

Department of Planning and Budget 2011 Fiscal Impact Statement

1. Bill Number: SB1122

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

2. Patron: McEachin

3. Committee: Finance

4. Title: Health insurance benefits for state employees.

5. Summary: Provides that the health insurance coverage that may be purchased by state employees for families and dependents may include coverage for any other person to whom coverage may be extended pursuant to § 38.2-3525 of the Code of Virginia.

6. Budget Amendment Necessary: No

7. Fiscal Impact Estimates: Indeterminate - See Item 8 below

8. Fiscal Implications: The Department of Human Resource Management indicates that the provisions of this bill could create an increase in costs paid by state agencies, state employees, and retired state employees under the state employee health insurance plan. The provisions of this bill may allow coverage to be offered to extended family members and other non-related individuals not currently covered. The magnitude of the increase is unknown because the population of these additional eligible individuals is unknown. The main driver of any additional costs to the state employee plan as a whole is adverse selection. Specifically, individuals who are less healthy and/or perceive the state plan to have richer benefits may seek coverage through the state employee plan via the provisions of the proposed legislation. Consequently, the state employee plan may have more individuals who are likely to incur claims which would drive up the cost of the plan and result in higher premiums paid by the Commonwealth as well as active and retired state employees.

Tracking the eligibility of these individuals and providing for proper administration of the expanded program will also result in an increased cost. The Department of Human Resource Management indicates that the start-up cost could be between \$100,000 and \$300,000 with ongoing costs thereafter.

9. Specific Agency or Political Subdivisions Affected: State agencies, state employees, and retired state employees.

10. Technical Amendment Necessary: Not Applicable

11. Other Comments: Not Applicable

Date: Thursday, January 20, 2011

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