

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 370** HLS 15RS 150  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

**Date:** April 30, 2015 7:19 AM **Author:** BROADWATER  
**Dept./Agy.:** Office of Group Benefits (OGB) **Analyst:** Travis McIlwain  
**Subject:** Group Benefits Actuarial Committee

INSURANCE/GROUP-STATE OR INCREASE SG EX See Note Page 1 of 1

Establishes the Group Benefits Actuarial Committee and requires an annual actuary study on the premium rate structure and approval by the panel of recommended changes to the premium rates charged for members of the Office of Group Benefits. Proposed law clarifies that the authority to establish benefit plans and premiums be subject to review and final approval in accordance with the provisions of the Administrative Procedure Act (APA) and requires review and final approval of premium rates by the Group Benefits Actuarial Committee and not oversight committee. Proposed law creates the Group Benefits Actuarial Committee to be comprised of the commissioner of insurance (chairman of the committee), state treasurer and legislative auditor. Proposed law requires that an actuarial study of the program and premium rate structure be performed annually by the actuary appointed by the OGB and that the study be submitted to both OGB and the committee no less than 30 days prior to a new plan year. Proposed bill requires OGB to annually submit its premium rate recommendation to the committee for review and approval and requires premium rates and changes to be approved by the committee before implementation. Proposed law requires the committee to hold a public hearing for review of the annual actuarial study and premium rate recommendation and that notice be sent to all plan members and requires the committee to approve or reject the recommended premium rate and if rejected requires the committee to approve an alternate premium rate. Effective upon governor's signature.

<b>EXPENDITURES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

<b>REVENUES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

The proposed legislation will likely result in an increase in self-generated revenue expenditures within the Department of Insurance (DOI) due to the responsibility of the department to chair the newly created committee. This bill provides for the OGB contract actuary to perform an actuarial study of the program and rate structure and submit the report to the Group Benefits Actuarial Committee for review. Even though the DOI currently has one full-time health actuary on staff, the department believes the necessary review requirements associated with the duties of this committee would require the use of a contract actuary at an estimated cost of \$60,000 (\$300/hour for approximately 200 hours of work). Currently, the DOI has a contract actuary that provides health premium rate reviews on an hourly basis. To the extent this current contractor could complete the review requirements outlined within this bill within less than 200 hours of work, the estimated \$60,000 of additional contract costs would be minimized.

In addition, the proposed legislation may result in increased OGB staff workload and costs related to hosting a public meeting discussing premium rate and health plan changes before the Group Benefits Actuarial Committee and notifying all plan members (actives & retirees) of the meeting.

Due to the additional steps in setting premium rates this bill creates (administrative procedures act & approval from the Group Benefits Actuarial Committee), the Division of Administration (DOA)/Office of Group Benefits (OGB) contends that any premium rate changes and/or rejections by the newly created Committee could result in delays in executive budget development. However, to the extent the committee were to accept the recommended premium rate structure of the agency's contract actuary (Gallagher Benefits Services) as provided in proposed law, the delay would be nominal if at all. It should be noted that the state's fiscal year and OGB's health plan year do not coincide. Thus, the timing of the Group Benefits Actuarial Committee meeting will have to correlate to the executive budget development and the January 1st health plan year start.

To the extent the premium structure proposals result in an legislative oversight committee hearing (pursuant to the Administrative Procedures Act) members of the Senate Finance Committee and the House Appropriations Committee will be eligible for legislative per diem of \$150 plus the mileage reimbursement, which is currently \$0.58/mile. However, such costs could be reduced if these oversight hearings coincide with a scheduled Joint Legislative Committee on the Budget (JLCB) meeting, which typically meets at least monthly.

**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} |

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