Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 301 of the 131st G.A.

Date: October 13, 2015

Status: As Introduced

Sponsor: Reps. Henne and Huffman

Local Impact Statement Procedure Required: No

Contents: To require the Department of Administrative Services to make a high deductible health care plan available to state employees and state elected officials

State Fiscal Highlights

- The bill may increase the Department of Administrative Services' (DAS) administrative expenses to establish an additional health care plan option for state employees and state elected officials. It may also increase the state's administrative costs associated with health savings accounts. However, the costs are undetermined at this time.
- The bill may decrease the state's costs to provide health benefits to its employees and their dependents. The medical claims costs of the state's self-insured health plan are paid out of the State Employee Health Benefit Fund (Fund 8080).
- The bill specifies that the high deductible health care plan must not increase the cost of providing health insurance to state employees and state elected officials. This provision implies that any additional administrative costs should be offset by savings in benefit costs.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

The bill requires the Department of Administrative Services (DAS) to establish a high deductible health care plan (HDHP) as part of any package of health care benefit options offered to state employees and state elected officials who are paid by warrant of the Director of Budget and Management. DAS is required to make both individual and family coverage available through the HDHP.

The bill specifies that the HDHP must not increase the cost of providing health insurance to state employees and state elected officials and their families. The bill also requires that the amount of the premium or cost for coverage under the HDHP contributed by the state, for an individual or for an individual and the individual's family, must be less than the amount of the premium or cost that would be contributed by the state for a standard deductible health care plan, had the state employee or state elected official selected such a plan. The bill specifies that cost savings realized by the state must be advanced to the employee in the manner described in this bill.

The bill requires a state employee or state elected official who has selected an HDHP option to establish a health savings account (HSA) that qualifies under federal law.[1] DAS is required to make a monthly cash deposit into the individual's HSA in an amount equal to 80% of the difference between (1) the amount that would have been contributed by the state for individual or family coverage under a standard deductible health care plan, had the state employee or state elected official selected such a plan and (2) the amount contributed by the state under the HDHP that the state employee or state elected official selected.

Fiscal effect

The bill would increase DAS's administrative costs to establish an HDHP and costs related to HSAs. The bill may also decrease the state's costs to provide health care benefits to its employees and their dependents under the HDHP. However, according to a DAS official, the costs are undetermined as of this writing. For H.B. 97 of the 129th General Assembly, another bill requiring DAS to make an HDHP available to state employees and state elected officials, the agency indicated that bill would result in one-time costs (including costs to reconfigure the state OAKS Human Capital Management (OAKS HCM) system, and to hire a consultant to evaluate, design, and implement such plan and a third-party administrator to administer health savings accounts, and recurring annual costs to administer the benefits and accounts.

[1] To comply with the federal requirements, in 2015 a "high deductible health plan" with a health savings account must have an annual deductible of at least $1,300 for an individual or $2,600 for a family and an annual limit on out-of-pocket expenses of $6,450 for an individual or $12,900 for a family, with certain exceptions.

The medical claims costs of the state's self-insured health plan are paid out of the State Employee Health Benefit Fund (Fund 8080). Any potential cost savings would depend on details of the plan design and on the number of employees that choose the new option. Without details regarding plan design, there is no reliable basis for predicting either the number of employees who would opt for the high deductible plan or the cost savings, though historical precedent suggests that the number enrolling in the new plan may be minimal.

The bill specifies that the plan must not increase the cost of providing health insurance to state employees and state elected officials. This restriction implies that potential cost savings on benefits would exceed any increase in administrative costs.

The bill would have no direct fiscal impact on local governments.

Background information

DAS offered the Health Investment Savings Plan (HISP) in FY 2001 and FY 2002, which was a pilot program required under Am. Sub. H.B. 212 of the 122nd General Assembly. Under the act, DAS was required to establish a pilot program that offered a high deductible plan with a medical savings account for exempt state employees and state elected officials. The act allowed DAS to terminate the program at any time after two years, but it was required to provide six months' notice to the Speaker of the House of Representatives, President of the Senate, minority leaders of the House and Senate, and the chairs of the standing committees of the Senate and House of Representatives with primary responsibility for health and insurance legislation. According to an undated memorandum, prepared by a DAS official, the pilot program was cancelled due to lack of participation. In FY 2001 and FY 2002, a total of 63 employees and 101 employees enrolled in the plan, respectively. During that period, approximately 17,000 were eligible to participate in the plan.

Potential indirect fiscal effects

The requirement that state employees be offered a health care plan that includes a health savings account may indirectly decrease revenues from the state income tax. Under federal tax law, contributions made toward a health savings account are not currently taxable, meaning that they are subtracted from income before arriving at Federal Adjusted Gross Income (FAGI) on Form 1040. Ohio's income tax form starts with FAGI, so such contributions would automatically be excluded from Ohio taxable income. Any decrease in revenues would depend on the amount contributed to the accounts and the participants' incomes.

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