

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 6, 2003

TO: Honorable Allan Ritter, Chair, House Committee on Pensions & Investments

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB3224 by Rose (Relating to participation by certain county officers, employees, and retired officers and employees and their dependents in the state employees group benefits program.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB3224, As Introduced: an impact of \$0 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The bill would amend the Insurance Code to authorize a county with a population of less than 250,000 to participate in the state Uniform Group Insurance Program (UGIP). The bill would take effect September 1, 2003. Under current statute, the UGIP is only available to state employees and retirees. Counties that provide health insurance benefits contract through the Texas Association of Counties or an individual county plan.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$0
2005	\$0
2006	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from OTHER FUNDS 997
2004	(\$1,256,300)
2005	(\$613,370)
2006	(\$613,370)
2007	(\$613,370)
2008	(\$613,370)

Fiscal Analysis

If a county were to elect to participate in the UGIP and is accepted, the county would be required to offer coverage under the program to all county officers, employees, and retired officers and part-time employees and the county would be prohibited from offering an alternative health benefit plan to those persons. Upon acceptance into the UGIP, the county would be prohibited from withdrawing from the

program. Participation in the program would be limited to active officers and employees of the county; retired officers and employees who have a total of at least 10 years of creditable service with one or more counties and who meet all requirements prescribed by the Texas County and District Retirement System for retirement benefits; and eligible dependents of officers, employees, and retirees who qualify for participation.

The county would be required to pay 100 percent of the premium for basic coverage for active officers, active employees, and retirees. The county would be required to pay 50 percent of the premium for basic coverage for part-time active employees and for the spouse and dependant children of covered officers, employees, and retirees. Employees and retirees would be required to pay for coverage above the basic. In determining contribution amounts to be paid for coverages, the ERS would be authorized to include an amount necessary to reimburse the ERS for the cost of administering the program to the counties. The ERS would establish the time frames and manner in which a county may request to participate in the UGIP. The ERS would have the option to decline to accept a county into the UGIP if acceptance would have an adverse actuarial impact on the UGIP. The ERS would not be required to offer the group benefits program to the applicable counties prior to September 1, 2004.

Methodology

According to the Employees Retirement System (ERS), start-up costs for implementing the provisions of the bill would be for software licensing, salaries and benefits for additional staffing, computer maintenance, printing costs (publications and annual benefit statements) and postage for mailing the printed items, and preparing an actuarial study for each eligible county to determine whether an adverse condition exists. Total actuarial costs are estimated to be \$478,000 (or \$2,000 per county). These actuarial studies represent a one-time cost. Other start-up costs include software licensing costs and programming costs. These costs, including the actuarial studies, total \$642,930. Other recurring costs total \$613,370 per fiscal year and include salary and benefit costs for 8.5 additional positions. These costs would be paid out of ERS trust funds, and divert funds that would otherwise be available to reduce group insurance premiums for state employees, retirees, their spouses and dependents.

There are 239 counties with a population of less than 250,000. The Texas County and District Retirement System (TCDRS) estimates there are currently 41,543 active county employees across the state in the applicable counties who would be eligible for UGIP coverage. TCDRS does not have data on the number of part-time county employees there are, and the most recent data (1997) for the number of retirees with at least 10 years of service showed 12,922. The total number of persons who would be covered under the provisions of the bill would vary, depending on the number of counties that elect to and are accepted to participate. For the purposes of this estimate, however, it is assumed that all 239 eligible counties would participate and therefore 54,465 persons (41,543 active employees + 12,922 retirees) would be covered as a result of implementing the provisions of the bill.

Technology

The ERS estimates implementation would require PeopleSoft licensing for 54,465 new participants at \$2 each (\$108,930), and one systems analyst at an annual cost of \$56,000 in salary and benefits.

Local Government Impact

It is assumed that a county would seek participation in the UGIP only if the premium cost that the county would be required to pay at the time of consideration is lower than the premiums the county is already paying for existing coverage, or if the benefits through the UGIP, even if costlier than the county's existing plan, are sufficiently better than the county is receiving. The cost differences would vary by county, depending on current premiums.

Source Agencies: 304 Comptroller of Public Accounts, 327 Employees Retirement System

LBB Staff: JK, JO, RR, ZS, DLBa