



TESTIMONY ON ASSEMBLY BILL 117

Thank you Chairman Dobyms and Committee Members for the opportunity to speak in strong support of Assembly Bill 117. As the author of this proposal, I strongly believe that this is an issue of fairness and I encourage you to support providing the same health insurance opportunities to limited-term and part-time employees who become permanent and full-time employees, respectively, as are provided to other newly-hired state employees.

Currently, limited term employees (LTEs) and part-time employees are eligible for group health insurance benefits if they are eligible for participation in the Wisconsin Retirement System (WRS). LTEs and part-time employees are eligible for an employer contribution toward their health insurance premium after six months of employment, with the state contributing 50% of what it would normally pay for a full-time employee.

An employee becomes eligible for the full employer contribution toward their insurance premium when they are hired as a full-time employee after being a part-time employee or as a permanent employee after being an LTE. However, if the employee did not accept coverage when the insurance was first offered to them upon their hire as a part-time or LTE, the employee is only eligible for the standard health plan upon becoming a full-time or permanent employee. The standard health plan has large out-of-pocket costs for the employee and has a six month waiting period for pre-existing conditions.

These employees are not eligible for an alternate plan (an HMO or Standard Plan II) until the annual fall enrollment period. However, the employee must be enrolled under one of the plans offered by the state to be eligible for the October enrollment period. For LTEs and part-time employees turned full-time, this means they can only receive the standard plan.

Assembly Bill 117 would allow an employee who originally declined coverage to be eligible for any plan offered by the state without a waiting period when first eligible for the maximum employer contribution when hired as a full-time employee. This bill would give LTEs and part-time employees who become permanent state employees the same health insurance options as other newly hired state employees.

I would respectfully urge the committee's support of this modification. Thank you for your consideration.

MEMBER: JOINT COMMITTEE ON FINANCE

PEGGY ROSENZWEIG



State Senator, 5th Senate District

TO: Members of the Assembly Committee on Government Operations
FROM: Senator Peggy Rosenzweig
DATE: March 26, 1997
RE: Assembly Bill 117

I am writing to urge your support for Assembly Bill 117, which provides limited-term and part-time state employees who become full-time, permanent employees, with the same health insurance opportunities as new full-time workers.

Currently, limited-term and part-time employees who are eligible for participation in the Wisconsin Retirement System (WRS) are also eligible for group health insurance benefits. They are eligible for an employer contribution toward their premium, which is equal to 50% of what the employer would pay for a full-time employee, after they have worked six months.

If these limited-term and part-time employees eventually become full-time employees, they would be eligible for the full-time employer contribution toward their health care. However, if these employees failed to elect to receive health care coverage when first eligible as a limited-term or part-time employee, then they are only eligible to receive the standard health plan, which is a fee-for-service plan that can result in large out-of-pocket expenses for the employee and has a six month waiting period for pre-existing conditions. These employees would not be eligible for an alternate state plan until the annual fall enrollment period, and only then if they are enrolled in the standard plan.

This legislation will provide an additional eligibility open enrollment period for health care coverage for these limited-term and part-time employees, which will occur when they are first eligible for the maximum employer contribution (upon increasing worker hours to more than 1,044 hours per year).

This legislation simply puts those limited-term and part-time state employees who become permanent employees on the same footing with their newly hired counterparts. I hope you will join me in supporting this legislation and vote to pass it out of committee and on to the full Assembly for a vote.

33 NOB HILL DRIVE
MADISON, WI 53708

(608) 276-7711 • 1-800-362-8034
FAX: (608) 276-8203


WISCONSIN
EDUCATION
ASSOCIATION
COUNCIL



1334 APPLGATE ROAD
MADISON, WI 53713

(608) 277-7700 • 1-800-362-7390
FAX: (608) 277-7708

TO: Members of the Assembly Committee on Government Operations
FROM: Mindy Taranto, Staff Representative
RE: AB 117 Health Insurance Eligibility
DATE: March 26, 1997

I am writing on behalf of those state employees represented by the Wisconsin Federation of Teachers that started their careers in state service as limited term employees (LTE's).

AB 117 corrects a longstanding inequity in the way in which state employees are provided with health insurance coverage. If an employee is hired as an LTE, the employer pays 50% of the employer contribution toward the premium after 6 months of service. Many LTE's do not take the coverage when it becomes available because it is expensive and they have alternative coverage available. If the LTE is then offered a full time permanent position and had not elected coverage when first eligible as an LTE, the employee is restricted to the standard plan which involves significant out-of-pocket costs and is subject to a six-month waiting period for pre-existing conditions.

The first chance that the employee has to select an alternate plan like an HMO, occurs during the next dual choice enrollment period. However, the employee must be insured in the standard plan in order to take part in the October dual choice to secure coverage under one of the less costly plans for the following year. These rules have resulted in very substantial out-of-pocket costs to many of our members who have become permanent state employees after serving the state as LTE's.

