Fiscal Note 2015 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	HB0162		**Title:**	Revise state employee health insurance program laws
Primary Sponsor:	Flynn, Kelly		**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 2014 Difference	FY 2015 Difference	FY 2016 Difference	FY 2017 Difference
Expenditures:				
Proprietary - HCBD	$0	$0	$0	$0
Revenue:				
Proprietary - HCBD	$0	$0	$0	$0
Net Impact-General Fund Balance:	$0	$0	$0	$0

Description of fiscal impact: This bill has no fiscal impact to the Department of Administration. HB 162 requires the state employee group benefits plan (plan) to offer a high-deductible health plan (HDHP) with a health savings account (HSA) as an option to plan members.

FISCAL ANALYSIS

Assumptions:

Department of Administration - Health Care Benefits Division

1. HB 162 requires the plan to offer an HDHP with an HSA as an option to the members. The plan's current contract with the third party administrator (TPA), Cigna, is structured in a way that would allow a HDHP with an HSA to be added as a benefit option.
2. The TPA fees for an HDHP would be the same as the current fees paid for the indemnity and managed care plans. Therefore, the plan is estimating no additional costs for claims administration for a HDHP.
3. The HSA is similar in nature to a flexible spending account. However, the funds within the HSA roll over from year- to- year and any balance of the HSA remains with the member to be used on any qualifying medical expenses. If a member had an HSA and separated from the state, the balance would continue to belong to the member. The HSA administration fee is $4.94 per employee per month. This fee would be charged to the member through the member's HSA account. Therefore the plan is estimating no additional costs for administration of an HSA.

4. The plan would need to develop and issue numerous education materials to educate the members regarding the HDHP option. In addition, staff would need to travel and perform presentations to help educate members across the state regarding this plan option. These functions are currently completed as part of the annual education for the current indemnity and managed care options. Therefore, the plan is estimating no additional costs for these items.
5. The state pays $733 a month for each employee to be used towards the health coverage and benefits selected. These funds could be used to purchase additional coverage options, or could be placed in a flexible spending account to be used for eligible medical expenses. If the employee chooses not to apply those extra funds towards other options, the money reverts to the plan. These funds are referred to as the state share excess. The plan currently receives an average of $70,000 a pay period, or $140,000 a month, in state share excess funds. These funds are used to off-set claims costs and placed in reserves. For members that choose the HDHP, the state share excess funds would be placed in the HSA, not reverted to the plan. The plan is unable to estimate the members that currently forfeit state share funding that would choose to switch to a HDHP.
6. A HDHP allows members to take a more active role in managing their health. The member has a much higher annual deductible, but lower monthly premiums. The plan is not able to estimate the effect of offering such a plan would have on claims experience.
7. The plan is unable to calculate estimated premiums for a HDHP without having a benefit plan design. The establishment of a benefit plan design is a complex and time consuming activity.
8. Insurance programs try to spread the risk. HDHPs generally attract younger, healthier members. If the HDHP is offered as an option along with the indemnity and managed care plans, the higher risk individuals are more likely to stay with the traditional health benefit plans. This makes it more difficult to spread the risk among the population without charging lower risk individuals more than the cost to cover them. The plan is unable to estimate the number of members who would choose the HDHP option, and how this would affect the risk levels and performance of the plan as a whole.
9. It is estimated that 40 hours of a Human Resource Information System analyst and programmer's time would be required to configure and test the new plan. This work could be absorbed into the workload of existing staff.

Montana University System

10. The bill does not apply to the Montana University System's health care plan.

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