

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5866-04
Bill No.: HCS for HB 2125
Subject: Insurance - Health; Health Care Professionals; Department of Insurance, Financial Institutions and Professional Registration
Type: Original
Date: March 7, 2018

Bill Summary: This proposal establishes the “Right to Shop Act.”

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	(Greater than \$353,735)	(Greater than \$335,346)	(Greater than \$342,209)
Total Estimated Net Effect on General Revenue	(Greater than \$353,735)	(Greater than \$335,346)	(Greater than \$342,209)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Other State Funds	(Greater than \$36,425)	(Greater than \$36,425)	(Greater than \$36,425)
State Road Fund	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown, Greater than \$36,425)	(Unknown, Greater than \$36,425)	(Unknown, Greater than \$36,425)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Federal Funds	(Greater than \$58,825)	(Greater than \$58,825)	(Greater than \$58,825)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Greater than \$58,825)	(Greater than \$58,825)	(Greater than \$58,825)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS) - Mo HealthNet Division (MHD)** assume this legislation creates the "Right to Shop Act." Prior to a non-emergency admission, procedure, or service and upon request by a patient or prospective patient, a health care provider within the patient's or prospective patient's insurer network shall, within two business days, disclose the allowed amount of the nonemergency admission, procedure, or service, including the amount for any facility fees required for certain shoppable health care categories.

A carrier shall establish an interactive mechanism on its publicly accessible website that enables an enrollee to request and obtain from the carrier, information on the payments made by the carrier to network providers for health care services. Within 2 business days, the carrier shall provide a good faith estimate of all costs for a non-emergency procedure.

Annually, a carrier shall file with the department for the most recent calendar year the total number of shared savings incentive payments made under this section and the use of shoppable health care services by category of services. Beginning April 1, 2019 and annually by April first of each year thereafter, the department shall submit an aggregate report for all carriers.

This legislation modifies Chapter 103, RSMo, by adding one new section that creates several requirements for health care providers and health carriers. Health carriers are defined in Chapter 376, RSMo, to include Health Maintenance Organizations (HMO). The MO HealthNet Managed Care health plans that provide services to MO HealthNet Managed Care members are considered HMOs. Since there is no specific exemption for the HMOs that provide services to MO HealthNet Managed Care members, it is assumed they will be impacted by this legislation.

If the HMOs that MO HealthNet contracts with are required to comply with this legislation, and if the providers the HMOs contract with are required to comply, it may increase the rates MO HealthNet pays the contracted HMOs by at least \$500,000. 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. A 3.8% inflationary factor was applied to FY20 and FY21.

Currently, the contract the state has with the health plans to deliver MO HealthNet services require the health plan to offer incentives to their members to promote personal responsibility for health. Federal guidance limits the value of the incentives to \$30.00 or less per eligible member per month, per incentive program.

ASSUMPTION (continued)

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** estimates the fiscal impact of this proposed legislation to be unknown but greater than \$250,000 attributable to costs associated with vendor administration of the program.

Officials from the **Department of Transportation** assume this bill would require the Department to create a shared savings incentive program. This program would have an unknown negative fiscal impact on the MoDOT & MSHP Medical Plan (Plan) due to increased administrative fees and undeserved incentive payments.

The bill would have a negative impact for the following reasons:

The Plan's current Carrier does have a pricing comparison tool, however, it does not have the complete functionality that is being requested. The scope of services where a member could obtain an estimate of surgical or inpatient services is fairly lean (see below list of searchable services). However, the scope of services for Physician and Diagnostic encounters seems satisfactory but still may have to be built out to meet the state's specifications.

Vasectomy - in a Facility Setting
Cardiac Catheterization
Cataract/Lens Procedures
Laparoscopic Cholecystectomy (Gallbladder Surgery)
Ear Tube Insertion (Myringotomy) with removal of Adenoids
Hernia repair (Inguinal Herniorrhaphy)
Tonsillectomy & Adenoidectomy
Tonsillectomy
Total Hip Replacement (one hip) - Inpatient
Carpal Tunnel Release
Spine Injection
Kidney Stone Treatment (Lithotripsy)

In addition, the Plan's Carrier has indicated implementation of a tracking system to offer incentives would be costly to operationalize. Due to the additional administrative processes the Plan would in turn be charged additional administrative fees to create and maintain such system.