AB 117 would allow an employee who originally deferred enrollment while serving as an LTE, to secure coverage under any eligible plan without a waiting period. This bill will eliminate the current inequities between state employees who are newly hired and offered health insurance coverage of their choice after 6 months and LTE's who have to incur significant costs before they become eligible for a plan of their choice.

We don't think it is fair for the state to penalize employees who have in many cases, provided long term service to the state in an LTE capacity. Their tenure should be recognized and rewarded by simply treating them the same as all other newly hired full time state employees. I urge you to vote in favor of AB 117.



STATE OF WISCONSIN

Department of Employee Trust Funds

Eric O. Stanchfield
Secretary

801 West Badger Road

P.O. Box 7931

Madison, Wisconsin 53707-7931

March 26, 1997

In Reply Refer To:

Honorable John Dobyms, Chair
Assembly Committee on Government Operations
10 West, State Capitol
Madison, WI 53702

Re: Assembly Bill 117

Dear Representative Dobyms:

Thank you for holding a hearing on AB 117 and for giving us the opportunity to testify in support of it. This bill will allow certain limited term employees (LTE) or permanent employees who work less than half time to secure coverage under any health plan available to state employees without a waiting period. The bill only applies if the employee's hours increase, and he or she is eligible for an increased employer contribution and originally deferred enrollment under the health plan.

Under current law, state employees are first eligible for health insurance enrollment when they become eligible for coverage under the Wisconsin Retirement System (WRS). Permanent employees are eligible for the WRS immediately upon hire. LTEs are only eligible for the WRS if they work more than 600 hours in a year or if their appointment is expected to exceed one year. However, the employee must be covered under the WRS for six months before the state begins to contribute toward the health insurance premium. For employees who work less than half-time, the state contributes 50% of what it would pay for an employee who works more than 50% time. Because of the limited employer contribution, the department estimates that only 10-20% of the LTEs and permanent employees, who work less than half time, take the coverage when first eligible for it.

An LTE or part-time employee who does not take the health coverage when first eligible for it has an opportunity for the full employer contribution when appointed to a position exceeding 1044 hours per year. However, if the person had declined coverage originally, the employee is restricted to the standard plan. This means that the employee has significant out-of-pocket costs and a six-month waiting period for preexisting conditions.

The first chance that the employee has to select an alternate plan (an HMO or Standard Plan II) occurs during the next dual-choice enrollment period. To participate in dual-choice, however, the employee must be insured under a state sponsored plan (e.g., standard plan) to select a less costly plan for the following year.

Honorable John Dobyms

March 26, 1997

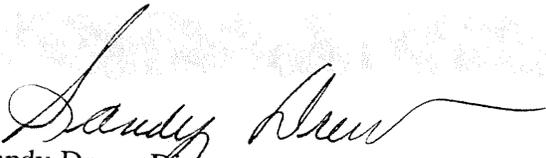
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Because of the current law, a new permanent employee who has never worked for the state before is often able to afford health care coverage (due to the larger employer contribution) sooner than the person who has worked as either an LTE or part-time employee for a longer period. Passage of AB 117 will eliminate that inequity.

The number of persons who will benefit from passage of the bill is small, but the fiscal effect on each person can be significant. The attached chart shows the premium for state plans offered in Dane County and the premium that the state pays per employee for those who work more or less than 1,044 hours per year. The cost to the state is not significant given the size of the entire state health plan. In addition, DOA's Bureau of Risk Management noted that enactment of the proposal will reduce an exposure to loss that could be very costly to the state.

We urge the committee to take favorable action on the bill.

Sincerely,



Sandy Drew, Director
Legislation and Planning

SD:s

cc: Committee Members
Representative Sheila Harsdorf

Attachment

**GROUP HEALTH INSURANCE
1997 PREMIUM RATES BY COUNTY FOR FULL TIME EMPLOYES**

PLAN	SINGLE			FAMILY		
	State Pays	Employee Pays	Total Premium	State Pays	Employee Pays	Total Premium
DANE COUNTY						
DeanCare	200.32	0.00	200.32	503.36	0.00	503.36
GHC - South Central	191.50	0.00	191.50	481.30	0.00	481.30
Physicians Plus	201.08	4.30	205.38	505.37	10.63	516.00
Unity - University Plus	196.34	0.00	196.34	493.40	0.00	493.40
Standard Plan	201.08	104.20	305.28	505.37	246.63	752.00
Standard Plan 2*	201.08	59.12	260.20	505.37	133.89	639.26

**GROUP HEALTH INSURANCE
1997 PREMIUM RATES BY COUNTY FOR LESS THAN HALF-TIME EMPLOYES**

PLAN	SINGLE			FAMILY		
	State Pays	Employee Pays	Total Premium	State Pays	Employee Pays	Total Premium
DANE COUNTY						
DeanCare	100.54	99.78	200.32	252.68	250.68	503.36
GHC - South Central	100.54	90.96	191.50	252.68	228.62	481.30
Physicians Plus	100.54	104.84	205.38	252.68	263.32	516.00
Unity - University Plus	100.54	95.80	196.34	252.68	240.72	493.40
Standard Plan	100.54	204.74	305.28	252.68	499.32	752.00
Standard Plan 2*	100.54	159.66	260.20	252.68	386.58	639.26

FISCAL ESTIMATE

DOA-2048 (R 11/90)

- ORIGINAL
- UPDATED
- CORRECTED
- SUPPLEMENTAL

Subject
Eligibility for group health insurance for state employes participating under the WRS.

