Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 511 of the 130th G.A.

Date: December 9, 2014

Status: As Reported by Senate Insurance & Financial Institutions

Sponsor: Rep. Sears

Local Impact Statement Procedure Required: No

Contents: To suspend the operation of continuation of coverage requirements, to make peace officers, firefighters, and emergency medical workers diagnosed with post-traumatic stress disorder arising from employment without an accompanying physical injury eligible for compensation and benefits under Ohio's Workers' Compensation Law, and to 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 $3.5 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.
- The bill would make peace officers, firefighters, and emergency medical workers diagnosed with post-traumatic stress disorders (PTSDs) arising from their employment eligible for medical and wage loss benefits under Ohio's Workers' Compensation Law. This could increase the number of medical and lost time claims handled by the Bureau of Workers' Compensation.
- This expanded benefit related to PTSD could eventually increase workers' compensation premium rates for state agencies that employ law enforcement personnel covered under the bill (among them the Department of Public Safety, the Department of Natural Resources, and the Department of Taxation). The impact of

such a rate increase on these state agency employers will depend on the volume and cost of new claims.

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 decrease up to $210 million	Potential decrease up to $210 million

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 bona fide volunteer firefighters may reduce local government expenditures to provide health benefits to such volunteers and their dependents. The estimated savings to local governments of not providing health insurance coverage to volunteer firefighters and their dependents could be up to $210 million annually.
- The bill would make peace officers, firefighters, and emergency medical workers diagnosed with post-traumatic stress disorders (PTSDs) arising from their employment eligible for medical and wage loss benefits under Ohio's Workers' Compensation Law. There are approximately 34,000 peace officers, 42,000 firefighters, and approximately 42,000 emergency medical workers employed by public entities statewide, mostly among political subdivisions.
- Depending on new claims volume and medical and lost-time benefits owed, the expanded benefit under the bill could eventually increase workers' compensation premium rates for political subdivisions that pay into the State Insurance Fund, as well as increase claims costs for self-insured public employers.

Detailed Fiscal Analysis

Insurance

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 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 federal Affordable Care Act (ACA) that relate to mandatory health insurance coverage. Under current law, an eligible employee works a normal work week of 25 or more hours. The bill also increases the duration of one-time-limited-duration health insurance policies from six months to twelve months.

The bill also specifies that volunteer firefighters employed by municipalities or townships are not employees for purposes of the ACA, if the firefighter receives certain benefits in connection with their volunteering.

The bill specifies that the cost sharing limit of $100 per prescription fill related to the chemotherapy parity law[2] is applied to a high deductible plan, as defined in 26 U.S.C. 223, or a catastrophic plan, as defined in 42 U.S.C. 18022, only after the deductible has been met.

Fiscal effect

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

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[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.

[2] Under the chemotherapy parity law (enacted under Am. S.B. 99 of the 130th General Assembly) certain insurers are deemed to be in compliance with the requirement, if the cost sharing imposed under its policy, contract, or agreement for orally administered cancer treatments does not exceed $100 per prescription fill.

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, 2016. 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.

The provision changing the definition of eligible employee for the purposes of the law governing small employer benefit plans and increasing the duration of one-time-limited-duration health insurance policies from six to twelve months would have no direct fiscal effect to the state and local governments. However, the provision related to bona fide volunteer firefighters would reduce local governments' expenditures related to health insurance coverage provided to volunteer firefighters and their dependents.

According to *The 20th Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (*2012 Report*), prepared by the State Employment Relations Board (SERB), the total employer costs per month (per employee per month) for medical and prescription coverage in 2012 ranged between $751 and $1,111. According to the National Fire Department Census Database, there were over 42,400 active firefighters statewide in 2009. Of the total number, approximately 15,743, or 37.1%, were active volunteer firefighters. The databases are administered by the U.S. Fire Administration (USFA), an entity of the Department of Homeland Security's Federal Emergency Management Agency.[3] Using those data, the estimated savings to local governments of not providing health insurance coverage to volunteer firefighters and their dependents could be between $142 million and $210 million annually. To the extent that individual

[3] Source: Fiscal Note for S.B. 66 of the 128th General Assembly, prepared by the Ohio Legislative Service Commission, dated March 31, 2009.

jurisdictions elect to provide such benefits despite this provision, this savings estimate should be reduced.

