

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 3, 2005

TO: Honorable Robert Duncan, Chair, Senate Committee on State Affairs

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB417 by Delisi (Relating to a supplemental health coverage program under the Texas Employees Group Benefits Act for certain persons.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB417, As Engrossed: a positive impact of \$4,467,891 through the biennium ending August 31, 2007.

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

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$2,107,496
2007	\$2,360,395
2008	\$2,643,642
2009	\$2,960,879
2010	\$3,316,185

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/ (Cost) from <i>GR DEDICATED ACCOUNTS 994</i>	Probable Savings/ (Cost) from <i>OTHER SPECIAL STATE FUNDS 998</i>	Probable Savings/ (Cost) from <i>STATE HIGHWAY FUND 6</i>
2006	\$2,107,496	\$221,842	\$18,487	\$610,065
2007	\$2,360,395	\$248,463	\$20,705	\$683,272
2008	\$2,643,642	\$278,278	\$23,190	\$765,265
2009	\$2,960,879	\$311,672	\$25,973	\$857,097
2010	\$3,316,185	\$349,072	\$29,089	\$959,948

Fiscal Year	Probable Savings/ (Cost) from <i>FEDERAL FUNDS 555</i>
2006	\$739,472
2007	\$828,209
2008	\$927,594
2009	\$1,038,905
2010	\$1,163,574

Fiscal Analysis

The bill would create a voluntary program for members of the Employees Retirement System Group Benefit Plan who are eligible for primary health coverage with the TRICARE military health plan to elect health coverage that supplements the TRICARE plan in lieu of receiving basic coverage through the Group Benefit Plan. The bill would reduce the cost of providing health insurance to members who participate in the voluntary program. The state would pay the cost of the TRICARE supplement instead of paying the full cost of the member only health insurance premium. In fiscal year 2005, the approximate cost of a TRICARE supplement is \$75.89 per month and the approximate cost of health coverage for a member eligible for the TRICARE supplement is \$259.30 per month. During the 2006-07 biennium, the state would pay \$12,582,532 from All Funds, of which \$7,926,995 is General Revenue related funds, for the TRICARE supplement instead of \$20,420,938, of which \$12,865,191 is General Revenue related funds, for the cost of health insurance for the members who choose the supplement in lieu of basic coverage. The bill would take effect September 1, 2005.

Methodology

The bill would partially implement the LBB Staff Performance Report recommendation, "Offer an Incentive to Employees Who Opt Out of the State Employee Health Insurance Program." The bill would provide supplemental health insurance to members who are eligible for health insurance under the TRICARE military health system in lieu of basic coverage with ERS. The bill would save \$4.9 million in General Revenue and General Revenue-Dedicated Funds and \$7.8 million in All Funds during the 2006-07 biennium. The estimate assumes the Employees Retirement System would procure a TRICARE supplement and begin offering it to members during plan year 2006. The estimate assumes 75 percent of those eligible for TRICARE military health benefits would enroll in the voluntary program for the TRICARE supplemental insurance and the cost of the supplement and coverage in the basic plan would increase at a trend of 12 percent per year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: JOB, SR, JRO, JW, DH