

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 28, 2015

**TO:** Honorable Byron Cook, Chair, House Committee on State Affairs

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB1797** by Márquez (Relating to coverage for certain individuals under certain health benefit plans offered to governmental employees.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1797, As Introduced: a negative impact of (\$9,817,457) through the biennium ending August 31, 2017.

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
2016	\$0
2017	(\$9,817,457)
2018	(\$10,554,014)
2019	(\$11,292,697)
2020	(\$12,026,420)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from GR Dedicated Accounts 994	Probable Savings/(Cost) from Federal Funds 555	Probable Savings/(Cost) from State Highway Fund 6
2016	\$0	\$0	\$0	\$0
2017	(\$9,817,457)	(\$339,772)	(\$1,726,078)	(\$1,470,780)
2018	(\$10,554,014)	(\$365,263)	(\$1,855,577)	(\$1,581,126)
2019	(\$11,292,697)	(\$390,828)	(\$1,985,451)	(\$1,691,790)
2020	(\$12,026,420)	(\$416,222)	(\$2,114,452)	(\$1,801,711)

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from Other Special State Funds 998</b>
2016	\$0
2017	(\$36,605)
2018	(\$39,352)
2019	(\$42,106)
2020	(\$44,842)

**Fiscal Analysis**

The bill would amend Insurance Code to allow a qualified individual to participate in a group benefits program administered by the Employees Retirement System (ERS), the Teacher Retirement System (TRS), which includes TRS-ActiceCare and TRS-Care, the University of Texas System (UT System), and the Texas A&M University System (TAMU System). The bill would define a qualified individual as a person who is at least 18 years old who is: (1) unmarried in this state, (2) not related to the eligible person within the third degree of consanguinity, (3) financially interdependent with the eligible individual, and (4) cohabitating with the eligible individual.

The bill would take effect September 1, 2015 and would apply only to coverage that would begin on or after September 1, 2016.

**Methodology**

The Employees Retirement System indicates that each qualified individual added to the plan would have an associated cost of \$307.88 per month, which is the current state contribution for spouses in HealthSelect. Based on a study of domestic partner benefits, Hewitt Associates found that on average 1.0 percent of eligible employees offered domestic partner coverage in a health plan elected to take it. Applying 1.0 percent to the HealthSelect active and retiree population of approximately 318,713 participants, ERS estimates that approximately 3,187 qualified individuals would be eligible for HealthSelect under the bill. This would result in a cost to the Group Benefits Program totaling approximately \$11.8 million in fiscal year 2015. The estimated increases are further increased by the benefit cost trend assumption of 8.5 percent per year for FY 2015 through FY 2017, 7.5 percent in FY 2018, 7.0 percent in FY 2019, and 6.5 percent in FY 2020.

The costs reflected in the table are based on the allocation of GBP appropriations to ERS in the 2014-15 General Appropriations Act. Other funding decisions at state agencies and institutions of higher education could impact how this cost would be allocated, since funding for the GBP is proportional to how salaries are paid at state agencies and institutions. The table does not reflect a portion of the estimated cost that would be paid from local funds at universities.

The UT System indicates that each qualified individual added to the plan would have an associated cost of \$276.48 per month, which is the current state contribution for spouses. Based on a study of domestic partner benefits, Hewitt Associates found that on average 1.0 percent of eligible employees offered domestic partner coverage in a health plan elected to take it. Applying 1.0 percent to the 111,000 subscribers for basic life and health coverage, LBB estimates that approximately 1,110 qualified individuals would be eligible for UT System insurance coverage under the bill. This would result in a cost to the state for the insurance contribution totaling approximately \$3.7 million in fiscal year 2015, increasing by approximately 7.0 percent each year in accordance with the expected increase to the employer contribution rate. Of these amounts, a portion would be paid from General Revenue and a portion would be paid from university funds.

The TAMU System indicates that each qualified individual added to the plan would have an associated cost of \$251.46 per month, which is the current state contribution for spouses. Based on a study of domestic partner benefits, Hewitt Associates found that on average 1.0 percent of eligible employees offered domestic partner coverage in a health plan elected to take it. Applying 1.0 percent to the 31,336 subscribers for basic life and health coverage, TAMU System estimates 313 qualified individuals would be eligible for insurance coverage under the bill. This would result in a cost to the state for the insurance contribution totaling approximately \$0.9 million in fiscal year 2015, which would increase by approximately 7.0 percent in each year in accordance with the expected increase to the employer contribution rate. Of these amounts, a portion would be paid from General Revenue and a portion would be paid from university funds.

TRS indicates that the bill would not have a significant fiscal impact to the two TRS-administered health plans, TRS-Care and TRS-ActiveCare. In each plan, the employee pays all of the dependent premium amount.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 327 Employees Retirement System, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

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