

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1075-02  
Bill No.: HCS for HB 388  
Subject: Insurance - Health; Health Care  
Type: Original  
Date: April 4, 2017

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Bill Summary: This proposal establishes the Missouri Freedom to Choose Health Care Act.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue Fund	(Greater than \$54,783)	(Greater than \$37,205)	(Greater than \$38,731)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Greater than \$54,783)</b>	<b>(Greater than \$37,205)</b>	<b>(Greater than \$38,731)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Federal Funds*			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>			

\* Income and expenses net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 376.1426

Officials from the **Department of Social Services (DSS)** state this proposal requires that every health care provider making a referral of a patient to a facility to fully inform the patient of every medical facility at which the provider has privileges and shall provide services at whichever facility the patient chooses if medically appropriate. Health carriers are also prohibited from any other discrimination between medically appropriate facilities regarding coverage or reimbursement for services. Health carriers that authorize claims for reimbursement must make payment in full.

The health maintenance organizations (HMOs) that contract with the state to provide services to MO HealthNet Managed Care members will be subject to this legislation. It is assumed these provisions will impact the HMOs in their ability to negotiate contracts with providers, and create and maintain networks.

As Medicaid recipients would have the freedom to choose any in-network medical facility, there could be an impact to the rates if a higher-cost facility is selected. The requirement that health plans cannot discriminate between medical facilities regarding reimbursement may mean the plans may need to set all reimbursement rates at or near the highest rate in the state to maintain network adequacy requirements. Additionally, there may be administrative costs incurred by the health plans to implement and manage the program.

Therefore, this bill could increase the rates MO HealthNet pays the contracted HMOs by at least \$100,000. An actuarial review of the proposed language, which would be a one-time cost of \$50,000, would be required to determine the actual impact of the program change. MHD assumes only 10 months of cost for FY18. A 4.1% annual inflationary factor is applied to FY19 and FY20.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** assume the potential increase in workload and expenses that would result from this legislation as amended could be absorbed. However, should the extent of the work be more than anticipated, the department would request additional appropriation and/or FTE through the budget process.

ASSUMPTION (continued)

Officials from the **Department of Public Safety - Missouri Highway Patrol** defer to the Department of Transportation to estimate the fiscal impact of the proposed legislation as amended on their organization.

Officials from the **Missouri Consolidated Health Care Plan**, the **Department of Health and Senior Services**, the **Department of Transportation** and the **Missouri Department of Conservation** each assume the proposal as amended will have no fiscal impact on their respective organizations.

In response to a similar proposal from this year, officials from the **Department of Mental Health** assumed the proposal will have no fiscal impact on their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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**GENERAL REVENUE FUND**

<u>Cost - DSS (§376.1426)</u>	(Greater than...	(Greater than...	(Greater than...
Program Distributions	(\$29,783)	(\$37,205)	(\$38,731)
Actuarial Study	<u>(\$25,000)</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Cost - DSS</u>	<u>(\$54,783)</u>	<u>(\$37,205)</u>	<u>(\$38,731)</u>

<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(Greater than \$54,783)</u></b>	<b><u>(Greater than \$37,205)</u></b>	<b><u>(Greater than \$38,731)</u></b>
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**FEDERAL FUNDS**

<u>Income - DSS (§376.1426)</u>	Greater than...	Greater than...	Greater than....
Program Reimbursements	\$78,550	\$66,895	\$69,637

<u>Cost - DSS (§376.1426)</u>	(Greater than...	(Greater than....	(Greater than....
Program Distributions	(\$53,550)	(\$66,895)	(\$69,637)
Actuarial Study	<u>(\$25,000)</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Costs - DSS</u>	<u>(\$78,550)</u>	<u>(\$66,895)</u>	<u>(\$69,637)</u>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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FISCAL IMPACT - Local Government

FY 2018  
(10 Mo.)

FY 2019

FY 2020

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill establishes the "Missouri Freedom to Choose Health Care Act" and requires health carriers to annually submit a list of their standard medicare rates or capitated rates for covered services to the Department of Insurance who shall post the information on the department's website.

Health carriers are required to contract with any Missouri provider who is willing to meet the terms and conditions established for such health benefit plan, including the MO HealthNet and Medicare programs.

This proposal will not apply to voluntary insurance policies, which are policies paid directly to the policyholder in cash benefits.

Health care providers are required to provide every patient with information on every medical facility the provider has privileges at and shall provide the services at the medical facility of the patient's choosing.

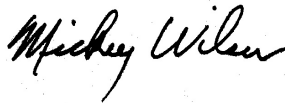
Any health carrier authorizing a claim for reimbursement for a health care service provided shall make full payment on such claim.

A health carrier shall not authorize payment for health care services in this state and then refuse to pay for such services or refuse to pay the full amount that it authorized.

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



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April 4, 2017

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