

## Department of Planning and Budget 2015 Fiscal Impact Statement

**1. Bill Number:** SB866

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:**        Chafin

**3. Committee:** Finance

**4. Title:**            Health insurance for local school board employees.

**5. Summary:** Allows local school boards to elect to have all their employees and retirees, as well as the dependents of employees and retirees, eligible to participate in the state employee health insurance plan in lieu of the current state-administered local health insurance plan. The local school board shall be responsible for whatever portion of the cost of such insurance is not paid by the employee, except any portion that the General Assembly elects to pay.

**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. Senate Bill 866 would include the local school board employees and retirees, as well as the dependents of employees and retirees. 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 data limitations does raise the potential for variability in costs; however, without knowing which school boards would elect to participate in the state employee health plan, it is not possible to determine a fiscal impact.

Senate Bill 866 directs DHRM to develop regulations that will allow each local school board to elect to have all of its teachers and retirees, and the dependents of such teachers and retirees, be eligible to participate in the health insurance program. DHRM believes Senate Bill 866 could lead to adverse selection, but that can't be determined until the regulations have been written and approved.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Human Resource Management and local school boards.
- 10. Technical Amendment Necessary:** Yes. Senate Bill 866 enacts changes to The Local Choice section of the Code of Virginia, § 2.2-1204. The Department of Human Resource Management recommends the proposed changes be made to the state health plan section of the Code of Virginia, § 2.2-2818.
- 11. Other Comments:** This legislation is identical to House Bill 1016 (Kilgore) that was proposed during the 2014 Session. The fiscal impact for Senate Bill 866 does not differ from the fiscal impact statement submitted for House Bill 1016.

This legislation is similar to Senate Bill 1075 (Vogel).

c: Secretary of Administration