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## FISCAL IMPACT REPORT

SPONSOR Varela DATE TYPED 02/06/04 HB 283

SHORT TITLE Public Employee Insurance Contributions SB \_\_\_\_\_

ANALYST Geisler

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
			Significant	Recurring	All Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to: SB 373, SB 334, SB 305, HB 451

### SOURCES OF INFORMATION

General Services Department  
Public Schools Insurance Authority  
LFC Files

### SUMMARY

#### Synopsis of Bill

This bill changes the salary brackets and state contribution percentages towards group insurance for state employees and educational employees. There is no appropriation contained in the bill.

<b>Current:</b>	<b>State Pays</b>	<b>Employee Pays</b>
Annual Salary less than \$15,000	75%	25%
\$15,000 but less than \$20,000	70%	30%
\$20,000 but less than \$25,000	65%	35%
\$25,000 and over	60%	40%

<b>Proposed:</b>	<b>State Pays</b>	<b>Employee Pays</b>
Annual Salary less than \$25,000	80%	20%
\$25,000 but less than \$35,000	75%	25%
\$35,000 but less than \$45,000	70%	30%
\$45,000 and over	65%	35%

Significant Issues

This would be the first change in the contribution brackets in several years. Salary increases over the years means that the majority of state employees, teachers, and higher education employees receive only a 60% share from the state for the cost of insurance.

**FISCAL IMPLICATIONS**

Costs increase under HB 283 compared to the current brackets as the employer contribution will increase for all employees. Right now the majority of employees make over \$25 thousand and are limited to a 60% contribution from the employer. A number of cabinet agencies are concerned that the increased cost to agencies of changing the employer share has not been budgeted.

PSIA provides that the average savings to an employee making \$21 thousand who purchases Blue Cross Blue Shield family coverage would be \$1,600 under the new benefit brackets.

<b>FISCAL IMPACT OF HB 283 (000's)</b>			
	General Fund	Other Funds	Total
State Employees	14,803.8	11,167.2	25,971.0
Public Schools	27,639.3	1,454.7	29,094.0
Higher Education	1,711.9	3,179.1	4,891.0
<b>Total</b>	<b>44,155.0</b>	<b>15,801.0</b>	<b>59,956.0</b>

The above numbers include a factor for an additional 259 state employees that GSD projects will join the program due to the increased employer share of the cost.

**CONFLICT**

Conflicts with SB 305, SB 334, SB 373 and HB 451 which all set different contribution rates. Note that SB 334, SB 373, and HB 451 propose implementation of health brackets proposed in the AFSCME agreement with the state.

**TECHNICAL ISSUES**

HB 283 has no effective date, so it would go into effect on May 19, 2004. If an effective date is not included in the bill, there will be an additional impact to FY04.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?**

Public employees would continue to see their take home pay reduced by increasing insurance premiums.

**AMENDMENTS**

GSD suggests adding an effective date of July 1, 2004. PSIA would request the effective date between July 1, 2004 and January 1, 2005, in conjunction with the effective date of each district's, charter school's, or higher education group insurance premium changes.