



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 221** SLS 14RS 542
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: April 25, 2014 3:07 PM	Author: ERDEY
Dept./Agy.: Office of Group Benefits (OGB)	
Subject: Premiums	Analyst: Travis McIlwain

GROUP BENEFITS PROGRAM

EG SEE FISC NOTE LF EX See Note

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Provides relative to premiums. (7/1/14)

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 will be applicable to an employee who retires from a school board whose employees are eligible to participate in OGB, who participated in such program for the duration of employment with that employer but whose participation is less than 20 years, who immediately prior to employment was a professional employee of a local school system and participated in the group health insurance program and that same employee maintains enrollment in OGB may upon retirement have an employer contribution of up to 75% of his premium if his last employer and his immediately prior public school system employer agree to provide the employee with contributions which together total 75%. Effective July 1, 2014.

EXPENDITURES	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.	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	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

This bill will result in an indeterminable increase in local governmental expenditures. The specific cost increase will be dependent upon the agreement with employers and the OGB monthly premium rate. The specific number of individuals that meet the criteria outlined in this legislation is unknown at this time. However, for **illustrative purposes**, assuming the eligible employee can retire from his current employer with the minimum vesting level of 19% premium paid by the employer and that each entity agrees to split the remaining employer portion (56%) equally, the original employer would have its expenditures increase by \$1,540 annually (going from 0% premium paid to 37.5% premium paid) and expenditures for the current employer would increase by \$760 annually (going from 19% premium paid to 37.5% premium paid). 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 state @ 75%/\$85.56 employee @ 25%). Although not required by this legislation, this illustration assumes that each entity would evenly split the 75% employer portion (37.5% employer portion paid equally).

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. R.S. 42:851(E)(1) provides that any person who was an active employee in 2001 had until January 1, 2002 to enroll in the Office of Group Benefits program in order to not be subject to the OGB retirement vesting schedule. The OGB vesting scheduled was enacted by Act 1178 of the 2001 Regular Legislative Session.

This bill will result in a minimal one-time IT programming costs to OGB’s IMPACT system. The DOA anticipates such costs to be approximately \$13,000. These changes are needed to modify the system to satisfy the modifications to the system for those individuals employer/employee monthly premiums paid. In addition, the DOA has indicated a potential need of 4 additional positions to meet the requirements of this legislation including eligibility staff (participation calculation changes) and fiscal unit (premium collection changes). However, the Legislative Fiscal Office believes any additional position needs will ultimately depend upon the actual number of employees eligible under this bill. To the extent a few number of individuals are eligible, OGB would likely be able to absorb the additional workload with existing resources.

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 employers.

Senate

Dual Referral Rules

House

☐ 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

☐ 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

☐ 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S}

☐ 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

☐ 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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