

BILL SUMMARY
2nd Session of the 52nd Legislature

Bill No.:	HB2324
Version:	FULLPCS1
Author:	Representative Murphey
Date:	2/20/2010
Impact	OSEEGIB Cost Estimate: Annual Costs - \$1.7 to 2.5 million Onetime System costs – \$3.2 million; EBC: Costs Under Review; Potential Savings From Consolidation

Bill Summary

Research Analyst: Arnella Karges

The proposed committee substitute for HB2324 amends the State and Education Employees Group Insurance Act by amending the purpose of the act to provide uniformity in health insurance benefits to all state and education employees, repealing current purposes of providing life insurance benefits and compliance with the federal Health Maintenance Organization (HMO) Act of 1973. The measure also renames the State and Education Employees Group Insurance Board as the HealthChoice Health Insurance Board and repeals further reference to HMOs and life insurance plans, as being no longer applicable under the act.

The newly named Board's composition and members' duties remain the same, though a provision authorizing the Board to contract with a pay-for-performance program provider is repealed. The Board is also no longer charged with fulfilling requirements of the State Employees Flexible Benefits Act and the State Employees Disability Program Act. The Board is charged with managing the group health and dental plans, but not required to determine eligibility of employees and their dependents to participate in health and dental plans. The Board's duties to select and contract with HMOs and an actuary for risk adjustment are repealed.

The Oklahoma State Employees Benefits Council is renamed the Oklahoma State Benefits and Wellness Office, the newly named Office is charged with collecting and remitting disability benefits and managing the State Employees Disability Insurance Reserve Fund. The Office is also charged with administering any life insurance plan for state employees and managing the Life Insurance Reserve Fund. The composition of the governing body of the Office and most duties remain the same, though the measure requires contracting with only one federally qualified HMO. The measure also requires the Office to negotiate for a preferred provider health plan with the HealthChoice Health Insurance Board and other insurance providers.

The measure refigures the formula for a state employee's benefit allowance to be equal to the monthly premium of the HMO insurance plan offered, the dental plan offered, the disability plan, and the basic life insurance plan offered to public employees or the amount determined by the Office. For those who elect to include one or more dependents:

- 75% of the cost of the HMO health benefit plan available for a spouse;
- 75% of the cost of the HMO health benefit plan for one child;
- 75% of the cost of the HMO health benefit plan for two or more children;
- 75% of the cost of the HMO health benefit plan for a spouse and one child; or

- 75% of the cost of the HMO health benefit plan for a spouse and two or more children.

If a participant elects benefits whose sum total is less than the flexible benefit allowance credited to the participant, any excess shall be transferred to a flexible spending account established for the participant; prohibiting excess to be used as taxable compensation.

The measure also amends provisions relating to education employees' health benefits, including the following:

- Modifies references to health insurance plans offered to the state's education employees, to reflect changes to newly named Board and plans offered;
- Repeals option to receive excess flexible benefit allowance as taxable compensation or payments in lieu of benefits and requires transfer of funds to a flexible spending account for certified and support school personnel; and
- Beginning FY-12, amends flexible benefit amount for school employees to be the greater of 100% of the premium amount for the HealthChoice individual plan for the current plan year or the premium amount for the HealthChoice individual plan for the 2010 plan year.

The measure adds a representative of education employees to the Wellness Council, within the Office. The Wellness Council is required to develop wellness programs in state government and for school districts in Oklahoma and to encourage participation in wellness programs by state and education employees.

The measure renames and recodifies the joint legislative committee as the Joint Liaison Committee on State Benefits. The composition and operation of the Joint Committee remains the same, though it shall serve as a liaison with both the Oklahoma State Benefits and Wellness Office and the HealthChoice Health Insurance Board.

Beginning FY-12, the Executive Director of the Oklahoma State Benefits and Wellness Office is required to remit to the General Revenue Fund 20% of the combined administrative costs of the Employees Benefits Council and the Oklahoma State and Education Employees Group Insurance Board as of FY-10.

Fiscal Summary

Fiscal Analyst: Terry McKenna

The FULLPCS1 for HB 2324 renames the State and Education Employees Group Insurance Board (OSEEGIB) and the Employee Benefits Council (EBC) as detailed in the bill; and transfers from OSEEGIB to EBC the following duties and responsibilities: administrative functions (eligibility, enrollment, communication, member services, premium accounting, etc.) pertaining to education, local/county governments, and other enrolled entities such as OPEA and OEA; the operation of the Life Insurance and Disability plans, leaving OSEEGIB as a health and dental plan only; and all negotiation/contracting processes for HMOs and PPOs and includes OSEEGIB plans as part of the best and final offer negotiation process.

Fiscal Analysis

OSEEGIB advises that changes of this magnitude require significant and detailed study in order to understand and calculate the true financial impact. The fiscal impact below is based on the

agency's best estimate given the short time frame, and does not reflect incidental expenses such as office space, equipment, hardware and software licenses, etc.

1. EBC would need personnel to bill and reconcile accounts for over 700 additional groups as well as retirees, none of which EBC currently handles. These groups do not have uniform payroll systems. Even with shifting some personnel from OSEEGIB to EBC, additional personnel costs (including benefits) are estimated at \$735,000.
2. EBC's BAS program is an eligibility system. A flexible premium accounting system tied to eligibility is needed. If the premium accounting functionality is to be added to the BAS system the cost for development, testing and implementation could be as high as \$3 million. Their potential need for additional system functionality and the additional electronic interfaces could very likely require 2 additional data management analysts, 1 additional system administrator and 1 additional technician to support the added infrastructure at an estimated cost of \$315,000 per year. Also, maintenance on the new premium accounting functionality module could be estimated at \$300,000 per year, based on negotiated rates of 10% of the original purchase price.
3. Production and mailing of option period materials for education and local government employees and retirees would run in the neighborhood of \$280,000 (a transfer of costs from OSEEGIB). Additional personnel costs to EBC would be at a net cost estimated at \$60,000.
4. EBC would need additional people to handle member service calls from the larger group. Additional personnel costs would be at a net cost estimated at \$120,000. Given the completely different business process with education and local government employers and retirees, EBC would need significantly more resources during option period for several more years.
5. Transferring the Disability Program to EBC would require EBC to hire a vendor to pay claims, as OSEEGIB currently does. OSEEGIB's current contract runs \$1.1 million per year. Additional personnel may be needed to support the existing program, the cost of which is not reflected in this estimate.
6. For OSEEGIB, the cost of paying life claims is minimal, since the TPA overhead costs of claims system, customer service, correspondence, etc., are already covered as a result of handling health and dental claims. Depending on whether EBC would process life claims internally or whether they retain a third party administrator to support this function, estimated costs would be anywhere from \$200,000 to \$1 million.

OSEEGIB estimates annual costs at \$1.7 to 2.5 million, and additional onetime system costs at \$3.2 million.

The FULLPCS1 for HB2324 is currently under review by EBC.

Long Term Fiscal Considerations

The State could realize savings from the efficiencies and economies of scale that have been associated with the consolidation of similar public and private sector entities.

Fiscal Analysis Reviewed By:

Janice Buchanan

House Fiscal Director

