

Department of Planning and Budget 2014 Fiscal Impact Statement

1. **Bill Number:** SB252

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

2. **Patron:** McEachin

3. **Committee:** Finance

4. **Title:** Insurance; employees of public institutions of higher education or localities.

5. **Summary:** Requires the state health plan, for employees of public institutions of higher education, to provide coverage of any other class of persons as may mutually be agreed upon by the institution and the employee. The bill also expands the list of people who may be provided certain types of insurance by a locality, adding the dependents of officers and employees of a locality, as well as the dependents of those employed by commissions and other entities controlled by or working closely with a locality, to the list of people to whom a locality may provide accident and health insurance. The bill expands the potential eligibility for health insurance programs to include the dependents of eligible members of volunteer fire or rescue companies and the dependents of retired officers and employees. The bill requires any locality providing insurance to dependents of employees to provide the same programs to dependents of constitutional officers in some cases.

6. **Budget Amendment Necessary:** Yes. Item 467 – Compensation and Benefit Adjustments.

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

8. **Fiscal Implications:** The fiscal impact of Senate Bill 252 cannot be determined because the legislation requires the employees and public institutions of higher education to mutually agree upon the persons to be added to the state health plan; therefore, it is not possible to estimate the expected number of newly covered individuals.

According to the Department of Human Resource Management (DHRM), Senate Bill 252 could lead to adverse selection. Currently, employees must document their legal relationship with their dependents before the dependents are covered; there is no certainty that dependents newly eligible under this bill will have a legal relationship to document. This leaves open the possibility that employees will attempt to cover individuals, such as friends or neighbors, with serious illnesses. Senate Bill 252 would also create additional state costs because the state contributes toward the cost of dependent coverage.

9. **Specific Agency or Political Subdivisions Affected:** Public institutions of higher education and localities.

10. Technical Amendment Necessary: No.

11. Other Comments: No.

Date: 1/27/2014

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c: Secretary of Administration
Secretary of Education