

BILL SUMMARY
1st Session of the 53rd Legislature

Bill No.:	HB 1738
Version:	Introduced
Request Number:	6178
Author:	Rep. Moore
Date:	(revised) 3/11/2011
Impact:	<u>Benefit Allowance Freeze</u>
	State Agency Savings:
	FY-12 \$8 million
	FY-13 \$24 million
	FY-14 \$41 million
	<u>Opt-out Limitation</u>
	State Agency Savings:
	\$7.8 million/yr.
	Education Employer Costs:
	\$2.53 to \$3.8 million/yr.

Research Analysis

HB 1738, as introduced, provides that state employee benefit allowances will not be increased or decreased for three years and authorizes the Legislature to determine the benefit allowance after three years. The measure also provides that education employees that are provided a financial incentive to not participate in the school district-sponsored cafeteria plan will not be eligible to receive the dependent benefit allowance.

Prepared By: Andrea Merten

Fiscal Analysis

Benefit Allowance Freeze:

HB 1738 as introduced effectively freezes the state employee flexible benefit allowance (FBA) for calendar years, a.k.a. plan years, 2012 through 2014. For the 2011 plan year the Employee Benefits Council (EBC) estimates the total FBA expense for state agencies to be approximately \$419 million. Assuming state employment demographics do not experience a material change, the measure would eliminate growth of the FBA expense for state agencies. Under current law the FBA is recalculated annually and subject to growth related to insurance premium inflation. Over the last 4 years, a weighted analysis of FBA inflation showed an annual growth of approximately 3.8%. Assuming the current FBA calculation, which the state agency payout is based, is growing at an approximate annual rate of 3.8%, HB 1738's FBA freeze allows state agencies to realize estimated annual cost savings of \$8 million in FY-12, \$24 million in FY-13, and \$41 million in FY-14.

Employer Coverage Opt-out Limitation:

The measure also stops the practice of active state education employees opting out of health insurance coverage under their education employer in order to receive dependent coverage under their state employee spouse's flexible benefit allowance (FBA.) Education employees are currently being induced to opt-out by financial incentives from education employers. OSEEGIB records show approximately 1,028 education employees currently implementing the practice. School districts pay out approximately \$1.7 million in opt-out payments annually to these

individuals and the state spouse benefit allowance opted into costs state agencies approximately \$7.8 million annually. Eliminating the practice of opting into the state employee FBA will save state agencies \$7.8 million annually. Education employers will experience a cost because education employees who under the measure are no longer eligible to opt into their spouse's plan will choose to elect coverage under their education employer. If all 1,028 individuals elect coverage under their education employer the maximum cost would be approximately \$3.8 million, (\$5.5 million benefit allowance cost, less \$1.7 million in opt-out payments avoided.) In practice some individuals will still elect the opt-out payment in lieu of coverage; approximately one third of education employees currently make such election. If this pattern holds for the 1,028 individuals affected by the measure the cost to education employers would be approximately \$2.53 million (2/3rds of \$5.5 million benefit allowance cost, less 2/3^{rds} of \$1.7 million in opt-out payments avoided.)

Prepared By: John McPhetridge

Other Considerations

After the expiration of the three plan year FBA freeze, the measure states the FBA amount shall be determined by the Legislature.