Emergency workers, PTSD, and Workers Compensation

The bill allows a peace officer, firefighter, or emergency medical worker who is diagnosed with post-traumatic stress disorder (PTSD) resulting from his or her employment to be eligible to receive medical and lost-time benefits under Ohio's Workers' Compensation Law, regardless of whether the PTSD is connected to a compensable physical injury. According to the Ohio Peace Officer Training Academy's (OPOTA) annual report for FY 2013, there were 33,592 peace officers in Ohio. According to the National Fire Department Census Database, there are approximately 42,000 firefighters in Ohio. The Ohio Department of Public Safety's Division of Emergency Medical Services' FY 2013 annual report indicates there are 42,342 total emergency medical workers in Ohio. Extending these benefits to peace officers, firefighters, and EMS workers will increase both the number of claims filed and amount of medical benefits and lost time paid by the Bureau of Workers' Compensation (BWC) from the State Insurance Fund. There will be similar impacts on self-insured public employers.

Fiscal Effect

Depending on the severity of the PTSD diagnosis, treatment may require time off from work. Consequently, a major factor in determining the fiscal impact of the bill on state and local public employers of peace officers and firefighters is the amount of additional lost-time claims that would be paid by BWC or would be self-insured. Lost-time benefits are based on an eligible claimant's wages. The National Bureau of Labor Statistics (BLS) data for 2013 indicate that the median peace officer salary in Ohio was $53,700,[4] and the median firefighter salary in Ohio was $42,730 in 2013.[5] The BLS data for 2013 indicate that the median emergency medical technician salary in Ohio was $29,630.[6] Ultimately, the amount of compensation paid for lost wages related to PTSD claims allowed under the bill is related to a claimant's wages and depends on how long the claimant would be unable to work as a result of a PTSD diagnosis.

Because of the wide spectrum of conditions suffered by individuals with PTSD, quantifying the additional cost of medical benefits that the State Insurance Fund or a self-insured public employer would incur under the bill is difficult. There appears to be little data on the costs involved with the medical treatment of PTSDs. While LSC found a February 2012 Congressional Budget Office (CBO) study of PTSD and traumatic brain injury cases and related costs among combat veterans treated by the Veterans Health

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[4] Information obtained on June 3, 2014 at http://www.bls.gov/oes/current/oes333051.htm#st.

[5] Information obtained on June 3, 2014 at http://www.bls.gov/oes/current/oes332011.htm.

[6] Information obtained on June 4, 2014 at http://www.bls.gov/oes/current/oes292041.htm#st.

Administration (VHA) from 2004 through 2009,[7] caution should be used in applying these findings to PTSD treatments and medical costs for the public safety employees covered under this bill. Specifically, the CBO study found that the first year of treatment for a combat veteran with PTSD cost approximately $8,300, with cost decreasing to $4,200 in the second year, $3,900 in the third year, and $3,800 in the fourth year of treatment. Caution in applying these figures to the potential costs of treatment for peace officers, firefighters, and emergency medical workers is warranted since it is quite possible that PTSD injuries suffered by public safety personnel differ in severity and scope of treatment from such injuries among combat veterans.

Typically, the VHA provides PTSD treatment that includes a combination of psychotherapy and pharmacology. The VHA study mentioned above indicated that PTSD patients who undergo some form of psychotherapy generally require at least nine such treatment sessions,[8] with the average case including 11 sessions. The report also indicated that approximately 5% of all PTSD diagnoses involved psychiatric hospitalization. Overall, the U.S. Department of Veterans Affairs indicates that approximately 7% to 8% of the total population will have PTSD at some point in their lives.[9] For purposes of this bill, it can reasonably be assumed that police and firefighters would likely have a PTSD occurrence rate higher than that of the general population, but likely lower than that of combat veterans. If eligible police, fire, and emergency medical employees were diagnosed with PTSD at a rate of 10%, given the approximate 118,000 total peace officers, firefighters, and emergency medical workers statewide in 2013, then there could be as many as 11,800 PTSD diagnoses in a given year. If the rate of diagnosis was 15% for these individuals, there could be as many as approximately 17,700 such diagnoses in a given year.

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[7] *The Veterans Health Administration's Treatment of PTSD and Traumatic Brain Injury Among Recent Combat Veterans*. Congressional Budget Office, February 2012.

[8] *Journal of Traumatic Stress*, vol. 23, no. 1 (February 2010), pp. 5-16.

[9] Information obtained on June 3, 2014 at http://www.ptsd.va.gov/public/PTSD-overview/basics/how-common-is-ptsd.asp.