



# OHIO LEGISLATIVE SERVICE COMMISSION

Tom Wert

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## Fiscal Note & Local Impact Statement

**Bill:** H.B. 169 of the 132nd G.A.

**Status:** As Introduced

**Sponsor:** Rep. Merrin

**Local Impact Statement Procedure Required:** No

**Subject:** Requires state employees to pay a share of premium costs for dental, vision, and basic life insurance

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### State Fiscal Highlights

- Requiring exempt employees to pay the same percentage of the coverage costs for dental, vision, and basic life insurance benefits as they do for health insurance will reduce the state outlay for these benefits by several millions of dollars annually. Currently, the employee rate of cost share for health insurance is 15%. There were nearly 16,600 exempt employees on the state payroll in October 2017, the most recent month for which data was readily available.
- If the state were successful in negotiating for a similar rate of cost share among employees covered by collective bargaining contracts, the state's outlay for dental, vision, and basic life insurance for this group of employees would also be reduced by several millions of dollars annually. As of October 31, 2017 there were just over 35,100 collective bargaining unit employees on the state payroll.
- Had the requirement that state employees pay 15% of the costs of dental, vision, and life insurance been in place in FY 2017, the state's share of costs for these benefits would have been reduced by \$2.7 million for exempt employees. For bargaining unit employees, the state savings would have been \$4.7 million.

### Detailed Fiscal Analysis

The bill requires exempt state employees who receive dental, vision, or basic life insurance benefits through state plans coordinated by the Department of Administrative Services (DAS) to pay a percentage of the premium or percentage of the cost of that coverage equivalent to the percentage share they pay toward their state health coverage. For state employees covered by collective bargaining agreements, the bill requires the state to attempt to negotiate provisions in those agreements that require an employee cost share for dental, vision, and basic life insurance equal to the percentage of their share of the premium for health insurance. Under the state's current dental, vision, and basic life insurance programs, these benefits are provided to eligible state employees and their dependents at no cost. Requiring individuals that receive

these benefits to pay a portion of the coverage costs could reduce state outlays for employee benefits by several millions of dollars annually.

### **Exempt employee dental, vision, and basic life insurance**

Under the state's current dental, vision, and basic life insurance plans, after one year of service eligible state employees receive coverage at no cost. For exempt employees, state agencies are assessed premium amounts for each employee that has elected coverage. These assessments are transferred from the agencies' payroll accounts to the State Employee Health Benefit Fund (Fund 8080) or the Life Insurance Investment Fund (Fund 8100), as applicable. Claims and administrative costs for the programs are then paid from these funds.

#### **Premium assessments**

For exempt employees, the premium assessments for dental insurance are \$34.23 per month for single coverage and \$99.19 per month for employees with family coverage. Vision insurance rates are \$10.04 per month per employee with single coverage and \$27.61 per month per employee with family coverage. Life insurance rates for exempt employees are calculated for each employee independently. Under the current plan, the rate assessed to agencies is 11.7¢ for each \$1,000 of the covered employees' salary. For FY 2017, approximately 13,000 exempt employees are covered under the state's dental, vision, and basic life insurance plans.

Under the bill, exempt employees would be required to pay a portion of these assessments at a rate equal to the rate they pay for health insurance. Under the state's current health insurance plan, that rate is 15% of the coverage costs. Thus, under the current insurance plans, exempt employees would pay \$5.13 ( $\$34.23 \times 15\%$ ) per month for single dental and \$14.88 ( $\$99.19 \times 15\%$ ) for family dental insurance, \$1.51 ( $\$10.04 \times 15\%$ ) for single vision and \$4.14 ( $\$27.61 \times 15\%$ ) for family vision insurance, and 1.8¢ ( $11.7\text{¢} \times 15\%$ ) per \$1,000 of the covered employees' salary for life insurance.

#### **Summary of FY 2017 and FY 2018 (YTD) expenses**

As the table on the following page shows, assessments to state employers to provide dental, vision, and basic life insurance benefits to exempt employees totaled nearly \$17.8 million in FY 2017. Under the bill, exempt employees with these benefits would have paid just under \$2.7 million of that total. Specifically, the table shows what the employee and state share of coverage costs would have been if the cost share required under the bill were in place versus the actual costs paid by the state for FY 2017 and year to date (as of January 22, 2018) for FY 2018. These calculations are based on an employee paying a 15% share of the total cost of dental, vision, and life insurance coverage.

<b>Exempt Employee Benefits Costs as Proposed under H.B. 169 Compared to Actual Benefits Costs for FY 2017 and FY 2018 Year to Date</b>						
<b>Coverage</b>	<b>FY 2017 (Under H.B. 169)</b>		<b>FY 2018 (YTD) (Under H.B. 169)</b>		<b>Actual State Costs</b>	
	<b>Employee Share</b>	<b>State Share</b>	<b>Employee Share</b>	<b>State Share</b>	<b>FY 2017</b>	<b>FY 2018 (YTD)</b>
Dental	\$1,902,297	\$10,779,685	\$1,105,944	\$6,267,016	\$12,681,982	\$7,372,960
Vision	\$532,883	\$3,019,673	\$309,846	\$1,755,792	\$3,552,556	\$2,065,637
Life	\$234,503	\$1,328,851	\$138,320	\$783,815	\$1,563,355	\$922,135
<b>TOTAL</b>	<b>\$2,669,684</b>	<b>\$15,128,209</b>	<b>\$824,600</b>	<b>\$4,672,734</b>	<b>\$17,797,893</b>	<b>\$5,497,334</b>

Note: Totals may not add up due to rounding.

### **Nonexempt employee dental, vision, and basic life insurance**

Premium payments for dental, vision, and basic life benefits paid by the state for employees in a collective bargaining unit are specified in the collective bargaining agreement with the Ohio Civil Service Employees Association (OCSEA). Under the contract, the rate is \$83 per month per covered employee. The amounts paid by the state of Ohio for these benefits that apply to union employees are deposited with the Union Benefits Trust Fund (UBTF) which pays the claims and administrative costs of these benefits programs. The UBTF is governed by a board of trustees consisting of a representative from the state and representatives from the five unions with the most state employee members. This fund is outside of the direct control of the state and is not subject to appropriations by the General Assembly. According to DAS, as of October 31, 2017, the total number of state employees in collective bargaining units was 35,104.

If the state were successful in negotiating an employee cost share for dental, vision, and basic life insurance at the current 15% rate, then union employees would pay \$12.45 per month ( $\$83 \times 15\%$ ). In FY 2017, state contributions to the UBTF for these benefits totaled approximately \$31.3 million. As of January 22, 2018, FY 2018 year-to-date state contributions to the UBTF were approximately \$18.2 million. Assuming the requirement for union employees to pay 15% for dental, vision, and basic life insurance were in place for FY 2017, savings to the state would have been just under \$4.7 million (15% of approximately \$31.3 million). FY 2018 savings year to date would have totaled slightly more than about \$2.7 million (15% of approximately \$18.2 million).