

Department of Planning and Budget

2014 Fiscal Impact Statement

1. Bill Number: HB463-H1

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

2. Patron: Yost

3. Committee: Appropriations

4. Title: State health plan; participation by local school divisions.

5. Summary: Provides for the participation by employees of a school division in the state employee health plan. The school board shall be required to make an election no later than January 1, 2015, with an effective date of July 1, 2015, whether to participate in the state employee health plan. If the local school board elects to participate in the state health plan (i) such participation shall continue for three consecutive plan years, (ii) after such three-year period, the local school board shall be required to make an irrevocable election whether to continue participation in the state employee health plan, (iii) the total cost of such participation shall be borne by the local school board and the employees of the school division, and (iv) the school division shall not be allowed to offer any health benefits plans other than those offered to state employees.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Indeterminate. See Item 8.

8. Fiscal Implications: The Department of Human Resource Management (DHRM) submitted a report on the viability and financial impact of bringing the school and local government employees into the state health plan, prepared by Aon Hewitt, creating a state-wide schools and local government health benefit plan. Based on analysis using actual experience data for those school and local government entities who submitted data, the actuary estimated that the expected cost would be similar to the current state plan. House Bill 463 would only include the local school division employees and not the local government employees, but it is not anticipated that the different populations would have a material impact on the results estimated by the actuary. The report did not include data from all potential entities that could elect to participate in the state health plan.

The amendments to House Bill 463 require the local school board to make an election no later than January 1, 2015, with an effective date of July 1, 2015, whether to participate in the state employee health plan. The amended legislation requires the local school board to participate in the state health plan for three consecutive years and after the three-year period, be required to make an irrevocable election whether to continue participation in the state

employee health plan. The House amendments also prohibit the school division participating in the state employee health plan from offering any health benefits plans other than those offered to state employees. As mentioned in the fiscal impact statement for the introduced bill, without knowing which school divisions would elect to participate in the state employee health plan, it is not possible to determine a fiscal impact. DHRM indicates this bill may lead to adverse selection by permitting school divisions to opt out of the state employee health plan within three years, but that possibility can't be determined at this time.

9. Specific Agency or Political Subdivisions Affected: Department of Human Resource Management and local school divisions.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 2/5/2014

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c: Secretary of Administration