

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-2359/1	Introduction Number AB-352
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Subject
 Coverage of certain individuals under the state employee health care coverage plan

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate

<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs
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Local:

No Local Government Costs
 Indeterminate

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
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Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input checked="" type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input checked="" type="checkbox"/> SEGS	

Agency/Prepared By ETF/ Jon Kranz (608) 267-0908	Authorized Signature Dave Stella (608) 266-3641	Date 5/16/2005
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Fiscal Estimate Narratives

ETF 5/17/2005

LRB Number 05-2359/1	Introduction Number AB-352	Estimate Type Updated
Subject Coverage of certain individuals under the state employee health care coverage plan		

Assumptions Used in Arriving at Fiscal Estimate

This is an update of the estimates previously submitted. Since the original estimate was submitted, it was learned that a federal bankruptcy judge has allowed United Airlines to transfer its pension plans to the Pension Guaranty Benefit Corporation. United Airlines is based in Chicago and the transferred plans cover approximately 120,000 individuals. According to the Group Insurance Board consulting actuary, there is a high frequency of Illinois retirees moving to Wisconsin. As such, the consulting actuary believes that this recent action could potentially double the number of eligible individuals and cost from the previous estimate. The below represents the updated information.

AB-352 allows individuals receiving a pension from the Pension Guaranty Benefit Corporation or is eligible for a tax credit under the federal Trade Adjustment Assistance Reform Act to enroll for coverage under the state employee group health insurance program.

Assumptions used in the preparation of this estimate as follows:

- * The total number of eligible state residents is estimated to be 8,000.
- * All eligible residents are between the ages of 55 - 65. Since the bill requires that the participant not have other health insurance, it was assumed that residents 65 and older are covered under Medicare and therefore, would not be able to enroll under the state employee health program.
- * No underwriting would be required since the bill prohibits any limitations on pre-existing conditions.
- * The expected claims experience of the eligible group is approximately 70% greater than the average claims cost for the current state group health plan population due to age. An additional claims experience factor of 20% (over the current population's experience) was assumed due to adverse selection.

Adverse selection occurs when participants can voluntarily opt in and/or out of the plan. This tends to encourage participants with a higher than average claims experience to join the plan and encourages individuals with a lower than average claims experience to opt out of the plan.

* A 10% sales agent commission load is assumed since the coverage most likely would be obtained via insurance brokers.

* Eligible residents would pay the entire cost of the premium.

According to the Group Insurance Board's consulting actuary, the cost associated with this bill is dependent on the number of eligible residents who would enroll. Assuming that enrollment would be between 1,000 and 4,000 individuals (12.5% to 50% of the eligible population), the actuary estimates that the additional cost to the state program would be between \$6.4 million and \$25.6 million annually. This additional cost represents the additional cost to cover the current population of state employees (it does not include the cost of the premiums for the non-state employees enrolling in the plan).

Allowing non-government employees to enroll in the plan could make the plan subject to provisions of the Employment Retirement Income Security Act (ERISA). Compliance costs associated with these provisions are not included in this estimate.

Long-Range Fiscal Implications

The effects of adverse selection are expected to increase costs over time. In addition, as more defined benefit plans are taken over by the Pension Guaranty Benefit Corporation, the costs of this bill will increase coincident with more individuals being eligible.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
See narrative.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$	\$
Agency/Prepared By		Authorized Signature	Date
ETF/ Jon Kranz (608) 267-0908		Dave Stella (608) 266-3641	5/16/2005