

March 17, 2016

CORRECTED

The Honorable Scott Schwab, Chairperson
House Committee on Insurance and Financial Institutions
Statehouse, Room 151-S
Topeka, Kansas 66612

Dear Representative Schwab:

SUBJECT: Corrected Fiscal Note for HB 2716 by House Committee on Insurance and Financial Institutions

In accordance with KSA 75-3715a, the following corrected fiscal note concerning HB 2716 is respectfully submitted to your committee.

HB 2716 would eliminate the requirement that local governments provide retirees health care coverage under the group health care plan that is available to current employees. Instead, local governments would have the option of either continuing to provide retirees coverage under the current plan, or to provide a similar plan through a retiree exchange platform. The bill would authorize the Kansas State Employee Health Care Commission to negotiate and enter into contracts with one or more third-party administrators to implement a retiree exchange platform for retired public officers and employees and their dependents. Finally, the bill would prohibit retirees from accessing benefits through the State Employee Health Plan (SEHP).

The Kansas Department of Health and Environment indicates enactment of HB 2716 would affect the State Employee Health Plan by reducing revenues from retiree premiums, as well as reducing expenditures to medical providers for retiree medical expenses, as retirees would no longer participate in the SEHP. According to the Department, the SEHP is projected to collect approximately \$25.3 million in premiums from retirees during FY 2017, while spending approximately \$30.4 million in health benefits, with a net cost to the SEHP in FY 2017 totaling \$5.1 million. This cost is currently absorbed by increased premiums for other participating employers and employees. The fiscal effect for the Kansas Insurance Department would be negligible. Any fiscal effect associated with HB 2716 is not reflected in *The FY 2017 Governor's Budget Report*.

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Page 2—HB 2716

The League of Kansas Municipalities indicates that it is unable to estimate a fiscal effect for HB 2716. The Kansas Association of Counties indicates that the fiscal effect of HB 2716 would depend on whether a county pays a portion of a retiree's healthcare premiums, the amount of premiums paid on the retiree's behalf, whether a county would choose to move to a retiree exchange platform, and whether a county would continue to pay a portion of retiree premiums with an exchange. Also, the League of Kansas Municipalities indicates that if retirees would move from the current healthcare plan to an exchange, the premiums of the current plan would likely decrease, as the pool of participants would likely be healthier. Also, the premiums from a new exchange plan would likely be very high, as the pool would not be offset by younger, healthier employees.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Aaron Dunkel, Health & Environment
Larry Baer, League of Municipalities
Melissa Wangemann, Association of Counties
Glenda Haverkamp, Insurance