

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-2237/1	Introduction Number AB-199
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Subject
 Inclusion of farm business employees in state employee health care plan

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

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	Authorized Signature	Date
ETF/ Jon Kranz (608) 267-0908	Dave Stella (608) 266-3641	3/30/2005

Fiscal Estimate Narratives

ETF 3/30/2005

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Subject					
Inclusion of farm business employees in state employee health care plan					

Assumptions Used in Arriving at Fiscal Estimate

LRB 05-2237/1 would allow any state resident who is engaged in the business of farming (including individuals employed by a farm business) to receive coverage under any health plan offered to state employees. Individuals electing coverage would be required to pay the entire premium. The bill authorizes DETF to establish by rule pre-existing condition exclusions for individuals electing coverage. Finally, the bill requires that individual electing coverage must provide proof to DETF that they have been covered by a health insurance plan or policy for any period time during the 6 months prior to electing coverage under the state plan.

The actuary notes that claims experience is 50% higher due to age alone (the average farmer is eight years older than the average state employee). There are an 35,000 uninsured farmers in this state and while some are uninsurable, many would be able to obtain some kind of insurance if they wish, in order to then qualify for the state insurance. For this estimate, DETF is assuming that between 5,000 and 20,000 individuals would elect coverage. The pre-existing conditions clause mitigates the effect of adverse selection. In total, actuary estimates that the combined negative effect of the age and health status, combined with the positive effect of the pre-existing conditions and prior insurance clause result in the average farmer entering the program to be forty-five percent greater risk than the average state employee. Given the enrollment estimates above, this results in additional cost to the state program between \$13 and \$52 million (this is the increased cost to cover the current state employees due to the assumption of the additional risk - it is not the cost of premiums that would be paid by individual farmers).

In addition, DETF estimates that one-time implementation costs would be approximately \$51,000 SEG (Information technology system modifications and process modifications). On-going administrative costs based on enrollment of 20,000 individuals would be approximately \$15,000 SEG per year (enrollment processing) and would require the addition of .35 SEG FTE. These costs assume that the DETF will only process the initial enrollment forms and verify prior insurance coverage and that the remaining administrative tasks will be done by private insurance agents and health plans.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
Inclusion of farm business employees in state employee health care plan			
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			
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		\$see narrative	\$
NET CHANGE IN REVENUE		\$	\$
Agency/Prepared By		Authorized Signature	Date
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