

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3766-01
Bill No.: SB 660
Subject: Employees-Employers, Insurance-Medical, Insurance-Life, State Employees,
Retirement Systems and Benefits-General
Type: Original
Date: January 9, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(\$66,693,825)	(\$55,547,542)	(\$56,936,230)
Total Estimated Net Effect on General Revenue Fund	(\$66,693,825)	(\$55,547,542)	(\$56,936,230)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
All	(\$12,051,656)	(\$10,037,509)	(\$10,288,447)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$12,051,656)	(\$10,037,509)	(\$10,288,447)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
All	(\$21,185,333)	(\$17,644,709)	(\$18,085,827)
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$21,185,333)	(\$17,644,709)	(\$18,085,827)

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Accounting and Division of Personnel** defer to the Missouri Consolidated Health Care Plan for response regarding the potential fiscal impact of this proposal to the state.

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** assume the proposal would require state employee health care plan premiums to be based on the employee's salary. MCHCP estimated a combined impact for FY 2007 of \$99,930,814 (FY06: \$18,731,048; FY07: \$81,199,766).

The estimates were calculated by employing a 12% inflation rate, using current coverage levels, assuming the acquisition of 50% of employees currently opting to waive coverage if a special enrollment is held, and based on the low-cost plan in each region or the MCHCP Copay plan in regions where a HMO plan is unavailable.

MCHCP noted this legislation does not include those employees with health care coverage through the Department of Transportation (MODOT) or the Department of Conservation (MDC).

ASSUMPTION (continued)

Oversight assumes this proposal would result in a significant increase in state cost for employee health insurance with a corresponding reduction in employee cost, and an additional increase in state cost due to increased enrollment of employees who currently waive state coverage because coverage on their spouse's health insurance plan is available to them at lower cost.

This proposal applies to state employees who have health care coverage through MCHCP; therefore, Oversight has not included any fiscal impact for MODOT or MDC. Significant additional cost would be incurred by those organizations to provide equivalent benefits for their employees.

Oversight also assumes there could be an unknown increase in cost to local government if local governments which enroll their employees in MCHCP choose to provide equivalent employer contributions to the cost of health care coverage for their employees.

This proposal includes an emergency clause which would make it effective July 1, 2006.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND			
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state contribution	<u>(\$66,693,825)</u>	<u>(\$55,547,542)</u>	<u>(\$56,936,230)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$66,693,825)</u>	<u>(\$55,547,542)</u>	<u>(\$56,936,230)</u>
OTHER STATE FUNDS			
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in state contribution	<u>(\$12,051,656)</u>	<u>(\$10,037,509)</u>	<u>(\$10,288,447)</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>(\$12,051,656)</u>	<u>(\$10,037,509)</u>	<u>(\$10,288,447)</u>

FEDERAL FUNDS

Costs - Missouri Consolidated Health
 Care Plan

Increase in state contribution	<u>(\$21,185,333)</u>	<u>(\$17,644,709)</u>	<u>(\$18,085,827)</u>
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**ESTIMATED NET EFFECT ON
 FEDERAL FUNDS**

<u>(\$21,185,333)</u>	<u>(\$17,644,709)</u>	<u>(\$18,085,827)</u>
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FISCAL IMPACT - Local Government

FY 2007 (10 Mo.)	FY 2008	FY 2009
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would base the employee contribution to the cost of their health care insurance on a percentage of their income to their health insurance. The proposal would apply to state employees who have coverage through Missouri Consolidated Health Care Plan.

- If an employee elects to participate in a plan other than the lowest cost premium plan, the state would contribute a dollar amount equal to the lesser of that which would have been contributed on behalf of the employee under the lowest cost premium or the full amount of the premium plan.
- If no plan option is available in a region of the state, the rates in this section would be applicable to coverage under the Missouri consolidated health care plan's copay plan.

DESCRIPTION (continued)

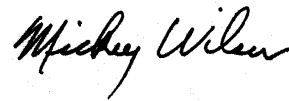
- The general assembly would appropriate sufficient additional moneys in the fiscal year 2007 state budget to cover the cost of reimbursements to employees for Missouri consolidated health care plan premiums paid by employees between January 1, 2006, and June 30, 2006, which exceed the premium amount that would have been paid by employees under this proposal. The reimbursement amount would be based on the employee premium contribution for the lowest cost premium plan available in the employee's region for the level of coverage in which the employee is currently enrolled, regardless of the plan option currently chosen by the employee minus the total amount of premium contribution the employee would have made under this proposal.
- The reimbursement provided for in this section would be applied first, to the premiums paid by the employee for the plan and level of coverage in which the employee is enrolled for the six-month period of January 1, 2006, to June 30, 2006; and if that amount exceeds the employee's actual premium costs for the six-month period from January 1, 2006, to June 30, 2006, any remaining moneys would be paid to the employee to cover other medical expenses incurred, including copayments, coinsurance, or prescription drug costs, during such six-month period.
- Nothing in this proposal would be construed as requiring an employee to pay any additional premium costs for the six-month period from January 1, 2006, to June 30, 2006.
- The proposal includes an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Office of Administration
Division of Accounting
Division of Personnel
Missouri Consolidated Health Care Plan



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Director
January 9, 2006