Fiscal Note 2009 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	SB0255	**Title:**	Restrict expenditure of public funds for employee benefits
Primary Sponsor:	McGee, Dan	**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☑ Technical Concerns
- ☐ Included in the Executive Budget
- ☑ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:				
General Fund	Unknown	Unknown	Unknown	Unknown
Revenue:				
General Fund	Unknown	Unknown	Unknown	Unknown
Net Impact-General Fund Balance	Unknown	Unknown	Unknown	Unknown

Description of fiscal Impact:

Due to the changes in eligibility under this bill, the net fiscal impact cannot be determined at this time. SB 255 articulates in statute that the definition of an eligible dependent on the State of Montana (SOM) and Montana University System (MUS) health insurance plans must mirror the definition of a tax dependent in section 15-30-113, MCA, which broadly expands the relationships of individuals to employees who would be eligible for health insurance coverage under the State's plan. It is unknown, and no information exists that would provide an indication of how many additional lives would receive insurance coverage under SB 255 because actual eligibility is dependent on those individuals receiving over half of their support from the state employee (taxpayer) during the tax year. However, there is reason to estimate that this additional segment could be a medically high-cost group by virtue of the range of possible relationships these individuals may have to the taxpayer and their need to have the taxpayer/SOM or MUS employee provide over half of their support. Overall impact to the plan will be dependent on the number of individuals who actually enroll and their individual health conditions as well as the individuals who lose coverage and their health conditions.

FISCAL ANALYSIS

Assumptions:

1. SB 255 changes eligibility for dependent coverage in the SOM and MUS self-insured health plans to include tax dependents as defined in section 15-30-113, MCA. There is a broad range of relationships a dependent may have to a taxpayer, who is an employee of the State and under this bill becomes eligible for participation in the SOM and MUS health plans, as long as over one-half of the dependent's support is provided by the employee (taxpayer). There is no way to quantify, for this fiscal note, how many individuals would be added to the plan as a result of SB 255. However, the state's plan may wind up covering a number of individuals who do not have another source of health insurance, and who may be in a medically high cost group. In the most recent 12-month period examined by the State's health care consultant and actuary, the average monthly medical and prescription claims cost per participant was $440.14, and monthly average dental claims cost $37.79 per participant. These costs could be expected to increase in the event the population's risk of incurring claims increased.
2. SB 255 will exclude other dependents who currently are receiving benefits of the plan. Based on the new language in SB 255, children who are under age 25 and enrolled in a post-secondary program of education, who do not receive at least one-half of their support from the employee (taxpayer), will be eliminated from the plan. Through the implementation of the recently adopted Federal Working Family Tax Relief Act, 1,554 individuals were identified as currently on the SOM health plan as non-qualified dependents, and could lose their eligibility under SB 255.
3. SB 255 makes no provision in 2-18-702 as amended, for continuation of health insurance for certain people leaving employment with the State or MUS. Individuals covered by COBRA would be excluded from the SOM and MUS health plan. These omissions are in direct conflict with federal codes, and 33-22-142, MCA, along with federal law, requires a group health plan to offer a certificate of continuation of creditable coverage to an individual who ceases to be covered under the group health plan. The bill is unclear regarding whether retirees will continue on the plan. Retirees have historically been permitted to remain a member of the health insurance group by 2-18-704 MCA. The bill as written states "However, group insurance plans may provide coverage **only** for employees, spouses as determined under 20 15-30-134, and dependents as defined in 15-30-113" [emphasis added].
4. With existing information, it is not possible to calculate an estimate of the net cost to the SOM and MUS self-insured health plans from the potential changes in dependent, retiree and COBRA coverage due to changes in eligibility with SB 255.

Long-Range Impacts:

1. The bill is unclear regarding whether retirees will continue on the plan. Retirees have historically been permitted to remain a member of the health insurance group by 2-18-704 MCA. The bill as written states "However, group insurance plans may provide coverage **only** for employees, spouses as determined under 20 15-30-134, and dependents as defined in 15-30-113" [emphasis added]. If retirees are not permitted to continue or enroll in the plan, numerous questions would need to be addressed about how this would impact contracts with employees who plan to retire in the future and current retirees covered by the plan.

Technical Notes:

1. Current dependents who would lose coverage with the SOM and MUS health plans, as amended by SB 255 (identified above in assumption #2), must be offered and provided COBRA coverage under 33-22-142, MCA. This section of the law could be in conflict with the amended language in SB 255, section 2-18-702, MCA. The same is true for retirees of state government if they are discontinued from the plan or made ineligible for coverage in the amended language of SB 255. This is in conflict with section 2-18-704, MCA, which requires the State to allow retirees, surviving spouses and children to remain on the State's health insurance plan.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*