FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: April 6, 2017

Agency Submitting: Public Employees' Benefits Program

Items of Revenue or Expense, or Both	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Effect on Future Biennia
Self-Funded Claims (Expense)		\$43,689,636	\$45,050,550	\$95,758,925
Total	0	\$43,689,636	\$45,050,550	\$95,758,925

Explanation

(Use Additional Sheets of Attachments, if required)

BDR 57-996 requires public and private policies of insurance and health plan to provide at least 25 percent of policies apply a copayment before the payment of a deductible to the entire prescription drug benefit. The Public Employees' Benefits Program offers a single self-funded group insurance health plan, therefore to meet the requirements of the bill as written, PEBP would have to change the current plan structure resulting in additional costs to the plan and its participants. Higher costs will be paid through increased employer and employee contributions or a reduction in plan benefits. Please see Exhibit 1 and Exhibit 2 attached for additional information.

	Name	Damon Haycock
	Title	Executive Officer
GOVERNOR'S OFFICE OF FINANCE COMMENTS The agency's response appears reasonable.	Date	Thursday, March 30, 2017
	Name	Nikki Hovden
	Title	Exec. Branch Budget Officer

DESCRIPTION OF FISCAL EFFECT						
BDR/Bill/Amendment Number:	57-996					
BDR/Biii/Amendment Number. 57-996						
Name of Agency:	Public Employoos' Ponofits Program					
Name of Agency.	Public Employees' Benefits Program	•				
D: :::: /D						
Division/Department:		•				
Date:	March 31, 2017					

BDR 57-996 requires public and private policies of insurance and health plan to provide at least 25 percent of policies apply a copayment before the payment of a deductible to the entire prescription drug benefit.

The Public Employees' Benefits Program offers a single self-funded group insurance health plan which includes both a Health Savings Account (HSA) and Health Reimbursement Arrangement (HRA). The BDR as written will invalidate PEBP's ability to offer HSA plans to its members.

The Bill's rules as they are written will invalidate PEBP's ability to continue to offer Health Savings Accounts (HSAs) to its members per the Internal Revenue Service (IRS). Qualifying high deductible plans must have minimum deductibles and out-of-pocket limits in order to allow members to participate in tax qualifying HSAs. Unless BDR 57-996 exempts HSA-qualifying high deductible plans from all of its requirements, PEBP members will no longer have the tax advantages of Health Savings Accounts.

The approximate 36,000 PEBP members in the self-funded high deductible plans participating in the HSA will lose the following tax advantages:

- Tax free contributions to HSAs both by employer and by employee
- Tax free interest accumulation
- Tax free distributions to pay for IRS qualified medical expenses
- Tax free distributions to pay insurance premiums while continuing coverage under COBRA, qualified long-term care coverage, coverage while receiving unemployment compensation, any health care coverage for those over age 65 including Medicare (except Medicare supplemental coverage)

Assuming an exemption would not be available for HSA qualified health plans, PEBP may have to change the current plan structure to a traditional Preferred Provider Organization (PPO) plan. Prior to the implementation of PEBP's High Deductible Health Plan, PEBP offered a traditional PPO plan with copayments. PEBP's experience with PPO plans indicates a much higher cost on a per participant per month basis. The projected increase is approximately 33% per year. The table below provides the cost analysis. Any overhaul to PEBP's self-funded plan offerings would also incur significant time investment and administrative burden redeveloping plan documents, communication to participants, etc.

