

Department of Planning and Budget 2010 Fiscal Impact Statement

1. **Bill Number:** HB693

House of Origin	<input type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
Second House	<input checked="" type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

2. **Patron:** Miller

3. **Committee:** General Laws

4. **Title:** **Health insurance program; develop plan for school divisions & local government similar to state**

5. **Summary:** Requires the Department of Human Resource Management to develop a proposed statewide optional health insurance plan for all teachers and an alternative plan covering all employees and retirees of local school boards.

6. **Fiscal Impact Estimates:** Indeterminate

7. **Budget Amendment Necessary:** N/A

8. **Fiscal Implications:** This bill establishes a health program for local school divisions and other political subdivisions that requires a similar premium and plan structure of that contained in the state employee health insurance program. The state employee health insurance program consist of a single pool of employees spanning all state agencies. It assumed that the bill intends that the new plan would like the state employee plan, consist of a single pool of employees which instead, spans across multiple localities. As such, the risk and behaviors of one locality can impact on the premiums of all localities. In particular, the bill provides localities with a one-time option to opt-out of the program which could result in a potential for adverse selection. For some localities, the premiums under the new program may be higher than the premiums that are currently being paid and as a result, they will opt out of the program. In addition, since the ability to opt-out is one-time only, many localities and school divisions will not elect to stay in the program because it removes flexibility in future years. This may result in a smaller pool that could consist of groups that are a higher risk which will drive up the cost for all members of the plan. The fiscal impact of this bill will depend on the number of localities that elect to remain in the new program. Since it is difficult to predict how many school divisions and other political subdivisions will choose to opt-out of the program, the impact is indeterminate.

Another aspect of the potential fiscal impact of this bill is the start-up cost required to implement the new plan. At a minimum, this would include actuarial services to help create pricing for the program. Because no premium income will be coming in under the new program until after it actually begins, it is not clear what funds will be available to cover these pre-implementation costs.

9. Specific Agency or Political Subdivisions Affected: Department of Human Resource Management and all political subdivisions that offer health insurance policies for employees.

10. Technical Amendment Necessary: N/A

11. Other Comments: None

Date: 2/1/2010 JDH

Document: G:\FiscalImpactStatements\2010\HB693 Health insurance program; develop plan for school divisions & local government similar to state\HB693.doc

cc: Secretary of Administration
Secretary of Education