

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6763

BILL NUMBER: HB 1125

NOTE PREPARED: Jan 16, 2009

BILL AMENDED:

SUBJECT: School Corporation Health Coverage.

FIRST AUTHOR: Rep. Cherry

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows a school corporation to provide coverage for employees of the school corporation through a state employee health plan.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Coverage:* The impact on the state would depend on the number and health experience of schools choosing to participate in the state employee health insurance plan. If schools with a large number of claims per employee choose the state plan, then the overall cost of the state employee health plan would increase and could increase the state costs of the state health insurance plan.

Any increase in costs may not necessarily imply additional budgetary outlays since the state's response to increased health benefit costs may include (1) greater employee cost-sharing in health benefits; (2) reduction or elimination of other health benefits; and (3) passing costs onto workers in the form of lower wage increases than would otherwise occur. It is unknown at this time if the state would pay added costs or pass the costs on to employees.

Any type of voluntary offering creates adverse selection within the pool.

Administrative Costs. With respect to the state's self-insurance plans, administrative costs typically make up 15%-20% of the overall benefit costs. Administrative costs are scaled based on the size of the group. There are economies of scale that apply when a large group has the same administration. The larger the group, the lower the per member per month charge. Having a large group with the same administration creates cost effectiveness to the administrator. To the extent that the administration can be standardized and efficient in

the system, overall health insurance costs can be reduced.

(Revised) *Background:* State expenditures for employee health insurance were about \$260.8 M for FY 2008. The following are the state employee health plan rates for 2009.

Plan	Coverage	Annual Employee Premium	Annual Employer Premium	Annual Total Premium
HDHP 1	Single	\$0.00	\$4,545.84	\$ 4,545.84
	Family	\$0.00	\$12,500.28	\$12,500.28
HDHP 2	Single	\$502.32	\$4,545.84	\$5,048.16
	Family	\$1,237.08	\$12,500.28	\$13,737.36
Anthem Traditional II	Single	\$1,630.98	\$4,545.84	\$6,176.82
	Family	\$4,806.36	\$12,500.28	\$17,306.64
Welborn HMO*	Single	\$858.78	\$4,545.84	\$5,404.62
	Family	\$2,378.22	\$12,500.28	\$14,878.50
Delta Dental	Single	\$0.00	\$250.38	\$250.38
	Family	\$0.00	\$716.82	\$716.82
EyeMed Vision	Single	\$0.00	\$41.16	\$41.16
	Family	\$63.12	\$41.16	\$104.28

Explanation of State Revenues:

Explanation of Local Expenditures: The bill could decrease the cost of employee health plans for local schools. The impact would depend on the costs of schools' current health insurance premiums. For the 2007-08 school year, schools spent about \$661.5 M on employee insurance benefits.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Local schools.

Information Sources: Auditor's data., Department of Education database.

Fiscal Analyst: Chuck Mayfield, 317-232-4825.