Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 146 of the 128th G.A. **Date**: January 26, 2010

Status: As Introduced **Sponsor**: Rep. R. Hagan

Local Impact Statement Procedure Required: No — Permissive

Contents: Allows counties to participate in a health insurance benefit program sponsored by the Department of Administrative Services

State Fiscal Highlights

- The bill could substantially increase information technology costs for the Department of Administrative Services (DAS) to bring county governments online with Ohio Administrative Knowledge System (OAKS) Human Capital Management system to handle health benefits for county employees.
- The bill could also increase DAS's costs to provide administrative support and customer service to participating counties and county employees. These expenses are currently paid from the Human Resources Operating Fund (Fund 1250). There are approximately 93,000 people employed among the 88 counties.

Local Fiscal Highlights

- The bill could increase IT costs for county governments that choose to obtain health insurance coverage for county employees through the state's health plans. These costs involve the development of interfaces to transfer employee data and health benefit funds from the various county governments through OAKS.

Detailed Fiscal Analysis

Overview

The bill would add county officers and employees to the list of entities and individuals for which the Department of Administrative Services (DAS) is required to provide health, medical, and other related benefits. The bill does so by authorizing county governments to opt in to any health insurance program offered through the state. Any new health insurance costs for adding county employees to any one of the state's five current health plans would be offset by premiums collected and deposited into the Health Benefit Fund (Fund 8080). However, the bill is also likely to generate substantial new administrative and information technology costs for DAS and county governments that opt in to the program. This is because state and county payroll and employee benefit management systems would have to be modified to process premium payments and other data related to county employee health coverage. Presumably, the cost of making these changes to payroll and benefit management systems would be shared by the state and counties. The bill's effects on state and county governments are described in further detail below.

State health benefit program

Currently, the state administers a self-insured health benefits program in which the state pays all benefit costs directly while contracting with private insurers to administer the benefits. Costs in this sort of arrangement fall into two main categories: administrative costs and benefit costs. Administrative costs refer to the fees paid to private insurers — in this case Ohio Med PPO, Aetna, Paramount, The Health Plan, and United Healthcare — and are paid on a per-employee basis each month. These fees vary according to plan and range from $16 – $33 per month. Benefit costs are those amounts reimbursed to care providers for medical services provided. Both cost types are paid from the Health Benefit Fund (Fund 8080). Revenues to the fund include payroll deductions and state agency contributions towards health benefits. During FY 2009, receipts totaled $473.4 million; disbursements were roughly $506.1 million. The balance of the fund, as of January 2010, stands at approximately $54 million.

The total cost per pay period to provide the various health benefits options to employees is given in the table below. Full-time employees pay 15% of these costs, with state agencies paying the remainder. Part-time employees pay a larger percentage, dependent upon hours worked each week. The figures in the table below include both administrative and benefit costs.

Cost of Health Benefits per Pay Period, CY 2009			
Plan Administrator	**Single Employee**	**Family Minus Spouse**	**Family Plus Spouse**
Ohio Med PPO	$177.23	$486.58	$492.35
Aetna (HMO)	$174.19	$478.22	$483.99
Paramount (HMO)	$158.75	$435.77	$441.54
The Health Plan (HMO)	$174.91	$480.23	$486.00
United Healthcare (HMO)	$174.07	$477.87	$483.64

County health benefit programs

Under current law, county governments have two options for providing health benefits to employees: (1) to contract with a private insurer or (2) to contract with the County Employee Benefits Consortium of Ohio (CEBO). CEBO allows counties to either self-insure, using the purchasing power and pre-negotiated rates of the consortium, or purchase insurance through the consortium. For those that purchase insurance through the consortium, actual coverage is provided by a private insurer with premium rates being determined on a county-by-county basis according to each county's claim activity and the level of coverage that each county wishes to provide to its employees. Consequently, a standard cost per county employee, similar to that provided in the table above for state employees, is not readily available. Currently, 22 of the state's 88 counties use CEBO to provide health benefits to approximately 9,500 employees and about 15,500 dependents. The consortium collects a total of approximately $90 million in premium annually to cover the cost of health benefits provided. As of December 2009, there were roughly 93,000 county employees; the number of associated dependents is currently unknown.

New state and county IT systems costs

If counties opt to participate in the health plans offered by the state, there could be some substantial new expenses for adapting county and state human resources management systems. The state's current health benefits program relies heavily on the OAKS Human Capital Management (OAKS HCM) system to store and track pertinent employee information, as well as to calculate, deduct, and transfer employee and state agency health benefit payments. Because each county government uses a distinct human resources management system, a considerable effort would be required to bring each county that opts in to the program online with OAKS. An interface would need to be developed to transfer employee information and funds from each county. Conversely, OAKS would have to be configured to receive this information and money. The Office of Information Technology at DAS indicates that such changes could require substantial upfront expenditures, potentially in the millions of dollars; it is unclear how these costs would be divided between county governments and DAS.

Once the program was fully implemented, there would be recurring annual costs for maintaining hardware, software, and data integrity, as well as administering benefits and providing customer service to county employers. Depending on the number of counties opting in to the state's health benefits program and the added volume of work, this could require DAS to hire additional staff. Currently, OAKS and health benefit services are paid for via fees charged to state agencies. It is expected that county governments would be charged in a similar manner by DAS for all health benefits services provided.

In addition to the IT costs for integrating state and county employee benefit information, DAS would need to contract with an actuarial firm to study the impact of adding county employees to the Health Benefit Fund, taking into account previous benefit costs, claim activity, and so forth to provide a foundation for setting premium charges.

Impact on the cost of providing health benefits

It is unclear exactly what impact the bill would have on the cost of providing health benefits to county and state employees. If a significant number of people were added to the state's benefit pool, these larger numbers could potentially be used to negotiate lower administrative fees paid to insurers in future years. With regard to the cost of providing medical services, the bill is not likely to have a significant impact, despite the fact that several thousand county employees could be added to the state's insurance pool. This is because the actual cost of providing benefits to employees is directly linked to the care-provider-reimbursement rates negotiated by the various insurers that administer the state's health benefits program. To illustrate, Aetna, which provides or administers medical benefits for over 19 million people, uses its size to negotiate medical reimbursement rates with various blocks of caregivers throughout the United States. By using Aetna as a medical benefit administrator, the state is then able to obtain those rates to pay claims costs. As Aetna is already such a large insurance provider, the effect of adding county employees to the state's insurance program would be marginal.