

## **Department of Planning and Budget**

### **2015 Fiscal Impact Statement**

**1. Bill Number:** SB1075

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

**2. Patron:** Vogel

**3. Committee:** Finance

**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. After a period of three plan years, the local school board shall be required to make an irrevocable election whether to participate in the state employee health plan. The total cost of participation shall be borne by the local school board and the employee of the school division.

**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 titled “Actuarial Review - Local Governments and School Divisions in State Employee Health Benefits Plan” on October 17, 2013 to examine the viability and financial impact of bringing school and local government employees into the state health plan, creating a state-wide schools and local government health benefit plan. The report was prepared by the actuary, Aon Hewitt. 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. 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.

Senate Bill 1075 would require the local school board to make an election no later than January 1, 2016, with an effective date of July 1, 2016, whether to participate in the state employee health plan. The legislation also 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 legislation also prohibits the school division participating in the state employee health plan from offering any health benefits plans other than those offered to state employees.

It is important to note that without knowing which school divisions would elect to participate in the state employee health plan, it is not possible to determine the fiscal impact to the state health plan. The Department has indicated that this bill may also lead to adverse selection by

permitting school divisions to opt out of the state employee health plan after three years; however, it is not possible to determine whether this will actually occur and the financial impact to the state health plan.

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

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** This legislation is identical to the substitute of House Bill 463 (Yost) submitted during the 2014 Session. The substitute for House Bill 463 was left in the House Appropriations Committee.

This legislation is similar to Senate Bill 866 (Chafin).

c: Secretary of Administration