Fiscal Effect

State: No State Fiscal Effect

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

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

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

Local: No local government costs

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

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

5. Types of Local Governmental Units Affected:
- Towns Villages Cities
 - Counties Others _____
 - School Districts VTAE Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations
20.515

Assumptions Used in Arriving at Fiscal Estimate

AB 117 amends current law to grant certain state employes a second open enrollment period to secure health insurance coverage. Under current law, a state limited-term employe (LTE) is eligible for health insurance benefits if the employe is eligible for coverage under the Wisconsin Retirement System (WRS). To be eligible, the LTE must work 600 hours and be expected to work one year. A permanent state employe who works less than half time hours per year is also eligible for health coverage if also eligible for WRS coverage.

In both instances, the employe is first eligible for an employer contribution toward the health insurance premium after six months service under the WRS. For these employes who work less than half time, the state contributes 50% of what it would pay for an employe who is considered to work full-time. Because of the out-of-pocket costs that the employe must incur, the department estimates that only 10-20% of the LTEs and employes who work less than half-time take the coverage when first eligible for it.

An LTE or part-time employe who does not take the health coverage when first eligible becomes entitled to the full-time employer contribution upon increasing worker hours to more than half time (1044 hours per year). If the person had not elected coverage when first eligible, the employe is restricted to the standard plan when the employer's contribution increases. Under that plan, the employe incurs significant employe out-of-pocket costs and is subject to a six-month waiting period for pre-existing conditions.

(Continued on next page.)

Long-Range Fiscal Implications

On-going.

Agency/Prepared by: (Name & Phone No.)
Department of Employee Trust Funds
Sandy Drew 267-2929

Authorized Signature/Telephone No.

David Hinrichs 266-3763

Date

3 21-97

The first chance that the employe has to select one of the alternate plans (an HMO or Standard Plan II) occurs during the next dual choice enrollment period after coverage has been in force. However, the employe must be insured under one of the plans offered by the state, which includes the standard plan, to take part in the October dual choice to secure coverage under one of the less costly plans for the following year. AB 117 would allow an employe who originally deferred enrollment to secure coverage under any eligible plan without a waiting period when first eligible for the maximum employer contribution.

It is difficult to estimate with certainty the fiscal impact on the state. This is because we do not know the exact number of employes to which the bill applies. Nor do we know how many of those employes currently pay for the more expensive coverage themselves. However, the department estimates that enactment of this bill will affect no more than 100 employes annually.

In determining the state's maximum cost, we assumed that the starting dates for the 100 potential employes are distributed equally throughout the year and that all currently defer enrolling in the standard plan until October. (That is the latest date they can enroll to be eligible to participate in dual choice.) Based on these assumptions, enactment of the bill would increase the state's contribution for health insurance by no more than \$197,505 annually. This is computed as follows:

Average monthly State contribution/employe	\$399 (est.)
Maximum months of additional coverage (Jan. through Sept.)	9
Employes eligible for coverage beginning of each month not covered in previous month	11
New State dollars $(11 \times 9 \times \$399) + (11 \times 8 \times \$399) \dots + (11 \times 1 \times \$399) \dots$	\$197,505

The state costs, however would not incur any additional costs if all 100 potential employes currently become eligible in January and take the coverage when first eligible. Any additional costs to the state will apply to all appropriations in the same proportion as other fringe benefits.

FISCAL ESTIMATE WORKSHEET

1997 Session

Detailed Estimate of Annual Fiscal Effect
DOA-2047(R11/90)

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.
AB 117

Amendment No.

Subject

Eligibility for group health insurance for state employes participating under the WRS.

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:

Annualized fiscal impact on State funds from:

A. State Costs by Category

Increased Costs Decreased Costs

State Operations-Salaries and Fringes

\$ 0 - 197,505

\$ -

(FTE Position Changes)

(FTE)

(- FTE)

State Operations - Other Costs

-

Local Assistance

-

Aids to Individuals or Organizations

-

TOTAL State Costs by Category

\$ 0 - 197,505

\$ -

B. State Costs by Source of Funds

Increased Costs

Decreased Costs

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
STATE

LOCAL

NET CHANGE IN COSTS

\$ 0 - 197,505

\$ _____

NET CHANGE IN REVENUES

\$ _____

\$ _____

Agency/Prepared by: (Name & Phone No.)
Department of Employee Trust Funds
Sandy Drew 267-2929

Authorized Signature/telephone No.

Date

David Kimich 266-3763

3-21-97