% Chang	Dollar Change		Total Cost Per Year	Enrollment	Cost Per Participant Per Month	Plan Year
			\$196,417,008.00	29,439	\$556	2008
10.97	\$61		\$229,605,444.00	31,011	\$617	2009
4.54	\$28		\$236,681,460.00	30,579	\$645	2010
0.16	\$1		\$233,490,240.00	30,120	\$646	2011
			actible Health Plan	Change to High Dedu		
0.0	\$0.00		\$117,870,552.00	20,211	\$486	2012
-2.06	(\$10)		\$110,898,480.00	19,415	\$476	2013
-7.35	(\$35)		\$102,738,888.00	19,414	\$441	2014
4.54	\$20		\$112,642,584.00	20,362	\$461	2015
1.08	\$5		\$121,379,952.00	21,706	\$466	2016
1.50	\$7	First 6 months	\$63,891,894.00	22,513	\$473	2017
4.00	\$19		\$132,599,987.52	22,463	\$492	2018
4.00	\$20		\$136,860,329.55	22,293	\$512	2019
4.00	\$20		\$142,877,444.62	22,378	\$532	2020
4.00	\$21		\$148,592,542.40	22,378	\$553	2021
			le Plan to PPO Plan	onvert High Deductib	C	
	% Change	Change In Cost - PPO Plan	le Plan to PPO Plan Total Cost Per Year	onvert High Deductib Enrollment	Cost Per Participant	Plan Year
	% Change	U	Total Cost Per Year	Enrollment	Cost Per Participant Per Month	
	Change	PPO Plan	Total Cost Per Year \$233,490,240.00	Enrollment 30,120	Cost Per Participant Per Month \$646	Plan Year 2011 2012
	Change 33%	PPO Plan \$38,805,120.00	Total Cost Per Year \$233,490,240.00 \$156,675,672.00	Enrollment 30,120 20,211	Cost Per Participant Per Month \$646 \$646	2011
	33% 33%	\$38,805,120.00 \$36,577,860.00	Total Cost Per Year \$233,490,240.00 \$156,675,672.00 \$147,476,340.00	Enrollment 30,120 20,211 19,415	Cost Per Participant Per Month \$646 \$646 \$633	2012
1	Change 33%	PPO Plan \$38,805,120.00	Total Cost Per Year \$233,490,240.00 \$156,675,672.00	Enrollment 30,120 20,211	Cost Per Participant Per Month \$646 \$646	2011 2012 2013
	33% 33% 33% 33%	\$38,805,120.00 \$36,577,860.00 \$33,780,360.00	\$233,490,240.00 \$156,675,672.00 \$147,476,340.00 \$136,519,248.00	Enrollment 30,120 20,211 19,415 19,414	Cost Per Participant Per Month \$646 \$646 \$633 \$586	2011 2012 2013 2014
	33% 33% 33% 33% 33% 33%	\$38,805,120.00 \$36,577,860.00 \$33,780,360.00 \$37,140,288.00	\$233,490,240.00 \$156,675,672.00 \$147,476,340.00 \$136,519,248.00 \$149,782,872.00	Enrollment 30,120 20,211 19,415 19,414 20,362	Cost Per Participant Per Month \$646 \$646 \$633 \$586 \$613	2011 2012 2013 2014 2015
	33% 33% 33% 33% 33% 33%	\$38,805,120.00 \$36,577,860.00 \$33,780,360.00 \$37,140,288.00 \$40,112,688.00	\$233,490,240.00 \$156,675,672.00 \$147,476,340.00 \$136,519,248.00 \$149,782,872.00 \$161,492,640.00	Enrollment 30,120 20,211 19,415 19,414 20,362 21,706	Cost Per Participant Per Month \$646 \$646 \$633 \$586 \$613 \$620	2011 2012 2013 2014 2015 2016
	33% 33% 33% 33% 33% 33% d	\$38,805,120.00 \$36,577,860.00 \$33,780,360.00 \$37,140,288.00 \$40,112,688.00 Annualize	\$233,490,240.00 \$156,675,672.00 \$147,476,340.00 \$136,519,248.00 \$149,782,872.00 \$161,492,640.00 \$169,928,124.00	Enrollment 30,120 20,211 19,415 19,414 20,362 21,706 22,513	Cost Per Participant Per Month \$646 \$646 \$633 \$586 \$613 \$620 \$629	2011 2012 2013 2014 2015 2016 2017
	33% 33% 33% 33% 33% d 33%	\$38,805,120.00 \$36,577,860.00 \$33,780,360.00 \$37,140,288.00 \$40,112,688.00 Annualize \$43,689,636.48	\$233,490,240.00 \$156,675,672.00 \$147,476,340.00 \$136,519,248.00 \$149,782,872.00 \$161,492,640.00 \$169,928,124.00 \$176,289,624.00	Enrollment 30,120 20,211 19,415 19,414 20,362 21,706 22,513 22,463	Cost Per Participant Per Month \$646 \$646 \$633 \$586 \$613 \$620 \$629 \$654	2011 2012 2013 2014 2015 2016 2017 2018

Calculations assumes no inflation for Plan Year 2012 and similar increases or decreases as experienced with CDHP. Health Savings Accounts will be discontinued and all participants would receive Health Reimbursement Arrangement

DESCRIPTION OF FISCAL EFFECT

BDR/Bill/Amendment Number: 57-996

Name of Agency: Public Employees' Benefits Program

Division/Department:

Date: 31-Mar-17

Experience PPO Plan Converted to High Deductible Plan (Current Plan Design)

Plan Year	Cost Per Participant Per Month	Enrollment	Total Cost Per Year		Dollar Change	% Change
2008	\$556	29,439	196,417,008.00			
2009	\$617	31,011	229,605,444.00		61.00	11.0%
2010	\$645	30,579	236,681,460.00		28.00	4.5%
2011	\$646	30,120	233,490,240.00		1.00	0.2%
		Change to High De	ductible Health Plan			
2012	\$486	20,211	\$117,870,552.00		\$0.00	0.0%
2013	\$476	19,415	\$110,898,480.00		(\$10)	-2.1%
2014	\$441	19,414	\$102,738,888.00		(\$35)	-7.4%
2015	\$461	20,362	\$112,642,584.00		\$20	4.5%
2016	\$466	21,706	\$121,379,952.00		\$5	1.1%
2017	\$473	22,513	\$63,891,894.00	First 6 months	\$7	1.5%
2018	\$492	22,463	\$132,599,987.52		\$19	4.0%
2019	\$512	22,293	\$136,860,329.55		\$20	4.0%
2020	\$532	22,378	\$142,877,444.62		\$20	4.0%
2021	\$553	22,378	\$148,592,542.40		\$21	4.0%

Fiscal Impact to Return to PPO Plan from High Deductible Plan

Plan Year	Cost Per Participant Per Month	Enrollment	Total Cost Per Year	Change In Cost - PPO Plan	% Change
2011	\$646	30,120	\$233,490,240.00		
2012	\$646	20,211	\$156,675,672.00	\$38,805,120.00	32.9%
2013	\$633	19,415	\$147,476,340.00	\$36,577,860.00	33.0%
2014	\$586	19,414	\$136,519,248.00	\$33,780,360.00	32.9%
2015	\$613	20,362	\$149,782,872.00	\$37,140,288.00	33.0%
2016	\$620	21,706	\$161,492,640.00	\$40,112,688.00	33.0%
2017	\$629	22,513	\$169,928,124.00	Annuali	zed
2018	\$654	22,463	\$176,289,624.00	\$43,689,636.48	32.9%
2019	\$680	22,293	\$181,910,880.00	\$45,050,550.45	32.9%
2020	\$707	22,378	\$189,854,952.00	\$46,977,507.38	32.9%
2021	\$735	22,378	\$197,373,960.00	\$48,781,417.60	32.8%

Notes:

Calculations assumes no inflation for Plan Year 2012 and similar increases or decreases as experienced with CDHP. Health Savings Accounts will be discontinued and all participants would receive Health Reimbursement Arrangement