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Shawn Sullivan, Director of the Budget

Sam Brownback, Governor

February 10, 2017

The Honorable Carolyn McGinn, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 545-S
Topeka, Kansas 66612

Dear Senator McGinn:

SUBJECT: Fiscal Note for SB 142 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 142 is respectfully submitted to your committee.

SB 142 would restrict the ability of the Kansas State Employees Health Care Commission (HCC) to make changes to the current 2017 State Employee Health Plan (SEHP) offerings (Plan A and C) in FY 2018 and FY 2019 without legislative approval, and limits the amount of increase in the employee contributions to the plan to not more than 1.5 percent without legislative approval. The HCC would be allowed to offer additional coverage options in addition to the 2017 plans. All active and retired public officers and employees who qualify for coverage in 2017 would be qualitied to participate in the SEHP in future plan years.

Estimated State Fiscal Effect - Revenues				
	FY 2017	FY 2018	FY 2019	FY 2020
Contributions Med./Prescriptions	--	($2,640,024)	--	($5,969,556)
Contributions Dental	--	($27,367)	--	($58,472)
Total Revenue Loss	--	($2,667,391)	--	($6,028,028)

Enactment of SB 142 would result in reduced plan revenue from the provision that limits growth in employee contributions. The cost of the SEHP is directly related to the utilization of the plan benefits by the members. The health care cost trend is projected to increase by 5.5 percent to 8.0 percent in each of the next few years. The dental cost trend is projected to increase 3.0 percent annually over the next few years. The bill could increase costs for the State of Kansas and Non-State entities who participate in the health plan by limiting the employer's ability to increase employee costs by more than 1.5 percent, while cost trends exceed 1.5 percent.

The bill also includes language that active and retired public officers and employees and such officers' and employees' dependents who participated in the plan during 2017 would be qualified to participate in the state health care plan in subsequent plan years, regardless of their employment status. The bill would allow an employee dependent to participate in future years regardless of their eligibility for coverage because of an event such as divorce or dependent child age, which would otherwise make the individual not eligible for coverage. This would jeopardize the tax status of the health plan under IRS Section 125. Any fiscal effect associated with SB 142 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

Shawn Sullivan,
Director of the Budget

cc: Dan Thimmesch, Health & Environment