

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 15** SLS 202ES 29
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: October 5, 2020 3:24 PM	Author: MILLIGAN
Dept./Agy.: Office of Group Benefits (OGB)	
Subject: Health insurance coverage	Analyst: Tim Mathis

SCHOOLS EG INCREASE SG EX See Note Page 1 of 2

Requires first-day health insurance coverage for employees of public elementary and secondary school systems under certain circumstances. (gov sig) (Item #42)

Present law allows public elementary and secondary school systems to provide group health insurance for their employees and employees' dependents either through the Office of Group Benefits (OGB) or through private or self-funded programs, subject to OGB approval. Proposed law requires such coverage to begin on the first day of employment, provided that (1) the school system is located in a gubernatorially or presidentially declared disaster or emergency area; (2) the declaration of the disaster or emergency specifies risks to the health or well-being of any individual who engages in certain activities; and (3) that such activities are integral to the services pertinent to employment at the school system. Requires the premium for the first month to be paid immediately. The school system shall pay the employer contribution and the employee contribution may be paid by either the employer or the employee. If the employer pays the initial employee contribution, then the school system shall be reimbursed by a deduction from the employee's wages. Effective upon governor's signature.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	INCREASE	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

There will be an increase in the expenditures of school systems for an additional month's insurance premium payments for new hires during certain disaster declarations which meet the specific provisions of the bill. There will be increased costs to the Office of Group Benefits (OGB) due to additional medical and pharmacy claims associated with the immediate effective date. OGB will also experience increased costs for required changes to the program's billing system to allow for either pro-rated or full-month's premium payments after the first of each month. However, OGB is still reviewing potential changes and cannot identify those costs at this time.

Currently, OGB coverage becomes effective after the first full month of employment. For example, if an employee begins on July 1, coverage will begin on August 1; if an employee is hired July 15, coverage will begin on September 1. OGB sends participating employers a monthly invoice premium statement with the total amount of employer and employee contributions due to OGB. The employer collects employee contributions by payroll deduction and remits the invoice premium to OGB within 30 days after receipt.

The proposed law would require a school system to pay the premium for the first month's insurance immediately. The employer may initially pay the employee's contribution in the first premium payment to be reimbursed by a deduction from the employee's wages once his or her first paycheck is issued. Local school systems will incur an increase in expenditures, which will vary based on the scope and risks specified by the disaster or emergency declaration, and the number of new employees hired within the allowable timeframe.

According to OGB, 43 out of 69 city and parish school systems and 15 out of 147 charter schools participate in OGB plans. School systems that offer private or self-funded plans will experience similar costs as systems participating in OGB plans.

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REVENUE EXPLANATION

There will be an increase in self-generated revenues for the Office of Group Benefits (OGB) due to increased premium receipts from local school systems. Currently, coverage begins after the first full month of employment. Proposed legislation will require a payment beginning the date of hire.

Senate
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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Staff Director

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CONTINUED EXPLANATION from page one:

Utilizing information from the Teachers Retirement System of LA (TRSL) and the LA School Employees Retirement System (LSERS), the LFO estimates approximately 4,000 new hires occurred in the period March through September 2020 during which the COVID-19 Emergency Declaration was in place; this does not include employees who transferred from other school districts. Based on current billing information of existing employees, the average employer monthly contribution rate is approximately \$675. This would equate to an additional \$2.7 M in employer contributions (4,000 x \$675). Due to the uncertainty of how many employees would qualify for first-day coverage under the proposed law, as well as the risks posed to school employees in each phase of the Governor's Executive Order, if only 10% of the new hires within the March through September 2020 period qualified (400), this would equate to \$270 K in increased costs to local school districts (400 x \$675).

The potential impact to local school systems will be reduced to the extent the first month's payment is pro-rated to the actual number of days worked.

According to information received from the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), there were 13 major disaster declarations and 6 emergency declarations over the past ten years. If the current emergency declaration meets the specific triggers there will be an FY 21 impact. Future impacts will occur only to the extent an emergency declaration meeting the triggers is declared.

Senate Dual Referral Rules

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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