mental Health  
Department of Transportation  
Missouri Department of Conservation  
Department of Public Safety  
Missouri Highway Patrol  
Department of Labor and Industrial Relations  
Missouri Consolidated Health Care Plan



Mickey Wilson, CPA  
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February 17, 2017

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