Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2003 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **03-4418/2**	Introduction Number **SB-536**

Subject

Health savings accounts for state employees

Fiscal Effect

State:

☐ No State Fiscal Effect
☐ Indeterminate

☐ Increase Existing Appropriations
☐ Decrease Existing Appropriations
☐ Create New Appropriations
☐ 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
☐ Indeterminate

1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
   ☐ Towns ☐ Village ☐ Cities
   ☐ Counties ☐ Others
   ☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☒ GPR ☒ FED ☒ PRO ☒ PRS ☒ SEG ☒ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

ETF 3/23/2004

LRB Number **03-4418/2**	Introduction Number **SB-536**	Estimate Type **Original**
Subject Health savings accounts for state employees		

Assumptions Used in Arriving at Fiscal Estimate

AB 939 would require the Group Insurance Board to establish a consumer driven health plan (CDHP) to be offered to state employees as an option to the current comprehensive plans offered under the State Employee Group Health Insurance Program.

CDHPs are comprised of a high deductible plan (HDP) and a health savings account (HSA), as authorized under the federal Medicare Prescription Drug, Improvement and Modernization Act of 2003. One characteristic of an HSA is that it is portable and is "owned" by the employee, so that if the employee leaves employment, the HSA is carried with the employee. HSAs may be used not only to pay for medical expenses incurred before coverage under the HDP, but also for other benefits not currently covered (Long-Term Care Insurance, over-the-counter drugs, and retiree health benefits).

AB 939 would require the state to contribute to the HAS of any employee who chooses this option, an amount equal to the difference between the cost of the lowest cost current health plan offered in the employees county and the cost of the HDP.

For purposes of this estimate, we have assumed the following plan design for the CDHP:

*$2,000/$4,000 (single/family) deductible
*20% coinsurance for all covered services in-network up to an out-of-pocket plan maximum of $5,000 single/ $10,000 family
*40% coinsurance for all covered services out-of-network up to an out-of-pocket plan maximum of $8,000 single/ $16,000 family

Based on this plan design, we estimate the difference between the cost of the regular coverage currently offered and the cost of the HDP coverage to be approximately $1,900 per year for single contracts and $4,000 per year for family contracts. These are the amounts that would be deposited in the HSA accounts of employees who enroll in the CDHP.

Our actuaries estimate that the cost of AB 939 to the state will be approximately $30 to $34 million in 2005. These costs are derived from three sources:
*Approximately 5% of state employees choose not to enroll in the state health plan even though eligible to do so. We estimate that approximately 60% of this group (or 3% of all state employees) will return to enroll in the state health plan so they can participate in the new CDHP for a very small employee premium contribution. These new enrollees will receive a sizable contribution to an HSA account, which is theirs to keep whether they immediately need it or not.
*Anti-selection against the current plans would most likely occur. CDHPs are most attractive to younger and healthier employees who are unlikely to incur health care costs in excess of their HSAs. As these younger and healthier employees join the CDHP, the cost of the current plans will escalate rapidly, while the cost of the HDP coverage remains the same, or even drops slightly. This will create a higher contribution to the HSAs as the difference in premium costs between the two plans grow.
*Unused HSA funds will remain with the employees, and the state will not receive any of these funds back. Currently, unused premium contributions are used to offset the costs of higher cost plan members.

Long-Range Fiscal Implications

If this bill is passed, there would be a continued and growing disparity between the cost of the current state plans and the cost of the HDP (because of adverse selection) resulting in ever increasing contribution amounts to the HSAs of people enrolled in the CDHP.

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Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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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 funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$	
(FTE Position Changes)		
State Operations - Other Costs	32,000,000	
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$32,000,000**	**$**
B. State Costs by Source of Funds		
GPR	13,664,000	
FED	3,968,000	
PRO/PRS	11,968,000	
SEG/SEG-S	2,400,000	

III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)

	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	$32,000,000	$
NET CHANGE IN REVENUE	$	$

Agency/Prepared By	**Authorized Signature**	**Date**
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