Ohio Legislative Service Commission

Ruhaiza Ridzwan

Fiscal Note & Local Impact Statement

Bill: H.B. 511 of the 130th G.A. **Date**: April 8, 2014

Status: As Introduced **Sponsor**: Rep. Sears

Local Impact Statement Procedure Required: No

Contents: To suspend the operation of continuation of coverage requirements and make other insurance-related changes

State Fiscal Highlights

STATE FUND	FY 2015	FY 2016	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	Gain by up to $3.6 million	Gain by up to $3.2 million annually
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2015 is July 1, 2014 – June 30, 2015.

- The provision that lowers the age limit for unmarried dependent child coverage under a health care plan or insurance policy from age 28 to 26 would reduce the state personal income tax (PIT) deduction for amounts paid for health insurance coverage for qualifying adult children. This provision would yield a PIT revenue gain to the state beginning in FY 2016 of up to $3.6 million in the first year.
- The state GRF would benefit from 96.68% or $3.5 million of the revenue gain from the PIT. The remaining 3.32% or $0.1 million of revenue would benefit the Local Government Fund (LGF) and the Public Library Fund (PLF) equally.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2014	FY 2015	FUTURE YEARS
Counties, Municipalities, Townships, and Libraries			
Revenues	- 0 -	Gain by up to $0.1 million	Gain by up to $0.1 million annually
Expenditures	- 0 -	Potential minimal decrease	Potential minimal decrease

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The provision that lowers the age limit for unmarried dependent child coverage from age 28 to 26 would reduce the PIT deduction for amounts paid for health insurance coverage for qualifying adult children. This provision would yield a PIT

revenue gain to the state beginning in FY 2016 by up to $3.6 million in the first year. Of this amount, 3.32%, or $0.1 million, would benefit the LGF and the PLF.

- Any revenue gain to the LGF and PLF will increase distributions to counties, municipalities, townships, and public libraries.
- The provisions related to continuation of group health insurance coverage may apply to small villages and townships. If so, they could decrease their administrative costs. Any such cost decrease is likely to be minimal.

Detailed Fiscal Analysis

The bill lowers the age limit for unmarried dependent child coverage under a health care plan or insurance policy from age 28 to 26.[1] The insurers subject to this provision are sickness and accident insurance policies, health insuring corporation (HIC) plans, multiple employer welfare arrangements (MEWAs), and public employee benefit plans. Under existing law, all of these health care plans must offer to provide coverage for an unmarried child that meets certain conditions, upon the request of the subscriber when an unmarried child has attained the limiting age for dependent children as specified in such plans, until the dependent child reaches 28 years of age.

The bill suspends, for contracts issued on or after January 1, 2015 and before January 1, 2018, current law related to insurance requirements that group health insurance contracts offered by HICs, sickness and accident insurers, MEWAs, and public or private employer self-insurance plans must include a provision that allows eligible employees and their dependents to continue receiving coverage under the group contract at the employee's expense for 12 months after the employee's employment is terminated. However, the bill specifies that the law becomes operational if, prior to January 1, 2018, certain portions of the federal Affordable Care Act (ACA) are amended or repealed in such a way as to nullify insurance requirements related to guaranteed availability of coverage or guaranteed renewal of health insurance.

The bill also modifies the definition of "eligible employee" for the purposes of the law governing small employer benefit plans. Under the bill, an eligible employee means an employee who works a normal work week of 30 or more hours. The new definition would conform Ohio law to provisions in the ACA that relate to mandatory health insurance coverage. Under current law, an eligible employee works a normal work week of 25 or more hours.

---

[1] The federal Affordable Care Act requires plans and issuers that offer dependent coverage to make the coverage available until the adult child reaches the age of 26.

Fiscal effect

The provision changing the definition of eligible employee for the purposes of the law governing small employer benefit plans would have no direct fiscal effect to the state and local governments. However, the provision related to continuation of group health insurance coverage may apply to small villages and townships. Since employees pay for the benefit costs of such continued coverage, this provision would not affect benefit costs of small villages and townships, but it could decrease their administrative costs. Any such cost decrease is likely to be minimal.

The provision that lowers the age limit for unmarried dependent child coverage under a health care plan or insurance policy from age 28 to 26 would reduce a state personal income tax (PIT) deduction, for amounts paid for health insurance coverage for qualifying adult children between age 26 and 28. This would result in a PIT revenue gain to the state. Under existing law, Ohioans are allowed to deduct the portion of payments for employer-sponsored health insurance that would normally be excluded from federal adjusted gross income (FAGI) but is not because it relates to a person who is not a "qualifying dependent" for federal income tax purposes.

The bill applies to policies, contracts, agreements, and plans that are delivered, issued for delivery, or renewed in Ohio on or after January 1, 2015. Thus, any such revenue gain would begin in FY 2016. In the Ohio Department of Taxation's *Tax Expenditure Report* for fiscal years 2014 and 2015, the estimated PIT revenue loss to the state related to the current deduction for amounts paid for health insurance coverage for qualifying adult children and other dependents is about $3.8 million for FY 2015. This estimate would have been based on income tax rates prior to rate reductions enacted in Am. Sub. H.B. 59 of the 130th General Assembly. Adjusting for the lower state income tax rates for all brackets in tax year 2015 (FY 2016) due to those PIT rate reductions, the estimated PIT revenue gain would be up to $3.6 million.

The state GRF would retain 96.68% or $3.5 million of the revenue gain from the PIT. The remaining 3.32%, or $0.1 million, would be transferred to the Local Government Fund (LGF) and the Public Library Fund (PLF), with each fund receiving half of the total. The LGF is used to distribute money to counties, municipalities, and townships while the PLF is used to distribute money primarily to public libraries. Any revenue gain to the LGF and PLF will increase distributions to those political subdivisions.

HB0511IN.docx/th