

Department of Planning and Budget 2020 Fiscal Impact Statement

1. Bill Number: SB40

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

2. Patron: DeSteph

3. Committee: Finance and Appropriations

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 are eligible for health insurance coverage if such coverage does not result in a premium increase. Under current law, such children are not eligible regardless of the effect on premiums.

6. Budget Amendment Necessary: Indeterminate – see Item 8. As stand-alone legislation, the Virginia Retirement System (VRS) considers implementation of this bill as “routine,” and does not require additional funding. As a matter of course, the agency will review all legislation likely to be enacted prior to the passage by each chamber. If the aggregate number of “routine” bills likely to pass either chamber is unusually large or complex, 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. This does not include the impact to current or subsequent Line of Duty Act (LODA) premiums paid by state agencies with LODA-eligible personnel or to the funded status of the plans, which are discussed below.

7. Fiscal Impact Estimates: Indeterminate – see Item 8.

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, which may increase premiums. As the bill stipulates, health insurance coverage would not be provided to eligible dependents if it results in an increase in the health insurance premiums being paid by participating and nonparticipating employers, it is uncertain whether additional individuals could become eligible dependents under the provisions of this bill.

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 a companion to HB 51 (Knight).