

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 260** SLS 15RS 579
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 16, 2015 12:58 PM	Author: BROOME
Dept./Agy.: Office of Group Benefits (OGB)	Analyst: Travis McIlwain
Subject: Group Benefits Estimating Conference	

GROUP BENEFITS PROGRAM OR INCREASE SG EX See Note Page 1 of 2
 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 forecasting expertise to be appointed by the Speaker of the House. Proposed bill provides for any new benefit changes or the annual plan of benefits be subject to review and approval by the legislative oversight committee and shall promulgated through the Administrative Procedures Act. Additionally, 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 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.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

This bill will likely result in an indeterminable increase in OGB expenditures due to the potential hiring of a professional staff member with forecasting expertise. The proposed bill creates the Group Benefits Estimating Conference of which one of the principals serving on the conference will be a professional staff member of the OGB with forecasting expertise. According to the Office of Group Benefits (OGB), no current staff members meet these qualifications as the forecasting function of the agency is currently carried out with the agency's contract actuary (Gallagher Benefit Services). Thus, an additional staff member with this skill set will be needed, which is anticipated to cost OGB at least \$100,000 annually in salary and related benefits.

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, and requires legislative oversight (through the administrative rule making process) of any new health plan changes, the annual health benefit plan recommendation as well as any contracts entered into by the agency. 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) as well as setting the annual premiums will include additional steps that involve the newly created Group Benefits Estimating Conference, OGB Policy & Planning Board and the administrative rule making process. 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 and the legislative oversight committee, alternative rates will be required, which could impact the executive budget development timeline.

As required by this bill, proposed premiums will be subject to the administrative rule making process, which typically takes up to 90 days to fully complete. 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. **(see pg. 2)**

REVENUE EXPLANATION

Any increase in the administrative cost of the OGB program could result in an indirect impact to agency's revenue collections. If OGB's costs increase, the amount of premium collections may increase in order to offset the expenditure increase.

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

Evan Brasseaux
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Staff Director

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CONTINUED EXPLANATION from page one:

As previously stated, this bill provides for any contracts negotiated with OGB be subject to legislative oversight committee for review and final approval. 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) will likely 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.

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. However, to the extent the required hearing cannot be scheduled during a time when other committees are conducting hearings, members of the Senate Finance Committee and the House Appropriations Committee will be eligible for the legislative per diem of \$150 plus the mileage reimbursement, which is currently \$0.58/mile.

This bill provides for one of the members of the conference to be a member of the professional staff with forecasting expertise. To the extent the existing legislative staff does not have an individual with health forecasting expertise, an additional position may be needed.

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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 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} |

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