

HF1030 - 1E - "Employees Allowed Opt-Out State Insurance"

Chief Author: **Steve Drazkowski**  
 Committee: **State Government Finance**  
 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
All Other Funds	-	(692)	(1,471)	(1,564)	(1,663)
General Fund	-	(1,406)	(2,988)	(3,176)	(3,376)
<b>Total</b>	<b>-</b>	<b>(2,098)</b>	<b>(4,459)</b>	<b>(4,740)</b>	<b>(5,039)</b>
<b>Biennial Total</b>			<b>(6,557)</b>		<b>(9,779)</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
All Other Funds	-	-	-	-	-
General Fund	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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 11:01:05 AM  
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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.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		FY2017	FY2018	FY2019	FY2020	FY2021
All Other Funds	-	(692)	(1,471)	(1,564)	(1,663)	(1,663)
General Fund	-	(1,406)	(2,988)	(3,176)	(3,376)	(3,376)
<b>Total</b>		<b>-</b>	<b>(2,098)</b>	<b>(4,459)</b>	<b>(4,740)</b>	<b>(5,039)</b>
<b>Biennial Total</b>				<b>(6,557)</b>		<b>(9,779)</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
All Other Funds	-	(692)	(1,471)	(1,564)	(1,663)	(1,663)
General Fund	-	(1,406)	(2,988)	(3,176)	(3,376)	(3,376)
<b>Total</b>		<b>-</b>	<b>(2,098)</b>	<b>(4,459)</b>	<b>(4,740)</b>	<b>(5,039)</b>
<b>Biennial Total</b>				<b>(6,557)</b>		<b>(9,779)</b>
<b>2 - Revenues, Transfers In*</b>						
All Other Funds	-	-	-	-	-	-
General Fund	-	-	-	-	-	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Biennial Total</b>				<b>-</b>		<b>-</b>

**Bill Description**

HF 1030-1E adds a new subdivision which allows state employees the opportunity to decline state-paid medical insurance benefits when they can provide proof of insurance coverage from another source.

**Assumptions**

MMB administers the State Employee Group Insurance Program (SEGIP) which provides health, dental, life and other benefits to eligible State employees and their dependents, and other groups such as quasi-state agencies under the legislative authority provided in Minnesota Statutes 43A. Health benefits are provided through the self-funded Minnesota Advantage Health Plan.

With few exceptions, all employees who are eligible for the full employer contribution are required under state employee labor agreements and compensation plans to be enrolled in medical coverage. Dental insurance is an optional benefit with no enrollment requirements. Subd.1. of the bill modifies this minimum enrollment requirement by providing a state employee the option to decline benefits when they can show proof of health insurance coverage from another source.

MMB anticipates that the number of employees who will decline medical coverage through the Advantage plan will be small, for two reasons: first, the number of employees who have coverage through another source is likely to be small; and second, premium and other out of pocket costs paid by employees in the Advantage plan are low compared to most other employer plans. Employees who are most likely to decline coverage would include: employees who are currently married but selecting single coverage (may have other coverage available through a spouse), young adults who may be covered under their parents' plan, or those with specific situations (a veteran's plan). SEGIP estimates there are 4000 members who will be eligible to decline coverage out of a total membership of 54,000 employees. Of the 4000 who will be eligible, MMB estimates 15% (or 600 members) will decline coverage. MMB estimates the impact will result in a savings to the State.

**Expenditure and/or Revenue Formula**

-600 employees decline medical coverage

-2017 agency-paid single medical premium rate \$582.66 per month (\$6,991.92 annually)

-6.3% estimated future health care premium increases

-8/1/2017 effective date

<u>Cost to State Calculation</u>	FY2017	FY2018	FY2019	FY2020	FY2021
Reduced Medical Premium	N/A	\$2,097,576	\$4,459,447	\$4,740,392	\$5,039,037

MMB assumed an effective date of 8/1/2017. Employees who become benefit eligible after this date will be able to decline medical coverage upon eligibility. However, employees who are covered prior to August 1, 2017 will be unable to decline coverage until Open Enrollment (effective January 1, 2018) or upon a qualified life event. This is because once enrolled a member's ability to drop or add coverage is limited by federal law.

Note: MMB applies a split of two-thirds for general fund and one-third for all other funds combined.

### **Long-Term Fiscal Considerations**

As noted above, MMB expects the savings presented above will continue each year, which means that the impact of the legislation will continue over time.

### **Local Fiscal Impact**

### **References/Sources**

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