

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 10, 2015

TO: Honorable Dan Flynn, Chair, House Committee on Pensions

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3453** by Lozano (Relating to participation in and rates for coverage provided under the uniform group coverage program for active employees.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would authorize the Teacher Retirement System of Texas (TRS) to establish a regional rating method for determining premiums charged for TRS-ActiveCare, a health benefit plan available to employees of public school districts and charter schools. The bill would also allow a school district or risk pool to opt in and out of participation in TRS-ActiveCare.

TRS indicates that any administrative expense could be absorbed in existing resources. The estimated cost increase applicable to participants is discussed below in the Local Government Impact.

Local Government Impact

According to TRS, regional rating would result in some employees paying more than others for the same level of healthcare coverage, regional rating would increase the volatility of future employee premiums, and approximately 62 percent of participating employees could experience a premium rate increase as a result of regional rating.

In addition, according to TRS, as districts choose to opt out of TRS-ActiveCare, the premium rates for the districts remaining in the plan will increase, because the districts with the best utilization experience are more likely to opt out, leaving a higher use population in TRS-ActiveCare.

This analysis assumes the premium increases will mostly be borne by the participating employees. Some employers may choose to increase their contribution toward premiums, but this analysis assumes a minimal impact to units of local government.

Source Agencies: 323 Teacher Retirement System, 454 Department of Insurance, 701 Central Education Agency

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