

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 613** SLS 14RS 1295
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 12, 2014 6:45 AM	Author: SMITH, GARY
Dept./Agy.: Office of Group Benefits (OGB)	Analyst: Travis McIlwain
Subject: Participation Schedules	

GROUP BENEFITS PROGRAM OR INCREASE GF EX See Note Page 1 of 1
 Provides relative to participation schedules. (6/30/14)

Current law provides for a participation schedule that provides that persons who did not participate in the program prior to January 1, 2002, or who are hired after January 1, 2002 shall be subject to such vesting schedule relating to years of participation within the Office of Group Benefits (OGB) health insurance program. Upon retirement, persons with less than 10 years, shall have 19% state contribution; those between 10 and 15 years of participation will receive 35% state contribution; those between 15 and 20 years will receive a 56% state contribution; and those with 20 or more years shall have a 75% state contribution. Proposed law retains present law and provides that 75% state contribution for any person who retired on or after May 1, 2013, and on or before May 31, 2013, who participated in OGB health insurance for more than 18 years, whose doctor certifies that on the date of his retirement he was medically unable to perform his job duties, if the sum of his accumulated unused leave on his retirement date plus his years of participation in OGB, rounded to the nearest year, is 20 years or more. Effective June 30, 2014.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

This bill will result in an indeterminable increase in state expenditures as a result of modifying the participation schedule to allow for individuals that are currently paying 44% of their monthly OGB premium to pay a reduced percentage down to 25%. The specific number of individuals that meet the requirements of this legislation is indeterminable and not known by the LFO. However, for **illustrative purposes**, for every individual eligible that meets the parameters outlined in the legislation, the additional cost to the state (employer) will be at least approximately \$65/month (or \$781/year) in additional premium payments. This will result in a like amount decrease in premium payments paid by the employee. This illustration is based upon the current PPO health plan rate for a single retiree (retiree with Medicare) of \$342.28 per month (\$256.72 @ 75%/\$85.56 employee @ 25%).

For purposes of simplicity, the potential impact of this legislation is reflected above as SGF but may ultimately impact other means of finance. The retiree employer premiums are paid by the state agency from which the employee retired.

These calculations are based upon OGB's vesting schedule in Title 42, which is: Upon retirement, persons with less than 10 years, will have 19% state contribution; those between 10 and 15 years of participation will receive 35% state contribution; those between 15 and 20 years will receive a 56% state contribution; and those with 20 or more years shall have a 75% state contribution.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. The Office of Group Benefits will still collect the total premium. The impact of this legislation will only impact how much the employee pays versus the employer.

Senate	<u>Dual Referral Rules</u>	House	<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	<i>Evan Brasseaux</i> Evan Brasseaux Staff Director
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S}		
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}		