

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 7, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1998** by Lozano (Relating to participation in and rates for coverage provided under the uniform group coverage program for active school employees.), **As Introduced**

No significant fiscal implication to the State is anticipated. However, the bill would likely result in increased costs for the ActiveCare program that would be passed along to school districts and participating employees in the form of increased premiums and plan design changes.

The bill would authorize TRS, by rule, to establish a regional rating method for determining premiums charged in different regions of the state for benefits offered by TRS-ActiveCare. The bill would also expand participation in the program to include risk pools as well as school districts, and would allow both school districts and risk pools to opt out of the ActiveCare program.

The bill would not have a significant fiscal impact on TRS and any administrative costs could be absorbed within existing resources. However, the bill would result in increased program costs that would be passed along to school districts and participating employees in the form of increased premiums and plan design changes.

Local Government Impact

TRS reports that implementing a regional rating method would result in some employees paying more for the same health coverage as others depending on the rates available in different geographical regions. Regional rating would also increase the volatility of future employee premiums, since it would set premiums based on regional costs rather than on statewide plan experience. TRS estimates that approximately 62 percent of ActiveCare participants could experience a rate increase as a result of regional rating.

The bill could also cause adverse selection due to the provision that allows districts and risk pools to opt out of the program. If districts opted out of ActiveCare, the rates for districts remaining in the plan would increase. This dynamic is anticipated because districts with the best utilization experience are more likely to opt out, while districts or risk pools with high utilization and high costs are more likely to remain in ActiveCare. Increased program costs would be passed along to districts and participating employees in the form of increased premiums and plan design changes.

Source Agencies: 323 Teacher Retirement System

LBB Staff: UP, AG, AM, TSI