Department of Planning and Budget
2020 Fiscal Impact Statement

1. **Bill Number:** SB40-ER

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

2. **Patron:** DeSteph

3. **Committee:** Passed Both Houses

4. **Title:** Line of Duty Act; coverage for a dependent born after the disability or death of an employee.

5. **Summary:** Provides that children born or adopted after the death or disability of an employee covered by the Line of Duty Act (LODA) are eligible for health insurance coverage if their birth or adoption occurred after the time of the employee's death or disability, but prior to July 1, 2017. Under current law, such children are not eligible unless they were adopted pursuant to a preadoptive agreement entered into prior to the death or disability.

6. **Budget Amendment Necessary**: The Virginia Retirement System (VRS) can implement the provisions of this bill within its current operating budget and does not require additional funding. The agency will review all legislation likely to be enacted prior to the passage by each chamber. Depending on the aggregate number of bills likely to pass, it is possible that the agency will require authorization to expend additional nongeneral fund resources. If so, VRS will identify the costs and request such resources at that time.

7. **Fiscal Impact Estimates:** Item 477 of HB/SB 30 includes language to provide health insurance coverage through LODA for children who lost coverage on July 1, 2017. The proposed LODA premium of $709.21 in fiscal years 2021 and 2022 reflects the cost to provide health insurance coverage for children who lost coverage on July 1, 2017. HB/SB 30 also provides $123,828 in fiscal years 2021 and 2022 to fund the general fund cost of the LODA premium.

   The legislation also would provide health insurance coverage through LODA for children who were not previously eligible to receive health insurance coverage; however, the cost to provide coverage to children who were not previously eligible cannot be determined.

8. **Fiscal Implications:** VRS is unaware of how many individuals would qualify to become eligible dependents under the provisions of this bill and, as such, the fiscal impact is indeterminate. The addition of any individual to the LODA health insurance pools administered by the Department of Human Resource Management (DHRM) has the potential to increase costs and, by extension, increase premiums.

Pursuant to LODA, DHRM administers the LODA Health Benefits Plans for Medicare and non-Medicare eligible individuals, which are self-insured health insurance pools for disabled persons, eligible spouses, and eligible dependents as defined under LODA. In considering self-insured health insurance pools like the LODA Health Benefits Plans, plan experience is a critical driver in the costs of the plans. Monthly premiums for the LODA Health Benefits Plans are paid by a nonparticipating employer, or by the Line of Duty Death and Health Benefits Trust Fund ("the Fund") on behalf of a participating employer, depending on the employer for the deceased or disabled person at the time of death or injury.

As a result of plan experience, the addition of any individual to the health insurance pool has the potential to increase costs to the pool. As costs increase, premiums must also increase in order to fully cover health insurance costs. Since the LODA Health Benefits Plans are self-insured risk pools, the magnitude of the cost increases would depend heavily on the total expected healthcare costs of the insured group.

Plan premiums are set with the expectation of covering the expected costs of all members, which is directly correlated to not only the number of lives covered, but also plan experience, future healthcare costs, as well as the coverage provided. The magnitude of cost increases related to adding members to the pool could vary widely depending on actual claims experience, which could include large or catastrophic claims. Such costs would be spread among the entire health insurance pool and factored into future health insurance premiums.

Increasing health insurance premiums would likely lead to an increase in the contribution rate charged by VRS to participating employers, which would have a general fund and nongeneral fund impact. VRS is responsible for administering the Fund, which pays for LODA benefits provided to employees of participating employers, including health insurance premiums. The VRS Board of Trustees establishes a per LODA-eligible employee contribution rate, which is paid by participating employers, including but not limited to all state agencies with LODA-eligible personnel, and is used to maintain the Fund. Higher LODA contribution rates would require additional general fund and nongeneral fund support to state agencies with LODA-eligible personnel.

9. **Specific Agency or Political Subdivisions Affected:** Department of Human Resource Management, Virginia Retirement System, all state agencies with LODA-eligible personnel, all localities with LODA-eligible personnel.

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

11. **Other Comments:** This bill is identical to HB 51-ER (Knight).

The bill is consistent with language in Item 477 of HB/SB 30, which contains the following:

Q.1. Notwithstanding § 9.1-400, Code of Virginia, or any contrary provision of law, "eligible dependent" for purposes of continued health insurance pursuant to § 9.1-401, Code of Virginia, shall also include the natural or adopted child or children of a "deceased person", as defined in § 9.1-400, Code of Virginia, or "disabled person", as defined in § 9.1-400, Code of Virginia, born as the result of a pregnancy

or adoption that occurred after the time of the employee's death or disability and prior to July 1, 2017. Eligibility will continue until the end of the year in which the eligible dependent reaches age 26 or when the eligible dependent ceases to be eligible based on the Virginia Administrative Code or administrative guidance as determined by the Department of Human Resource Management.