

Department of Planning and Budget 2006 Fiscal Impact Statement

1. Bill Number HB1346

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Bell

3. Committee Appropriations

4. Title State employee health insurance plan; members of volunteer fire departments and rescue squads.

5. Summary/Purpose:

Authorizes members of volunteer fire departments and rescue squads to enroll in the state employees' health insurance plan.

The impact listed under 6a is the minimum impact of the proposed legislation. For additional potential impact, see Item 8 below.

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2005-06	\$0	0	
2006-07	\$265,000	2	0200
2007-08	\$140,000	2	0200
2008-09	\$140,000	2	0200
2009-10	\$140,000	2	0200
2010-11	\$140,000	2	0200
2011-12	\$140,000	2	0200

7. Budget amendment necessary: Yes, Item 77 of HB/SB 30 would require an increase in nongeneral fund appropriation of \$265,000 the first year and \$140,000 the second year.

8. Fiscal implications: The fiscal impact listed above is the minimum impact of this bill. \$140,000 of this amount represent the cost associated with a financial analyst and employee services analyst to invoice, cost and report the impact of this additional group and to process the premium income and provide participant services. In addition, a one time system development cost of \$125,000 will be required to implement the program.

The ongoing costs shown previously reflect the continued cost of administering the program and do not include any possible actuarial impact to the plan. In addition to the impact listed previously, the greater potential impact of this bill is that it will most likely have an impact on the cost of health insurance for all participants in the state employee health insurance plan to include the premiums covered by employees and state agencies funded through both nongeneral and general fund sources.

This potential impact is the result of adverse selection. Specifically, individuals who are less healthy and perceive the state plan to have richer benefits may decide to enroll in the state employee plan while individuals who are more healthy and rarely use their existing plan may decide to remain with their existing coverage. The net result is the state plan may have more individuals who are likely to incur claims which would drive up the cost of the plan for everyone.

9. Specific agency or political subdivisions affected: All state agencies, state employees, and retired state employees in the state employee health insurance plan.

10. Technical amendment necessary: N/A

11. Other comments: N/A

Date: 1/26/2006/ JDH

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cc: Secretary of Administration