

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 260** SLS 15RS 579
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP SEN COMM AMD**
 Sub. Bill For.:

Date: May 5, 2015 6:04 PM	Author: BROOME
Dept./Agy.: Office of Group Benefits (OGB)	Analyst: Travis McIlwain
Subject: Group Benefits Estimating Conference	

GROUP BENEFITS PROGRAM OR SEE FISC NOTE SG EX Page 1 of 1
 Provides for the organization of the Office of Group Benefits. (1/1/16)

Proposed bill creates the Group Benefits Estimating Conference and provides that the conference shall develop official information related to group health and life insurance planning, premium rates and budgeting. Proposed bill provides for the principals of the created conference to be: a member of the professional staff of the governor (who shall preside over the sessions of the conference), a member of the professional staff of the Division of Administration, a member of the professional staff of the legislature appointed by the Senate President, a member of the professional staff of the legislature who has fiscal expertise to be appointed by the Speaker of the House, a member of the professional staff of the Office of Group Benefits with fiscal expertise. Proposed bill provides that all OGB contracts and any adjustments to those contracts in the amount of \$1 million or more shall require review and approval of the oversight committees prior to implementation. Proposed bill provides that the OGB Policy & Planning Board review and approve premium rates. Proposed bill provides for the 2 additional OGB Policy & Planning board members. Effective January 1, 2016.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

This bill may result in additional legislative oversight committee hearings, which could result in additional legislative per diem (\$150) plus mileage reimbursement (\$0.58/mile) costs due to the potential review requirements of all OGB contracts. It is anticipated these additional legislative oversight hearings resulting from reviewing OGB contracts or reviewing annual health plans/health plan changes may be scheduled on a day in which other legislative meetings are taking place. It is unclear if this legislation requires the legislative oversight committee to review all contracts negotiated with OGB. OGB interprets this language to require legislative oversight committee review and approval of all contracts. For context, OGB currently has 19 contracts in place for various services with a contract value ranging from \$10,000 to \$3.4 billion. Thus, the workload of various oversight committee staffs (Senate Finance Committee & House Appropriations Committee) could increase.

In addition to the review of any contract by the legislative oversight committee, this bill also provides that any adjustment to these contracts in excess of \$1 million be reviewed and approved by the legislative oversight committee. The Legislative Fiscal Office cannot determine if this language is intended to include the aggregate change of multiple contracts that equates to \$1 million or more or simply one contract amendment worth \$1 million or more.

In addition to creating the Group Benefits Estimating Conference, this bill grants review and approval authority of premiums to the OGB Policy & Planning Board, which is currently an advisory board to the commissioner of administration. According to information provided to the Legislative Fiscal Office by the Division of Administration (DOA) and the Office of Group Benefits (OGB), due to the additional oversight requirements, there could be delays during the executive budget development process related to setting premium rates that are funded within the Executive Budget. Currently, the premiums are recommended by OGB's contract actuary, reviewed (not approved) by the OGB Policy & Planning Board, approved by the commissioner of administration and incorporated into the Executive Budget. To the extent this legislation is enacted, the annual health plan of benefits (including any new changes) and setting the annual premiums may include additional steps that the involve the newly created Group Benefits Estimating Conference and the OGB Policy & Planning Board. The estimating conference will provide official information to the OGB board and the commissioner of administration to assist in setting the premium rates. However, due to the bill providing review and approval authority to the OGB board, if the recommended rates by OGB and the commissioner are rejected by the board, alternative rates will be required, which could impact the executive budget development timeline. It should be noted that the state's fiscal year and OGB's health plan year do not coincide. Thus, the timing of OGB Board meetings and the legislative oversight hearings related to the proposed health plans and rate structure will have to correlate with the executive budget development timeline and the January 1st health plan year start.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {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} | |

John D. Carpenter
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Legislative Fiscal Officer