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FISCAL IMPACT REPORT



SPONSOR: Rainaldi DATE TYPED: 02/11/02 HB _____

SHORT TITLE: Dental & Eye Care Coverage Exemption SB 219/aSPAC

ANALYST: Carrillo

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
		\$0.1	See Narrative	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Relates to Appropriation in The General Appropriation Act Public School Insurance Authority, Retiree Health Care Authority, General Services Department, and Public School Support

Relates to SB262/a and HJM 65

SOURCES OF INFORMATION

Public School Insurance Authority
 Retiree Health Care Authority (RHCA)
 General Services Department (GSD)
 State Department of Public Education

SUMMARY

Synopsis of Amended Bill

Senate Bill 219, provides a participation waiver for school districts and charter schools from certain health insurance coverages offered by the Public School Insurance Authority (PSIA). The waiver would be granted if a particular school district or charter school offers dental and vision coverage. The bill's effective date is July 1, 2002.

Significant Issues

The PSIA staff notes the authority was created in 1986 to (1) enhance the negotiating position in the insurance marketplace through the law of large numbers achieved through a mandatory pool, and (2) attempt to equalize the benefits offered to public school district employees statewide.

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The General Services Department (GSD) staff explains the PSIA is part of the Interagency Benefits Advisory Committee (IBAC) created to consolidate purchase of insurance and thereby leverage better premiums and administrative fees. Allowing individual schools to withdraw from the pool would alter the risk-pool dynamics under which the consolidated plans have been purchased, and individual schools would probably pay significantly higher rates than is available through PSIA.

FISCAL IMPLICATIONS

According to PSIA, the dental and eye care package through the Authority is the result of consolidated purchasing. It is doubtful a more cost effective package could be achieved by a solo school district bid or by a bid of two, three or four districts as provided by the bill. Premium increases for these ancillary lines should be expected. The state currently funds an approximately two-thirds of the premium for these coverages.

The Retiree Health Care Authority (RHCA) staff notes smaller pools of participants could increase overall costs to plan participants and sponsors. It is unlikely that a smaller entity would be more successful in negotiating premium costs and quality.

ADMINISTRATIVE IMPLICATIONS

PSIA staff explains allowing carve out of dental and eye care coverage from the Authority pool, while keeping the medical plans with the Authority, may cause members confusion. Currently, employees transferring from one district to another are assured the benefit offerings for dental and vision are uniform, if the school has elected to participate. Customer service calls would increase.

In addition, PSIA staff notes the budget process through the State Department of Public Education would be affected as insurance line items for public schools assume the Authority's benefits and rate projections. Districts offering independent dental or vision coverage would have to be accounted for separately.

Finally, PSIA staff noted the school districts would have to absorb the administrative work associated with the request for proposal (RFP) process, ongoing customer service and renewal negotiations. Currently, these functions are performed by PSIA staff. The PSIA premiums do not include a commission. It is unknown if insured premiums on an independent basis would include commission to agents/brokers for assistance in performing these functions.

RELATIONSHIP

SB219/a is related to House Bill 262/a, Dental and Eye Care Coverage Exemption.

WJC/ar:pr:anjw