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FISCAL IMPACT STATEMENT

LS 6262

BILL NUMBER: HB 1465

NOTE PREPARED: Dec 19, 2002

BILL AMENDED:

SUBJECT: Public Safety Officers' Survivors Benefits.

FIRST AUTHOR: Rep. Lawson L

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that the unit of local government that employed a member of the 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, the 1953 Police Pension Fund, or the 1977 Police Officers' and Firefighters' Pension Fund who dies in the line of duty shall provide and pay for health insurance coverage for the member's surviving spouse and dependent children. The bill provides that the health insurance provided to a surviving spouse and child must be equal in coverage to that offered to active members.

Effective Date: July 1, 2003.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: The bill would increase the cost incurred by local units for providing health care benefits to survivors of police and fire employees who died in the line of duty. The minimum cost of the bill is estimated to be approximately \$373,000 annually. Several cost ranges are provided below based on: (1) the premium cost of three separate employee health plans; and (2) the distribution of coverage among survivors. Under the provisions of this bill, the cost of benefits would be borne by the unit of local government that employed a member of one of the identified funds who died in the line of duty.

Currently, there are 79 known survivors who may qualify for insurance coverage under the bill. Fourteen survivors are identified as children. Children are eligible for the healthcare benefit until the age of 18, the age of 23 if enrolled in and currently attending secondary school, or for the duration of the child's physical

or mental disability. However, the ages of the identified children are unknown. Therefore, the estimated cost may be lower depending upon the eligibility of these individuals. The minimum cost range would apply if all survivors selected single coverage. The maximum cost range applies if all survivors, less the identified children, select family coverage. The middle cost range applies if the distribution of coverage among qualifying survivors is similar to state employees.

Cost Estimate for State Health Insurance -

- (1) All survivors select single coverage - The estimated cost would be approximately \$373,000 annually.
- (2) All survivors select family coverage, identified children assumed part of a family plan - The estimated cost would be approximately \$804,000 annually.
- (3) Distribution of coverage among qualifying survivors is similar to that for state employees - The estimated cost would be approximately \$736,000 annually.

Cost Estimate for Local Buy-in to State Health Insurance -

- (1) All survivors select single coverage - The estimated cost would be approximately \$509,000 annually.
- (2) All survivors select family coverage, identified children assumed part of a family plan - The estimated cost would be approximately \$1.1 M annually.
- (3) Distribution of coverage among qualifying survivors is similar to that for state employees - The estimated cost would be approximately \$1 M annually.

Cost Estimate for Insurance based on City of Indianapolis Rates -

- (1) All survivors select single coverage - The estimated cost would be approximately \$502,000 annually.
- (2) All survivors select family coverage, identified children assumed part of a family plan - The estimated cost would be approximately \$1.2 M annually.
- (3) Distribution of coverage among qualifying survivors is similar to that for state employees - The estimated cost would be approximately \$1.1 M annually.

Background: Based on research by the Public Employees' Retirement Fund (PERF) there are 79 survivors of members of the specified pension funds who died in the line of duty. The cost ranges above are based on insurance coverage for 79 survivors.

Three cost scenarios are provided for these survivor benefits. Health insurance cost estimates use average costs for: (1) state health insurance plans, (2) local policies purchased under HEA1925-2001 through state insurance providers, and (3) health insurance costs for the City of Indianapolis.

Each cost scenario has three estimates reflecting the following variations: (1) all survivors sign up for single coverage, (2) all survivors sign up for family coverage - except identified children who are assumed to be covered by another party's family plan, and (3) a distribution similar to state employees.

These estimates assume that the premium cost of single and family health insurance coverage provided by local units is equivalent to the average single and family premium cost of the respective health plans. Premiums for health coverage provided by local units vary depending upon the size of the insured group and the claims experience of the group. Thus, actual expenses may be higher or lower than these estimates.

Insurance Rates:

State Plan - On average, the CY 2003 state health insurance rate for single coverage is approximately \$4,700, and family coverage is approximately \$12,400.

Local Plan through State Providers- On average, the CY 2003 state health insurance rate for single coverage is approximately \$6,400, and family coverage is approximately \$17,300.

City of Indianapolis Plan - On average, the CY 2003 health insurance rate for single coverage is approximately \$6,400, and family coverage is approximately \$18,400.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Local Government Units.

Information Sources: Tom Parker, Public Employees' Retirement Fund, 233-4146; Patti Vennemann, Human Resources Division, City of Indianapolis, (317) 327-5653.

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