

HF1558 - 0 - "School District Group Health Insurance"

Chief Author: **Ron Kresha**
 Committee: **State Government Finance**
 Date Completed: **03/14/2017**
 Lead Agency: **Education Department**
 Other Agencies:
 Minn Management and
 Budget

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Minn Management and Budget		-	-	-	-	-
Public Employees Insurance		-	-	-	-	-
State Total						
Public Employees Insurance		-	-	-	-	-
		Total	-	-	-	-
		Biennial Total	-	-	-	-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
Minn Management and Budget	-	-	-	-	-
Public Employees Insurance	-	-	-	-	-
	Total	-	-	-	-

Lead Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Amelia Cruver Date: 03/14/2017
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2017	FY2018	FY2019	FY2020	FY2021
Minn Management and Budget		-	-	-	-	-
Public Employees Insurance		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Minn Management and Budget		-	-	-	-	-
Public Employees Insurance		-	(150)	(150)	(150)	(150)
Total		-	(150)	(150)	(150)	(150)
Biennial Total				(300)		(300)
2 - Revenues, Transfers In*						
Minn Management and Budget		-	-	-	-	-
Public Employees Insurance		-	(150)	(150)	(150)	(150)
Total		-	(150)	(150)	(150)	(150)
Biennial Total				(300)		(300)

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Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Amelia Cruver Date: 3/14/2017 12:57:48 PM
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State Cost (Savings) Calculation Details

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State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill makes changes to the group health insurance coverage requirements for school districts.

Section 1, Subd. 8 (b) removes the requirement that school district proposals for group health insurance must go to an administrator governed by chapter 43A.

Section 1, Subd. 8 (c) allows school district contracts for group health insurance to be in effect for up to 4 years (previously 2 years).

Section 1, Subd. 8 (f) removes two of the requirements for school districts that are self-insured.

Section 1, Subd. 8 (g) allows districts that participate in joint powers agreements to be considered self-insured.

Section 1, Subd. 8 (i) adds language that states that the exclusive representative of the largest group of employees shall comply with this subdivision and must not exercise any of their abilities under section 43A.316 subd. 5 (Public Employees Insurance Program), notwithstanding anything contained in that section, or any other law to the contrary.

Section 2, Subd. 2 allows individual school districts that are members of a self-insurance pool to be considered self-insured for purposes of section 471.6161.

Assumptions

If local districts are affected by this bill, this may affect their special education state aid, which funds a portion of special education salary and fringe benefit costs with a one-year lag.

- Without more information, we cannot at this time estimate a cost or savings to the state.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

The changes are on-going.

Local Fiscal Impact

There may be local costs or savings to school districts as they negotiate health insurance for their employees.

References/Sources

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 Date Completed: **03/14/2017**
 Agency: **Minn Management and Budget**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Public Employees Insurance	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
Public Employees Insurance	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Laura Logsdon Date: 3/14/2017 1:15:57 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
Public Employees Insurance	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Public Employees Insurance	-	(150)	(150)	(150)	(150)
Total	-	(150)	(150)	(150)	(150)
Biennial Total			(300)		(300)
2 - Revenues, Transfers In*					
Public Employees Insurance	-	(150)	(150)	(150)	(150)
Total	-	(150)	(150)	(150)	(150)
Biennial Total			(300)		(300)

Bill Description

This bill amends provisions relating to school district health insurance coverage.

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Background

MMB administers the Public Employees Insurance Program (PEIP) which provides health, dental and life coverage to eligible employees and their dependents. This coverage is offered to the employees of local units of government choosing to participate in the PEIP pool and includes Minnesota counties, cities, towns, school districts and other public jurisdictions regardless of size and location.

The Health Insurance Transparency Act (HITA) enacted in 2014 requires school districts to request proposals for group health insurance coverage at least every two years, from a minimum of three providers, one of which must be PEIP. Previously, school districts were required to request proposals only once every five years, and there was no requirement to seek a proposal from PEIP.

This legislation would change the requirement for school district health insurance proposals to every four years and remove the requirement for school districts to specifically seek quotes from PEIP. MMB expects this will reduce the number of quotes PEIP would provide to school districts.

Prior to the enactment of HITA, PEIP provided 70-75 quotes annually to school districts. MMB expects this proposed legislation to result in the number of quotes requested from PEIP to revert back to the levels experienced prior to the enactment of HITA.

Assumptions

- PEIP currently spends an average of \$1,415 per group to generate a group-specific insurance quote.
- Effective Date 8/1/2017
- Reductions in underwriting expenditures would be passed on to local governments in the form of lower premiums. Initial implementation costs of HITA were offset by a one-time appropriation of \$294,000 but ongoing costs have been borne by PEIP members.

Expenditure and/or Revenue Formula

Current Annual quotes to school districts	176
Annual quotes to school districts under proposed legislation	<u>70</u>
	106
Reduction in Annual Quotes	106
Cost per Quote	<u>\$1,415</u>

Reduction in Annual Costs \$149,990

Reduction in Revenues (pass-through of savings to PEIP members): \$149,990

Long-Term Fiscal Considerations

MMB expects the expense reduction resulting from a lower underwriting costs will continue in future years. If overall PEIP membership declines as a result of the legislation, it is possible that PEIP's future financial viability could be affected. When current districts experience a deterioration in their results, districts with better experience might seek a more cost effective insurance program outside of the pool. This would lead to further deterioration in pool results as participation in the pool continues to shrink, leaving only districts who might be unable to get health insurance from another provider.

Local Fiscal Impact

Reductions in PEIP expenditures will be passed on to local units of government in the form of lower premiums.

References/Sources

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