

Department of Planning and Budget 2019 Fiscal Impact Statement

1. **Bill Number:** SB1742-E

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

2. **Patron:** McDougle

3. **Committee:** Appropriations

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

5. **Summary:** Creates an exception to the law that if a state retiree elects to participate in the state retiree health plan, but later discontinues participation, he is barred from future participation. The bill would allow a state retiree to discontinue participation, but later return to the plan, if the discontinuation was due to employment with the federal government and participation in a federal employee health benefit program.

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 provides an exception to the re-enrollment prohibition for those whose discontinued participation was due to subsequent employment as an employee of the federal government and participation in a federal employee health benefit program. The 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. There is no way to determine if or how many retirees would become federal employees and forgo the state retiree program for coverage through the federal employee health benefit

program, and subsequently choose 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 retiree 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.