The proposed language does not stipulate that a subscriber is required to utilize the pricing tool and choose the lower price option in order to receive the incentive. This could result in incentives to be paid to subscribers due to luck rather than diligent research. In this case, the Plan would be required to pay out an incentive to every subscriber who chose the low cost option out of luck.

ASSUMPTION (continued)

This concept does not take into account quality of care available at different price points, which may drive some subscribers to providers with less effective practices &/or procedures. Nor does it factor into religious beliefs. Based on the incentive concept, some subscribers may be driven to (or away) from a provider of care that conflicts with their religious beliefs.

Officials from the **Missouri Department of Conservation (MDC)** assume this proposal would potentially have a negative impact on MDC funds of more than \$100,000 annually depending upon the amount of incentives and the number of members who currently utilize providers with the lowest rate.

Oversight assumes MDC is exclusively funded through the Conservation Fund and MDC would request the legislature, through the appropriations process, to, if necessary, reallocate moneys in the fund to accommodate possible higher rates.

Officials from the **Department of Mental Health, the Department of Health and Senior Services, the Department of Insurance, Financial Institutions and Professional Registration and the Office of Administration - Division of Accounting** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Cost - DSS (\$376.1700)</u>			
Actuarial Study	(\$25,000)	\$0	\$0
Program Distribution increase	<u>(\$173,985)</u>	<u>(\$180,596)</u>	<u>(\$187,459)</u>
<u>Total Cost - DSS</u>	<u>(\$198,985)</u>	<u>(\$180,596)</u>	<u>(\$187,459)</u>
<u>Cost - MCHCP</u>	(Greater than	(Greater than	(Greater than
Vendor Administration	<u>\$154,750)</u>	<u>\$154,750)</u>	<u>\$154,750)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(Greater than \$353,735)</u>	<u>(Greater than \$335,346)</u>	<u>(Greater than \$342,209)</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
OTHER STATE FUNDS			
<u>Cost - MCHCP</u> Vendor Administration	(Greater than <u>\$36,425</u>)	(Greater than <u>\$36,425</u>)	(Greater than <u>\$36,425</u>)
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	(Greater than <u>\$36,425</u>)	(Greater than <u>\$36,425</u>)	(Greater than <u>\$36,425</u>)
STATE ROAD FUND			
<u>Cost - MoDOT</u> Increased administrative fees	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE STATE ROAD FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
FEDERAL FUNDS			
<u>Income - DSS (§376.1700)</u> Program Reimbursements	\$351,015	\$338,404	\$351,263
<u>Cost - DSS (§376.1700)</u> Actuarial Study	(\$25,000)	\$0	\$0
Program distribution increase	<u>(\$326,015)</u>	<u>(\$338,404)</u>	<u>(\$351,263)</u>
<u>Total Cost - DSS</u>	<u>(\$351,015)</u>	<u>(\$338,404)</u>	<u>(\$351,263)</u>
<u>Cost - MCHCP</u> Vendor Administration	(Greater than <u>\$58,825</u>)	(Greater than <u>\$58,825</u>)	(Greater than <u>\$58,825</u>)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	(Greater than <u>\$58,825</u>)	(Greater than <u>\$58,825</u>)	(Greater than <u>\$58,825</u>)
FISCAL IMPACT - Local Government			
	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The proposal would require each health carrier to develop and implement a pilot program that provides incentives for enrollees who enroll in a shoppable health care services program (as that term is defined in the proposal). A pilot program would operate for five years or longer.

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
Missouri Consolidated Health Care Plan
Department of Transportation
Missouri Department of Conservation
Office of Administration

Ross Strobe



Acting Director
March 7, 2018