

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 18, 2011

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

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

IN RE: HB1766 by Crossover (Relating to the creation of a voluntary consumer-directed health plan for certain individuals eligible to participate in the insurance coverage provided under the Texas Employees Group Benefits Act and their qualified dependents.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 1551 of the Insurance Code by adding a new subchapter that would require the Employees Retirement System (ERS) to establish a consumer-directed health plan (CDHP) which includes a high deductible health plan and a health savings account (HSA) as an option for Group Benefit Program (GBP) participants and their dependents. Participation in the CDHP would be voluntary. The bill would require the state to contribute to the cost of the high deductible health coverage in an amount equal to the amount it would otherwise contribute under basic insurance coverage, with employees making the contributions for any additional coverage. The ERS Board of Trustees would have the authority to determine whether any portion of the state contribution would be allocated to a member's HSA. The bill authorizes the ERS Board of Trustees to adopt rules to administer the program, sets an expiration date of September 1, 2017 for the program, and states that ERS shall not divide the self-funded risk pool of the state employees' GBP in implementing the optional CDHP. Finally, the bill would require the ERS Board of Trustees to submit to the Governor, Lieutenant Governor, Speaker of the House, and the Legislative Budget Board no later than January 1, 2017, a report concerning: (1) how plan enrollees use the coverage provided under the state CDHP; (2) whether the coverage provided under the CDHP is more or less cost-effective for plan enrollees and the state than the coverage provided under the basic coverage plan; and (3) whether continuation of the CDHP is feasible or desirable. This report could be submitted separately from, or included in, ERS' annual financial report.

The ERS actuary for insurance matters projects that implementation of the CDHP would result in a net savings to the state of approximately \$1.2 million during the first two years of the program, fiscal years 2013 and 2014. The Employees Retirement System projects that implementation of the CDHP would continue to result in some net savings to the state because the ERS Board of Trustees would administer the CDHP in as revenue neutral a manner as possible. These projections assume annual participant enrollment in the consumer-directed health plans at 3 percent, with only members classified as "in-area" being eligible to participate in the CDHP.

One potential risk to the Group Benefits Program is that participants with health savings accounts will terminate from state employment and take their HSAs, which would have state contributions, with them. ERS does not anticipate this resulting in a significant fiscal impact to the GBP due largely to the small projected enrollment in the CDHP. It is anticipated that any additional costs associated with implementation of the legislation could be absorbed within existing resources.

The bill would take effect September 1, 2011, with coverage beginning on September 1, 2012.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

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