

Department of Planning and Budget 2006 Fiscal Impact Statement

1. Bill Number SB9

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. Patron Reynolds

3. Committee Local Government

4. Title Local government employees' participation in state employee health plan.

5. Summary/Purpose:

Provides that employees of local governments, local officers, teachers, and retirees, and the dependents of such employees, officers, teachers, and retirees, may participate, with the approval of the local government, in the state employee health plan established pursuant to § 2.2-2818. The local government shall be responsible for whatever portion of the cost of such insurance that is not paid by the employee, except any portion that the General Assembly elects to pay.

6. Fiscal Impact Estimates are: Preliminary

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	\$130,000	1	0200
2007-08	\$56,650	1	0200
2008-09	\$56,650	1	0200
2009-10	\$56,650	1	0200
2010-11	\$56,650	1	0200
2011-12	\$56,650	1	0200

7. Budget amendment necessary: Yes, Item 77 of HB/SB 30 would require an increase in nongeneral fund appropriation of \$130,000 the first year and \$56,650 the second year.

8. Fiscal implications: The fiscal impact listed above is the minimum impact of this bill. These amounts represent the cost associated with one financial analyst to invoice, cost and report the impact of local groups on the state employees health insurance plan (\$56,650 per year) plus a one time system development to implement the program at \$73,350.

The ongoing costs shown on the previous page 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, this bill may 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.

The language in the proposed legislation is not clear as to whether individual local employees may choose to enroll in the state employee plan or if the locality will choose to enroll all of its employees. If individuals can choose, there could be an impact to the entire plan resulting from 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. If the intent of the bill is to give a locality the option to enroll their entire group in the state plan as opposed to individual employees, the adverse selection impact will be greatly reduced.

9. Specific agency or political subdivisions affected: The Department of Human Resource Management and all localities.

10. Technical amendment necessary: N/A

11. Other comments: N/A

Date: 1/20/2006/ JDH

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cc: Secretary of Administration