

## Department of Planning and Budget 2018 Fiscal Impact Statement

**1. Bill Number:** SB56

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

**2. Patron:** DeSteph

**3. Committee:** Finance

**4. Title:** Line of Duty Act; eligible dependents.

**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 such coverage does not result in an increase in the health insurance premiums being paid by a nonparticipating employer or from the Line of Duty Death and Health Benefits Trust Fund on behalf of a participating employer for such coverage.

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

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

**8. Fiscal Implications:** The Department of Human Resource Management (DHRM) 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. Additionally, as the addition of any individual to the health insurance pool has the potential to increase costs and by extension, increase premiums, it is unclear if any additional individuals could become eligible dependents under the provisions of this bill.

Pursuant to the Line of Duty Act (Title 9.1, Chapter 4, Code of Virginia), DHRM administers the LODA Health Benefits Plan which is a self-insured health insurance pool for disabled persons, eligible spouses, and eligible dependents as defined under the Line of Duty Act. Monthly premiums for the LODA Health Benefits Plan 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.

The addition of any individual to the health insurance pool has the potential to increase costs to the pool, and as costs increase, premiums must also increase in order to fully cover health insurance costs. Since the LODA healthcare plan is a self-insured pooled risk, the magnitude of the cost increases would rely 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 the Virginia Retirement System (VRS), which would have a general fund and nongeneral fund impact. VRS is responsible for administering the Fund, which pays for the benefits provided under LODA for 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 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 Line of Duty Act eligible personnel, all localities with Line of Duty Act eligible personnel

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

**11. Other Comments:** None.

Date: January 18, 2018  
File: SB56