Ohio Legislative Service Commission

Ruhaiza Ridzwan

Fiscal Note & Local Impact Statement

Bill: Am. H.B. 97 of the 129th G.A.

Date: May 25, 2011

Status: As Reported by House Health & Aging

Sponsors: Reps. Hollington and Carney

Local Impact Statement Procedure Required: No

Contents: To require the Department of Administrative Services to make a high deductible health care plan available to state employees and state elected officials

State Fiscal Highlights

STATE FUND	FY 2012	FY 2013	FUTURE YEARS
State Employee Health Benefit Fund (Fund 8080)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential decrease	Potential decrease
Human Resources Services Fund (Fund 1250)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase by approximately $0.5 million	Potential increase	Potential increase

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The bill may increase the Department of Administrative Services' (DAS) administrative expenses by approximately $0.5 million to establish an additional health care plan option for state employees and state elected officials. It may also increase the state's administrative costs associated with health savings accounts. Any such costs would be paid from the Human Resources Services Fund (Fund 1250).
- The bill may decrease the state's costs to provide health benefits to its employees and their dependents. The medical claims costs of the state's self-insured health plan are paid out of the State Employee Health Benefit Fund (Fund 8080).
- The bill specifies that the plan must not increase the cost of providing health insurance to state employees and state elected officials. This provision implies that any additional administrative costs should be offset by savings in benefit costs.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

The bill requires the Department of Administrative Services (DAS) to establish a high deductible health plan as one health care benefit option offered to state employees and state elected officials. The bill requires DAS to provide both individual and family coverage. The bill requires each participant in the high deductible health care plan to establish a health savings account, and requires the state to make a monthly cash deposit into the account. The deposit must equal 80% of the difference between the state's contribution for a standard deductible health care plan and a high deductible health care plan.

The bill specifies that the plan must not increase the cost of providing health insurance to state employees and state elected officials. The bill also provides that the state's contributions for the premium or cost for individual or family coverage under the high deductible health care plan must not exceed the amount of the premium or cost contributed by the state for a standard deductible health care plan. The bill does not provide a definition for a high deductible health plan. However, in order to comply with the federal requirements, a "high deductible health plan" with a health savings account must have an annual deductible of at least $1,200 for an individual or $2,400 for a family and an annual limit on out-of-pocket expenses of $5,950 for an individual or $11,900 for a family, with certain exceptions.

Fiscal effect

The bill would increase DAS's administrative expenditures to establish a high deductible health care plan and costs related to health savings accounts. According to a DAS official, the estimated one-time cost is approximately $0.5 million. This estimate includes about $296,000 in cost to reconfigure the state OAKS Human Capital Management (OAKS HCM) system and approximately $184,000 in cost to hire a consultant to evaluate, design, and implement such plan and a third-party administrator to administer health savings accounts. In addition, after the plan is implemented there would be recurring annual costs to administer the benefits and accounts. Any such costs would be paid from the Human Resources Services Fund (Fund 1250).

The bill may also decrease the state's costs to provide health care benefits to its employees and their dependents under the high deductible health care plan. The medical claims costs of the state's self-insured health plan are paid out of the State Employee Health Benefit Fund (Fund 8080). Any potential cost savings would depend on details of the plan design and on the number of employees that choose the new option. Without details regarding plan design, there is no reliable basis for predicting either the number of employees who would opt for the high deductible plan or the cost savings, though historical precedent suggests that the number enrolling in the new plan may be minimal.

The bill specifies that the plan must not increase the cost of providing health insurance to state employees and state elected officials. This restriction implies that potential cost savings on benefits would exceed any increase in administrative costs.

The bill would have no direct fiscal impact on local governments.

Background information

DAS offered the Health Investment Savings Plan (HISP) in FY 2001 and FY 2002, which was a pilot program required under Am. Sub. H.B. 212 of the 122nd General Assembly. Under the act, DAS was required to establish a pilot program that offered a high deductible plan with medical savings account for exempt state employees and state elected officials. The act allowed DAS to terminate the program at any time after two years, but it was required to provide six months' notice to the Speaker of the House of Representatives, President of the Senate, minority leaders of the House and Senate, and the chairs of the standing committees of the Senate and House of Representatives with primary responsibility for health and insurance legislation. According to an undated memo, prepared by a DAS official, the pilot program was cancelled due to lack of participation. In FY 2001 and FY 2002, a total of 63 employees and 101 employees enrolled in the plan, respectively. During that period, approximately 17,000 were eligible to participate in the plan.

Potential indirect fiscal effects

The requirement that state employees be offered a health care plan that includes a health savings account may indirectly decrease revenues from the state income tax. Under federal tax law, contributions made toward a health savings account are not currently taxable, meaning that they are subtracted from income before arriving at Federal Adjusted Gross Income (FAGI) on Form 1040. Ohio's income tax form starts with FAGI, so such contributions would automatically be excluded from Ohio taxable income. Any decrease in revenues would depend on the amount contributed to the accounts and the participants' incomes.

HB0097HR / rs