

Multiple Agency Fiscal Note Summary

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|-----------------------------|---|
| Bill Number: 1804 HB | Title: PEBB/subdivision retirees |
|-----------------------------|---|

Estimated Cash Receipts

NONE

| Agency Name | 2023-25 | | 2025-27 | | 2027-29 | |
|---------------------|------------------|-------|-----------|-------|-----------|-------|
| | GF- State | Total | GF- State | Total | GF- State | Total |
| Local Gov. Courts | | | | | | |
| Loc School dist-SPI | | | | | | |
| Local Gov. Other | No fiscal impact | | | | | |
| Local Gov. Total | | | | | | |

Estimated Operating Expenditures

| Agency Name | 2023-25 | | | | 2025-27 | | | | 2027-29 | | | |
|--|--|----------|-------------|---------------|------------|----------|-------------|----------|------------|----------|-------------|----------|
| | FTEs | GF-State | NGF-Outlook | Total | FTEs | GF-State | NGF-Outlook | Total | FTEs | GF-State | NGF-Outlook | Total |
| Washington State Health Care Authority | .0 | 0 | 0 | 78,000 | .0 | 0 | 0 | 0 | .0 | 0 | 0 | 0 |
| Washington State Health Care Authority | In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note. | | | | | | | | | | | |
| Total \$ | 0.0 | 0 | 0 | 78,000 | 0.0 | 0 | 0 | 0 | 0.0 | 0 | 0 | 0 |

| Agency Name | 2023-25 | | | 2025-27 | | | 2027-29 | | |
|---------------------|------------------|----------|-------|---------|----------|-------|---------|----------|-------|
| | FTEs | GF-State | Total | FTEs | GF-State | Total | FTEs | GF-State | Total |
| Local Gov. Courts | | | | | | | | | |
| Loc School dist-SPI | | | | | | | | | |
| Local Gov. Other | No fiscal impact | | | | | | | | |
| Local Gov. Total | | | | | | | | | |

Estimated Capital Budget Expenditures

| Agency Name | 2023-25 | | | 2025-27 | | | 2027-29 | | |
|--|------------|----------|----------|------------|----------|----------|------------|----------|----------|
| | FTEs | Bonds | Total | FTEs | Bonds | Total | FTEs | Bonds | Total |
| Washington State Health Care Authority | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Total \$ | 0.0 | 0 | 0 | 0.0 | 0 | 0 | 0.0 | 0 | 0 |

| Agency Name | 2023-25 | | | 2025-27 | | | 2027-29 | | |
|---------------------|------------------|----------|-------|---------|----------|-------|---------|----------|-------|
| | FTEs | GF-State | Total | FTEs | GF-State | Total | FTEs | GF-State | Total |
| Local Gov. Courts | | | | | | | | | |
| Loc School dist-SPI | | | | | | | | | |
| Local Gov. Other | No fiscal impact | | | | | | | | |
| Local Gov. Total | | | | | | | | | |

Estimated Capital Budget Breakout

NONE

| | | |
|---|---------------------------------|---|
| Prepared by: Marcus Ehrlander, OFM | Phone: (360) 489-4327 | Date Published: Revised 2/17/2023 |
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Individual State Agency Fiscal Note

Revised

| | | |
|-----------------------------|---|---|
| Bill Number: 1804 HB | Title: PEBB/subdivision retirees | Agency: 107-Washington State Health Care Authority |
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|--|---------|---------|---------|---------|---------|
| Account | | | | | |
| St Health Care Authority Admin Acct-State 418-1 | 78,000 | 0 | 78,000 | 0 | 0 |
| Total \$ | 78,000 | 0 | 78,000 | 0 | 0 |

