

**FISCAL ESTIMATE FORM**

1999 Session

- ORIGINAL                       UPDATED  
 CORRECTED                       SUPPLEMENTAL

**LRB # 99 - 2980/1**

**INTRODUCTION # 99 - SB 400**

Admin. Rule #

**Subject**

Provide health insurance coverage for certain local government employees and officers who have terminated local government employment

**Fiscal Effect**

State:  No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

Increase Costs - May be possible to Absorb Within Agency's Budget  Yes  No

- Increase Existing Appropriation                       Increase Existing Revenues  
 Decrease Existing Appropriation                       Decrease Existing Revenues  
 Create New Appropriation

Decrease Costs

Local:  No local government costs

1.  Increase Costs  
      Permissive     Mandatory  
 2.  Decrease Costs  
      Permissive     Mandatory

3.  Increase Revenues  
      Permissive     Mandatory  
 4.  Decrease Revenues  
      Permissive     Mandatory

5. Types of Local Governmental Units Affected:  
 Towns             Villages             Cities  
 Counties         Others \_\_\_\_\_  
 School Districts     WTCS Districts

**Fund Sources Affected**

- GPR    FED    PRO    PRS    SEG    SEG-S

**Affected Ch. 20 Appropriations**

**Assumptions Used in Arriving at Fiscal Estimate:**

Under Wis. Stats. § 40.51(7), local governments may offer group health insurance under the terms of a program established by the Group Insurance Board. SB 400 specifies those participants that terminate employment with an employer who has acted under Wis. Stats. § 40.51(7) are eligible for this health insurance if they are annuitants under the WRS or are eligible for an immediate annuity but defer application. For purposes of this estimate, we assume that the employer must continue to participate in the plan under Wis. Stats. §40.51 (7) in order for the retirees and former employes to continue coverage.

The board currently provides eligibility for all annuitants of a participating employer who retire on an immediate annuity and for participants who have twenty years of creditable service and who are eligible for an immediate annuity but defer application. This bill would extend eligibility to all participants who terminate employment after age 55 (age 50 for protectives) regardless of years of service. Typically, this would include employes that are not retiring but rather are switching to another type of employment after leaving the local government service.

The cost of this bill to local governments is indeterminate. The Department currently cannot estimate the number of newly eligible participants who will choose coverage under the provisions of this bill, nor the health status of those participants. Health insurance premiums of local governments under the bill will tend to increase to the extent that the participants who choose to remain in the local government pool are higher medical risk than the average participant. Because this applies to only persons of minimum retirement age, newly eligible participants will, on average, be older than the average for the group. Older participants in health plans are expected to be higher than average in risk and cost. Since the bill prohibits segregating these employes for insurance purposes, any cost for this group over the average premium collected will result in higher costs for the participating local governments and employes.

**Long-Range Fiscal Implications:**

Indeterminate

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**Date**

3/1/00