

## **Department of Planning and Budget**

### **2023 Fiscal Impact Statement**

**1. Bill Number:** HB1882

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed

**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** Freitas

**3. Committee:** Public Safety

**4. Title:** Virginia National Guard member benefits; health savings accounts.

**5. Summary:** Provides that a member of the Virginia National Guard (VaNG) may elect to receive, in lieu of any tuition assistance grants, a matching contribution from the state to a health savings account (HSA). It requires the Department of Military Affairs (DMA) to establish a health savings account for any individual who (i) is a member and has a minimum remaining obligation of two years, (ii) has satisfactorily completed required initial active duty service, (iii) is satisfactorily performing duty in accordance with regulations of the National Guard, (iv) is eligible for such an account pursuant to § 223 of the Internal Revenue Code, and (v) elects to receive a benefit under this section in lieu of a grant under §23.1-610 (tuition assistance grant program). The bill also provides that if a member ceases to be eligible for a health savings account, by reason of being called to active duty military service or otherwise, all contributions from the state must stop, DMA must provide notice to the member of the loss of eligibility.

**6. Budget Amendment Necessary:** Yes. Item 479.

**7. Fiscal Impact Estimates:** Preliminary (see Item 8).

**8. Fiscal Implications:** According to the Department of Military Affairs (DMA), there are an estimated 7,650 VaNG members that meet the eligibility requirements under the provisions of the proposal, but it is undetermined how many of these members meet the eligibility requirements of § 223 of the Internal Revenue Code which governs health savings accounts (HSA). DMA reports that of the 7,650 eligible members, there are 500 members that participate in the State Tuition Assistance Program as established under § 23.1-610, Code of Virginia and would not be eligible for an HSA benefit, unless they discontinued receiving state tuition assistance. In FY 2023, DMA's general fund appropriation for the tuition assistance program is \$3,548,382 (Chapter 2, 2022 Acts of Assembly, Special Session I). In DMA's following fiscal impact estimates, it assumes that these 500 members will continue receiving tuition assistance benefits and therefore will be ineligible for an HSA as outlined in this proposal. As a result, the total eligible population is estimated to be 7,150 members (7,650-500).

Under the provisions of the proposal, the state would be required to make matching contributions to the HSA up to annual federal limitations. For calendar year 2023, the annual limitation on deductions under § 223(b)(2)(A) of the Internal Revenue Code for an individual with self-only coverage under a high deductible health plan is \$3,850. Under § 223(b)(2)(B) of the Internal Revenue Code, the annual limitation on deductions for an individual with family coverage under a high deductible health plan is \$7,750. As such, DMA estimates that the maximum state general fund (GF) fiscal impact of the proposal is as follows:

HSA Plan Assumption	VaNG Member Contribution	State GF Match Requirement	Total Member/State Contribution
All eligible members select self-only coverage.	\$13,763,750	\$13,763,750	\$27,527,500
All eligible members select family coverage.	\$27,706,250	\$27,706,250	\$55,412,500
Half of all eligible members select self-coverage and half select family-coverage.	\$20,735,000	\$20,735,000	\$41,470,000

In addition to the state match requirement shown in the table above, DMA anticipates the need of one full-time position, at an estimated salary and benefit annual cost of \$94,000 general fund, with the responsibilities of administering the program and maintaining and confirming the list of eligible members.

According to the Department of Accounts (DOA), HSAs are typically managed by third party administrators due to the required level of expertise to manage the accounts. DOA is not certain as to whether it would be cost-effective for DMA to contract with a third-party administrator. The amount to contract with a third-party financial institution to manage the HSA accounts is indeterminate at this time. Additionally, DOA reports that there are a number of regulations related to HSAs that would have to be monitored. DOA only tracks payments to members of the VaNG for active-duty deployments and therefore DMA would be required to track the HSA regulations and state match requirements.

**9. Specific Agency or Political Subdivisions Affected:** Department of Military Affairs, and Department of Accounts.

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

**11. Other Comments:** None.