



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill # SB0064

Title: Increase membership in state group health insurance

Primary Sponsor: Cobb, John

Status: As Amended in Senate Committee - Revised

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
Expenditures:				
General Fund	\$331,025	\$369,131	\$371,940	\$394,256
State Special Revenue	\$1,434,442	\$1,599,566	\$1,611,739	\$1,708,443
Federal Special Revenue	\$331,025	\$369,131	\$371,940	\$394,256
Other	\$115,142	\$123,044	\$123,980	\$131,419
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$331,025)</u>	<u>(\$369,131)</u>	<u>(\$371,940)</u>	<u>(\$394,256)</u>

Description of fiscal impact: The fiscal impact from SB 64 will come from additional temporary, seasonal, and part-time less than 20-hours/week employees now becoming eligible for state share benefits, and employees who currently satisfied eligibility requirements for state share at the 6-month time-frame, gaining an additional 3-months of state share eligibility.

No fiscal impact is projected to the State self-insured health plans because it is impossible to predict what the risk profile would be for the additional employees receiving state share under SB 64.

FISCAL ANALYSIS

Assumptions:

Department of Administration

1. In order to predict the number of additional employees that would have been eligible for state provided health premium benefits (state share) under the criteria proposed in SB 64, the department queried the SABHRS human resource system to identify all employees with a “seasonal” or “temporary” employee status who worked at least 20 hours/pay-period (assumed to be equivalent to 10 hours/week) for at least 6 consecutive pay-periods between January 1 to December 8, 2006.
2. 972 individuals were identified to have met the minimum SB 64 qualifications if it were in place during the 2006 calendar year. These individuals were compared to the actual change in eligibility under SB 64. Based on this criteria the best estimate of individuals who would be regularly scheduled or would be in actual work status for the prescribed work period are included. This count was assumed to remain constant each year through the next two biennia.

ELIGIBLE EMPLOYEES	
Agency Name	Total
LEGISLATIVE BRANCH	1
GOVERNOR'S OFFICE	2
SECRETARY OF STATE	6
STATE AUDITOR	5
OFFICE OF PUBLIC INSTRUCTION	12
JUSTICE	30
COMMISSIONER OF HIGHER EDUCATION	1
ARTS COUNCIL	1
STATE LIBRARY	2
HISTORICAL SOCIETY	4
FISH, WILDLIFE & PARKS	227
ENVIRONMENTAL QUALITY	14
TRANSPORTATION	268
LIVESTOCK	4
NATURAL RESOURCES	138
REVENUE	41
ADMINISTRATION	6
STATE FUND	1
OFFICE OF PUBLIC DEFENDER	2
AGRICULTURE	19
CORRECTIONS	7
COMMERCE	18
LABOR & INDUSTRY	98
MILITARY AFFAIRS	18
PUBLIC HEALTH & HUMAN SERVICES	47
Grand Total	972

3. Out of the 972 individuals, 493 were identified that would gain eligibility for benefits under SB 64 because they currently work between 10-20 hours/week. The other 479 individuals would receive an additional 3 months of coverage under SB 64. The state share cost for one individual per pay-period is \$278.50 or \$557 per month. The total state share cost for the 493 employees who gained eligibility from the reduced hours/week criteria, for the time-period they actually worked in calendar year 2006 would be \$697,364. The additional 3-months of coverage for individuals that previously would have had to wait 6-months for state share, was calculated to be \$1,509,470. The sum of these two amounts is the annual fiscal impact for each fiscal year.
4. The state’s human resource software system would require some reprogramming work to identify and tag those additional employees who would be eligible for state share under SB 64. It is projected that it would take 80 hours to complete the design, development and testing of the software programming at a cost of \$60/hour; for a total of \$4,800.
5. It is assumed that there will not be any fiscal impact to SABHRS on future biennial rates.
6. This fiscal note assumes any additional cost of enrolling or un-enrolling individuals from the benefits plans will be absorbed into each agency’s budget.
7. This fiscal note assumes that the more generous eligibility requirements for health care benefits would have no effect on the total population of individuals currently with a “seasonal” or “temporary” work status.

Fiscal Note Request – As Amended in Senate Committee - Revised

(continued)

8. There is no way to predict the risk profile of employees that would be joining the state’s health plan under SB 64, and therefore impossible to predict what fiscal impact claims from this group of individuals would have on the self-insured health plan. For purposes of this fiscal note it is assumed that the health plan will break-even with the addition of these folks; premiums into the plan will equal claims payments and a proportionate share of administrative cost from the plan; but note that there is a risk to the plan that the new enrollees will be in a high risk group that has claims costs which exceed premiums.
9. Due to the unique mix of agencies and funding, the funding split state-wide for the additional personal services cost is estimated to be 15 percent general fund; 65 percent state special revenue; 15 percent federal special revenue; and 5 percent other.
10. Health insurance inflation is estimated to grow at 6 percent per year.

State Agencies

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Fiscal Impact:				
Expenditures:				
Personal Services	\$2,206,834	\$2,339,244	\$2,479,599	\$2,628,375
Operating Expenses	\$4,800	\$0	\$0	\$0
TOTAL Expenditures	<u><u>\$2,211,634</u></u>	<u><u>\$2,339,244</u></u>	<u><u>\$2,479,599</u></u>	<u><u>\$2,628,375</u></u>
Funding of Expenditures:				
General Fund (01)	\$331,025	\$369,131	\$371,940	\$394,256
State Special Revenue (02)	\$1,434,442	\$1,599,566	\$1,611,739	\$1,708,443
Federal Special Revenue (03)	\$331,025	\$369,131	\$371,940	\$394,256
Other	\$115,142	\$123,044	\$123,980	\$131,419
TOTAL Funding of Exp.	<u><u>\$2,211,634</u></u>	<u><u>\$2,460,871</u></u>	<u><u>\$2,479,599</u></u>	<u><u>\$2,628,375</u></u>
Revenues:				
General Fund (01)	-	-	-	-
State Special Revenue (02)	-	-	-	-
Federal Special Revenue (03)	-	-	-	-
Other	-	-	-	-
TOTAL Revenues	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(331,025)	(369,131)	(371,940)	(394,256)
State Special Revenue (02)	(1,434,442)	(1,599,566)	(1,611,739)	(1,708,443)
Federal Special Revenue (03)	(331,025)	(369,131)	(371,940)	(394,256)
Other	(115,142)	(123,044)	(123,980)	(131,419)

Sponsor’s Initials

Date

Budget Director’s Initials

Date