Department of Planning and Budget
2019 Fiscal Impact Statement

1. **Bill Number:** SB1742

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

2. **Patron:** McDougle

3. **Committee:** Finance

4. **Title:** State retiree health benefits program; amends provision relating to participation in program.

5. **Summary:** Amends the provision relating to participation in the state retiree health benefit program by eliminating the restriction that if a retiree elects to participate, but later discontinues participation, he is barred from future participation.

6. **Budget Amendment Necessary**: No.

7. **Fiscal Impact Estimates:** Indeterminate; see Item 8.

8. **Fiscal Implications:** The fiscal impact of this bill is indeterminate. Currently, the state makes retiree health coverage available to both Medicare and pre-Medicare retirees, and the retirees must pay 100 percent of the cost of their coverage (although some are eligible for a monthly health insurance credit to help defray this cost). Medicare retirees are pooled by themselves, while non-Medicare retirees are part of the state employee health plan. Historically, retirees have higher claims expenses than non-retirees, which may impact how the costs are shared between active employees, the employer, and non-Medicare retirees participating in the state employee health plan.

   Under existing state law, both Medicare and non-Medicare retirees must enroll within 31 days of the effective date of retirement in order to participate in the state retiree health benefits program. After enrollment, if a retiree leaves the health benefits program at any time, he or she is prohibited from re-enrolling. This bill retains the requirement that a retiree must enroll in the state retiree health benefits program within 31 days of the effective retirement date, but it removes the provision that retirees may not re-enroll in the plan after leaving it. This prohibition against returning was intended to protect the program from adverse selection, which occurs when someone enrolls in the program based on immediate need instead of participating consistently in times of both good and bad health. Adverse selection is a risk to any health plan. The state program has enhanced benefits and, therefore, may be more expensive than other insurance options for retirees. There is no way to determine if or how many retirees would choose to forgo the state retiree program for less coverage elsewhere, but then to return to the state program later. It is also not possible to determine the health status of such employees upon their return to the state health program. Based on those factors, it is unknown how this bill could affect the total health insurance premiums for the state employee health plan or the Medicare health plan. Since retirees pay the full cost of their health plan coverage, any change in premiums would impact all retirees. Any changes in premiums for the state employee health plan, which includes pre-Medicare retirees, would also affect state employer and employee contributions.

9. **Specific Agency or Political Subdivisions Affected:** Department of Human Resource Management.

10. **Technical Amendment Necessary:** No.

11. **Other Comments:** None.