



## Legislative Fiscal Bureau

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February 10, 1998

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 117: Additional Enrollment Period for State Group Health Insurance Coverage for Certain State Employees

Assembly Bill 117 would provide an additional enrollment period for state group health insurance coverage for certain part-time state employees. The bill was passed by the Assembly on a voice vote. In the Senate, the bill was referred to the Senate Committee on Health, Human Services, Aging, Corrections, Veterans and Military Affairs, which recommended concurrence on a vote of 7-0.

### BACKGROUND

Eligibility for health insurance. Under current law, state employees become eligible for state group health insurance coverage when they become eligible for participation under the Wisconsin Retirement System (WRS). Newly-hired permanent employees are eligible for enrollment under the WRS upon hiring. Limited-term employees (LTEs) or other part-time employees, however, are eligible for coverage under current WRS participation rules only if they are expected to work at least one-third of what is considered full time or if the employee has worked at least 600 hours in the prior 12-month period.

Employer contribution. While most state employees are generally eligible for health insurance coverage immediately, they generally do not become eligible for any state contribution towards health insurance premiums (90% of the premium cost of the standard plan or 105% of the lowest cost alternative plan, whichever is less) until after six months of service under the WRS. For eligible employees who work less than half-time (including any LTEs eligible for group health insurance coverage), upon becoming eligible for employer contribution, the state

contributes 50% of what it would pay towards the standard plan health insurance premium of a full-time employe.

Because of the higher cost to the employe of health insurance due to this reduced level of employer contribution, many LTEs eligible for state group health insurance coverage elect not to take it. [In Dane County, for example, for 1998 state health insurance coverage, an LTE newly eligible for such coverage would pay under the 50% premium contribution formula from \$95.55 to \$199.67 per month for single coverage or from \$240.09 to \$486.63 per month for family coverage, depending on the plan selected.]

Under current law, for an LTE (or part-time employe) who elects not to take state group health insurance coverage when first eligible as a part-time employe but who then is subsequently appointed to a permanent or project position with more than half-time status, the employe is restricted to enrollment only in the standard plan. Enrollment in the standard plan requires: (1) a higher premium contribution by the employe [in Dane County in 1998 the monthly standard plan contribution amount is \$94.06 for single coverage and \$221.27 for family coverage compared to three HMO plans that have no employe contribution requirement and one HMO plan that has a small employe contribution requirement]; and (2) a six-month waiting period for coverage of any preexisting conditions. The first opportunity such an employe would have to select an alternative plan would be during the next dual-choice enrollment period [usually in October of each year] for state employes.

## **SUMMARY OF BILL**

Assembly Bill 117 would permit LTEs (and other part-time employes) who are eligible for the 50% employer contribution towards state group health insurance coverage but who had declined it to have a second opportunity to elect coverage under any state group health plan upon taking a permanent or project position of at least half-time status. The bill provides that the LTE could elect health insurance coverage under an open enrollment option with coverage commencing when the employe became eligible for the increased employer contribution towards the cost of health insurance premiums, which would be upon the LTE becoming employed on a basis of half-time or more and having six months of service under the WRS.

## **FISCAL EFFECT**

The Department of Employee Trust Funds (ETF) indicates that there are no reliable figures on the actual number of part-time employes who become eligible for state group health insurance coverage with the 50% employer contribution but decline that coverage and who subsequently are appointed to permanent or project positions of at least half-time status (thereby qualifying for the full employer contribution towards health insurance premiums).

ETF estimated, however, based on a small sampling of agencies, that there could be 100 such occurrences annually, primarily LTEs. It was further assumed that the start dates of such new employees would be distributed evenly throughout the year but that the maximum period of time that an individual would have to wait before the state's annual open enrollment period would be nine months. Under this scenario, approximately 11 new employees would become eligible for health insurance coverage at the beginning of each month who had not been covered during the previous month or a total of approximately 100 per year (11 additional such employees per month over nine months).

It may be noted, however, that some employees hired just after the conclusion of an annual open enrollment period would have a maximum wait of 11 months until the next such period. Making this adjustment to spread the 100 employees over an 11 month period (that is, assuming nine additional such employees over 11 months) and using the estimated average monthly per employee state health insurance contribution for the 1998 calendar year, \$211,900 (all funds) of total additional annual state premium contribution costs (expressed on a fiscal year basis) would be estimated. Of this annual amount, it is estimated that \$97,300 would constitute GPR-funded costs while \$114,600 would be paid from other funds. To the extent that a state agency was unable to fund these additional costs from existing fringe benefits resources, the agency would be eligible for supplementation from compensation reserves to the extent that funds are available for such purposes.

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MO# Concurrence

BURKE	(Y)	N	A
DECKER	(Y)	N	A
JAUCH	(Y)	N	A
SHIBILSKI	(Y)	N	A
COWLES	(Y)	N	A
PANZER	(Y)	N	A
SCHULTZ	(Y)	N	A
ZROSENZWEIG	(Y)	N	A
GARD	(Y)	N	A
OURADA	(Y)	N	A
HARSDORF	(Y)	N	A
ALBERS	(Y)	N	A
PORTER	(Y)	N	A
KAUFERT	(Y)	N	A
LINTON	(Y)	N	A
COGGS	(Y)	N	A

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