

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4442-01
Bill No.: HB 1715
Subject: Insurance - Medical; State Employees
Type: Original
Date: May 3, 2010

Bill Summary: Discontinues state-sponsored health insurance benefits upon retirement for state employees employed as new hires after January 1, 2012.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri State Employee Retirement System** and **Department of Insurance, Financial Institutions, and Professional Registration** assume the proposal will have no fiscal impact on their organizations.

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

Officials from the **Department of Labor and Industrial Relations** defer to the Missouri Consolidated Health Care Plan for response regarding the potential fiscal impact of this proposal.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the potential fiscal impact of this proposal on their organization.

Officials from the **Missouri Department of Transportation (DOT)** state currently, the Missouri Highway Transportation Commission (MHTC) and the Patrol are paying a state contribution for medical coverage for retirees. The proposed legislation could decrease the cost of the state contributions for the MHTC and the Patrol. However, the reduction in state contributions will not impact the MHTC and the Patrol for many years.

Currently, the DOT/Missouri State Highway Patrol (MHP) Medical Plan is paying for medical claims and prescription claims for retirees. The proposed legislation could decrease the cost in claims for retired Plan members. However, the reduction in cost will not impact the Plan for many years.

There will be a positive impact to MHTC and the Plan. However, the impact cannot be determined based on the amount of new employees hired after January 1, 2012 and when those employees retire. One would expect that employees would work longer if no health insurance was offered at retirement. .

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state a decrease in the annual required contribution would begin in the year after the change to the retiree health plan occurs. The decrease would be minimal initially and gradually increase in significance over time, depending on the number of new hires. However, the annual required contribution is

ASSUMPTION (continued)

expected to increase year after year for the foreseeable future even with an assumption of no new hires becoming eligible for retiree benefits. Therefore, the decrease in the annual required contribution described above is relative to the projected annual required contribution for retirees and active employees in the future.

Some sections within Chapter 103 of the Revised Statutes of Missouri describe HCP's responsibility to provide eligible retirees with health insurance benefits. This legislation does not propose revisions to these sections. Without these revisions, certain sections of Chapter 103 contradict this legislation.

In addition, this legislation does not indicate if vested employees who leave and return to state employment will be eligible for retirement benefits after January 1, 2012.

Oversight assumes the proposal would have no significant savings or costs to the HCP during the period of this fiscal note.

Officials from the **Joint Committee on Public Employee Retirement (JCP)** state based on their review of the legislation, the legislation would not create a substantial change in future plan benefits and, therefore, an actuarial cost statement is not required.

Officials from the **Missouri Department of Conservation (MDC)** state the proposed legislation could have a long-term positive impact on MDC funds, if the Conservation Commission would choose to participate per their constitutional authority. However, the exact amount of impact is unknown.

The average age of a new hire is 32, and the average age of retirement is 58. Therefore, if this legislation would affect MDC, the potential cost savings would not occur until approximately 26 years from the effective date of the proposal.

Officials from the **Missouri Department of Transportation and Patrol Employees' Retirement System (MPERS)** state the proposal could affect length of service and fiscally impact the system in the future. However, there is no determinable fiscal impact to MPERS at the present time.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<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.

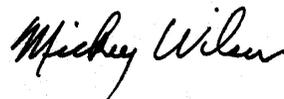
FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

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

SOURCES OF INFORMATION

Office of Administration -
 Division of Accounting
Department of Insurance, Financial Institutions, and Professional Registration
Department of Labor and Industrial Relations
Missouri Department of Transportation
Department of Public Safety -
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Missouri Department of Transportation and Patrol Employees' Retirement System
Joint Committee on Public Employee Retirement
Missouri Department of Conservation
Missouri State Employee Retirement System



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