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

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|------------------------------------|-----------------------|------------------|
| Legislative Contact: David Pringle | Phone: 360-786-7310 | Date: 02/15/2023 |
| Agency Preparation: Kate LaBelle | Phone: 360-725-1918 | Date: 02/17/2023 |
| Agency Approval: Tanya Deuel | Phone: 360-725-0908 | Date: 02/17/2023 |
| OFM Review: Marcus Ehrlander | Phone: (360) 489-4327 | Date: 02/17/2023 |

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

See attached narrative.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

See attached narrative.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

See attached narrative.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

| Account | Account Title | Type | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|-----------------|-------------------------------------|-------|---------|---------|---------|---------|---------|
| 418-1 | St Health Care Authority Admin Acct | State | 78,000 | 0 | 78,000 | 0 | 0 |
| Total \$ | | | 78,000 | 0 | 78,000 | 0 | 0 |

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|--------------------------------------|---------|---------|---------|---------|---------|
| FTE Staff Years | | | | | |
| A-Salaries and Wages | | | | | |
| B-Employee Benefits | | | | | |
| C-Professional Service Contracts | 78,000 | | 78,000 | | |
| E-Goods and Other Services | | | | | |
| G-Travel | | | | | |
| J-Capital Outlays | | | | | |
| M-Inter Agency/Fund Transfers | | | | | |
| N-Grants, Benefits & Client Services | | | | | |
| P-Debt Service | | | | | |
| S-Interagency Reimbursements | | | | | |
| T-Intra-Agency Reimbursements | | | | | |
| 9- | | | | | |
| Total \$ | 78,000 | 0 | 78,000 | 0 | 0 |

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

HCA Fiscal Note

Bill Number: 1804 HB

HCA Request #: 23-140-02 Revised

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Section 1 of this bill amends RCW 41.05.080 (Participation in insurance plans and contracts—Retired, disabled, or separated employees—Certain surviving spouses, state registered domestic partners, and dependent children) to allow retired employees of counties and municipalities to participate in insurance plans and contracts after retirement or disablement.

This bill allows retired or disabled employees of a county, municipality or other political subdivision whose contractual agreement with the Health Care Authority (HCA) is terminated to continue participation. This bill states that these retirees and disabled employees, as well as their surviving spouses or state registered domestic partners, of previously contracted counties and municipalities are not eligible to receive any subsidy provided under RCW 41.05.085 (Retired state employee and retired or disabled school employee health insurance subsidy).

Section 2 of this bill allows a retired or disabled employee of a county, municipality, or other political subdivision, whose Public Employee Benefits Board (PEBB) retiree insurance coverage was terminated due to a county, municipality, or other political subdivision terminating the contractual agreement with HCA on or before January 1, 2023, to return and participate in insurance plans and contracts. The retired or disabled employee of a county, municipality, or other political subdivision must notify HCA in writing by December 31, 2023, and participation will begin on the first day of the month following the date HCA receives the written notice.

II. B - Cash Receipts Impact

None

II. C – Expenditures

Public Employees Benefits Board (PEBB) and School Employees Benefits Board (SEBB) Programs

There are both known and unknown costs because of changes required by this bill. HCA estimates one-time costs of \$78,000 in fiscal year 2024 to implement the changes outlined in this bill.

Section 1 of this bill allows retired or disabled employees of a county, municipality or other political subdivision whose contractual agreement with the Health Care Authority (HCA) is terminated to continue participation in insurance plans and contracts. These retired or disabled employees, as well as their surviving spouses or state registered domestic partners, of county, municipality or other political subdivision are not eligible for any subsidy provided under RCW 41.05.085.

Section 2 of this bill states that retired or disabled employees whose benefits were terminated before January 1, 2023 as a result of their counties and municipalities employer contract with the HCA may be eligible to enroll and coverage if they notify the HCA by December 31, 2023. Coverage will begin on the first day of the month following the date of notice.

