

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 268** SLS 15RS 532
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 13, 2015 7:59 AM	Author: ERDEY
Dept./Agy.: Department of Insurance	Analyst: Travis McIlwain
Subject: Portability of Retiree Health Insurance	

INSURANCE PREMIUMS OR INCREASE SG EX See Note Page 1 of 1
 Provides for portability of retiree health insurance eligibility for employees. (gov sig)

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 bill provides that if a public school employee covered by group health insurance becomes employed by another school board, the employee has the right of portability of group health insurance benefits between the different schools. Proposed bill provides that an employee shall continue the same coverage by the group health insurance plan in effect as of his retirement. Proposed law requires the school board from which an employee retires pay all premiums associated with the group health insurance policy or plan subject to reimbursement by all previous employers in proportion to the portion of the employee's career spend with each employer. Proposed bill requires the Department of Insurance to track and monitor an employee's succession and term of years spent with each employer. Effective upon governor's signature.

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.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

This bill will likely result in an increase in costs of at least \$1 million in FY 16 and 2 additional TO positions of the Department of Insurance (DOI) in order to track and monitor an employee's succession of years spent with each employer. This bill requires the DOI to track and monitor school employee data initially provided by the Teacher's Retirement System (TRSL) and the LA School Employees' Retirement System. According to the information provided to the Legislative Fiscal Office by the DOI, the DOI is assuming in order to collect this information a web portal would be needed in order for the 69 school boards statewide to enter the necessary employee data as required by this legislation. The DOI anticipates the one-time web portal cost to be at least \$700,000 with approximately \$100,000 of annual portal maintenance costs. Therefore, the aggregate annual costs of this legislation will likely be \$300,000 (\$200,000 - 2 positions, \$100,000 - web portal maintenance) in subsequent fiscal years.

In addition, the DOI anticipates a need for 2 Insurance Specialist positions at an annualized cost of approximately \$200,000 for salaries, related benefits and corresponding operating expenditure costs associated with these positions. The DOI contends these positions are needed in order to train school board personnel on the use of the web portal, helpdesk support and overseeing certification requests from various school boards trying to calculate employer cost share of its participating health plan employees for its impacted retirees.

This legislation grants portability of group health insurance for public school employees moving from one school system to another. In addition, this bill requires the school board that an employee retires from to pay the employer portion of the premium subject to reimbursement by all previous employers in proportion to the employee's career at each school board job held. This bill appears to impact those individuals who are previously employed by an OGB school system that transfer to a non-OGB school system. The specific number of individuals that meet the criteria outlined in this legislation is unknown at this time.

However, as an example, if a school employee works for 18 years for an OGB school system and then transfers to a non-OGB school system, works for 2 years and then retires, under current law that individual would be subject to the vesting schedule of the non-OGB school system, which is likely less than 75%/25% employer/employee premium share (applies to an individual having 20+ years). Once this bill is enacted, it appears it will allow that same individual to keep his/her OGB plan, but its former employer (OGB school system) would be responsible for 90% of the employer share, while its new employer (non-OGB school system) would be responsible for 10% of the employer share. Therefore, based upon this one example this legislation would increase the costs of the former employer (OGB participating school) and decrease the cost of the current employer. (non-OGB school) The extent of the increase would be contingent upon the employer/employee cost share portions and premium rates of the 2 school boards as well as the vesting schedule for retirees.

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 regardless of who pays the actual premium.

Senate	Dual Referral Rules	House	<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	 Evan Brasseaux Staff Director
<input checked="" 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}		