Explicit Subsidy: Because this bill states that these members, as well as their surviving spouses or state registered domestic partners, are not eligible for any subsidy provided under 41.05.085, there would be no benefit related costs to the state as a result of their ability to enroll in PEBB coverage. It is

HCA Fiscal Note

Bill Number: 1804 HB

HCA Request #: 23-140-02 Revised

assumed that these members will be required to pay for the full premium for their benefits and would receive no subsidy.

Implicit Subsidy: Retirees enrolled in the non-Medicare risk pool benefit from community rated plan premiums in a risk pool that is primarily active employees. As the non-Medicare premium rates are developed to reflect the average cost of the entire risk pool, and since the active subscribers are generally younger and less costly than the non-Medicare retirees, the risk pool wide premium rates provide a subsidy to the non-Medicare retiree subscribers via lower premium rates.

On average, non-Medicare retirees are approximately 58 percent more expensive than the average non-Medicare member. The average rate for calendar year 2023 in the non-Medicare risk pool is approximately \$773 per month and based on the assumption that non-Medicare retirees are approximately 58 percent more expensive, the average rate for a non-Medicare retiree is \$1,221 with a difference of \$448 per retiree per month. If the number of retirees that enter the risk pool due to the changes of this legislation is minor, the fiscal and rate impacts are assumed to be minimal. However, due to the unknown number of non-Medicare retirees that would ultimately join the risk pool, fiscal estimates are unknown. Any increase in future rates in the non-Medicare risk pool would be experienced by both the state and employees.

Since the start of plan year 2020, HCA preliminary has identified six employer groups who left the PEBB Program that approximately 200-225 retirees enrolled in the PEBB Program that might be eligible to return and enroll in benefits.

The accounting system of record for PEBB and SEBB, a mainframe system called Pay1, will require updates to accommodate the requirements of this bill. Updates to Pay1 will take three months to complete, with one-time costs estimated at \$78,000 in fiscal year 2024 for analysis, development, testing, and implementation. The work will be performed using the current contracted resources. The technology needs outlined will require a start date prior to July 1, 2023, because this bill requires immediate access for members to join PEBB. Due to the timing of this implementation, HCA would need to use any available PEBB and SEBB funds in our fund balance to start this work before fiscal year 2024.

Medicaid

No fiscal impact.

No impacts on the Medicaid lines of business because this legislation places the requirements under RCW 41.05.

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

None

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1804 HB

Title: PEBB/subdivision retirees

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities:
- Counties:
- Special Districts:
- Specific jurisdictions only:
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

| | | |
|--|-----------------------|------------------|
| Fiscal Note Analyst: Kristine Williams | Phone: (564) 669-3002 | Date: 02/15/2023 |
| Leg. Committee Contact: David Pringle | Phone: 360-786-7310 | Date: 02/15/2023 |
| Agency Approval: Alice Zillah | Phone: 360-725-5035 | Date: 02/15/2023 |
| OFM Review: Marcus Ehrlander | Phone: (360) 489-4327 | Date: 02/15/2023 |

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

This bill would allow retired or disabled members of the Washington health care authority the option to participate in insurance plans and contracts. This legislation has no fiscal impact on local governments.

Sec.1 amends 41.05.080 to allow certain retired or disabled employees of a county, municipalities, or another political subdivision continued access to insurance plans and contracts after their employment is terminated. These individuals are not eligible to receive the health insurance subsidy provided under RCW 41.05.085.

Sec.2 adds a new section which would allow retired or disabled employees whose coverage terminated one or before January 1, 2023, continued access to insurance plans and contracts, provided the employee notifies the HCA in writing by December 31, 2023.

Sec.3 adds a new section which states that the act takes effect immediately.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

This legislation has no impact on local government expenditures. This legislation would require eligible members to pay the full premium for their benefits. Costs associated with updating the state's mainframe system will be paid by the state. There is no cost to local governments.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

This legislation has no impact on local government revenue.

SOURCES

Washington Health Care Authority SB 5696 fiscal note (2023)

Local Government Fiscal Note SB 5696 (2023)