

Multiple Agency Fiscal Note Summary

Bill Number: 2188 HB	Title: Health subsidy/retirees
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Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Washington State Health Care Authority	0	0	4,617,000	0	0	20,084,000	0	0	20,084,000
Total \$	0	0	4,617,000	0	0	20,084,000	0	0	20,084,000

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI	Fiscal note not available					
Local Gov. Other	Fiscal note not available					
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	4,617,000	.0	0	0	20,084,000	.0	0	0	20,084,000
Actuarial Fiscal Note - State Actuary	.0	0	0	0	.0	0	0	0	.0	0	0	0
SWF Statewide Fiscal Note - OFM	Fiscal note not available											
Total \$	0.0	0	0	4,617,000	0.0	0	0	20,084,000	0.0	0	0	20,084,000

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	Fiscal note not available								
Local Gov. Other	Fiscal note not available								
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
Actuarial Fiscal Note - State Actuary	.0	0	0	.0	0	0	.0	0	0
SWF Statewide Fiscal Note - OFM	Fiscal note not available								
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	Fiscal note not available								
Local Gov. Other	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Breakout

Prepared by: Marcus Ehrlander, OFM	Phone: (360) 489-4327	Date Published: Preliminary 1/13/2024
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Individual State Agency Fiscal Note

Bill Number: 2188 HB	Title: Health subsidy/retirees	Agency: 107-Washington State Health Care Authority
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
School Employees' Insurance Account-Non-Appropriated 493-6		2,652,000	2,652,000	9,024,000	9,024,000
Public Employees' and Retirees Insurance Account-Non-Appropriated 721-6		1,965,000	1,965,000	11,060,000	11,060,000
Total \$		4,617,000	4,617,000	20,084,000	20,084,000

Estimated Operating Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
School Employees' Insurance Account-Non-Appropriated 493-6	0	2,652,000	2,652,000	9,024,000	9,024,000
Public Employees' and Retirees Insurance Account-Non-Appropriated 721-6	0	1,965,000	1,965,000	11,060,000	11,060,000
Total \$	0	4,617,000	4,617,000	20,084,000	20,084,000

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.

Legislative Contact: David Pringle	Phone: 360-786-7310	Date: 01/09/2024
Agency Preparation: Sara Whitley	Phone: 360-725-0944	Date: 01/12/2024
Agency Approval: Tanya Deuel	Phone: 360-725-0908	Date: 01/12/2024
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/13/2024

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
493-6	School Employees' Insurance Account	Non-Appropriated	0	2,652,000	2,652,000	9,024,000	9,024,000
721-6	Public Employees' and Retirees Insurance Account	Non-Appropriated	0	1,965,000	1,965,000	11,060,000	11,060,000
Total \$			0	4,617,000	4,617,000	20,084,000	20,084,000

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					
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services		4,617,000	4,617,000	20,084,000	20,084,000
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	4,617,000	4,617,000	20,084,000	20,084,000

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

See attached narrative.

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: HB 2188

HCA Request #: 24-035

Title: **Health Subsidy/Retirees**

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	ACCOUNT TITLE	Type	FY-2024	FY-2025	FY-2026	FY-2027	2023-25	2025-27
721	Public Employees' and Retirees Insurance Account	Non-appropriated	-	\$ 1,965,000	\$ 5,530,000	\$ 5,530,000	\$ 1,965,000	\$ 11,060,000
493	School Employees' Insurance Account	Non-appropriated	-	\$ 2,652,000	\$ 4,512,000	\$ 4,512,000	\$ 2,652,000	\$ 9,024,000
REVENUE - TOTAL \$			\$ -	\$ 4,617,000	\$ 10,042,000	\$ 10,042,000	\$ 4,617,000	\$ 20,084,000

Estimated Operating Expenditures from:

ACCOUNT	ACCOUNT TITLE	TYPE	FY-2024	FY-2025	FY-2026	FY-2027	2023-25	2025-27
721	Public Employees' and Retirees Insurance Account	Non-Appropriated	-	\$ 1,965,000	\$ 5,530,000	\$ 5,530,000	\$ 1,965,000	\$ 11,060,000
493	School Employees' Insurance Account	Non-Appropriated	-	\$ 2,652,000	\$ 4,512,000	\$ 4,512,000	\$ 2,652,000	\$ 9,024,000
ACCOUNT - TOTAL \$			\$ -	\$ 4,617,000	\$ 10,042,000	\$ 10,042,000	\$ 4,617,000	\$ 20,084,000

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.

HCA Fiscal Note

Bill Number: HB 2188

HCA Request #: 24-035

Title: **Health Subsidy/Retirees**

Part II: Narrative Explanation

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

Section 1(2) amends RCW 41.05.085 (Retired state employee and retired or disabled school employee health insurance subsidy) by increasing the maximum amount of premium reduction resulting from the retiree health insurance subsidy (known as the Medicare explicit subsidy) from fifty percent (50%) to sixty percent (60%), except as determined necessary to participate in the Retiree Drug Subsidy (RDS) program, as described under RCW 41.05.068 (Federal employer incentive program).

Section 2 adds a new section establishing an effective date of January 1, 2025.

II. B - Cash Receipts Impact

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

Section 1(2) RCW 41.05.085 establishes the premium percentage reduction component of the Medicare explicit subsidy while the State Operating Budget sets a cap on the total possible premium reduction available to eligible retirees. Currently the Medicare explicit subsidy is set at \$183 or fifty percent (50%) of the plan premium, whichever is *lesser*. This bill increases the maximum premium percentage reduction from fifty percent (50%) to sixty percent (60%). It is assumed the intent of this legislation only impacts the subsidy's variable percentage, increasing the state's contribution toward retiree premiums by ten percentage points from fifty to sixty percent and maintains the cap of \$183, whichever is less.

The dollar cap of the explicit subsidy resides in the operating budget, not statute. Thus, the fiscal analysis for this bill assumes \$183 remains the maximum subsidy amount, as established in the current State operating budget; fiscal impacts are assumed to result from adjusting the Medicare explicit subsidy to \$183 or 60% of the Medicare plan premium, whichever is lesser.

The PEBB Medicare portfolio of plan offerings includes nine Medicare plans available to eligible retirees. Based on the plan year 2024 final Medicare plan premiums, three plan offerings receive the maximum value (\$183) of the Medicare explicit subsidy (UMP Classic Medicare, Kaiser Foundation Health Plan of the Northwest Senior Advantage, and Premera Medicare Supplement plan for members eligible for Medicare by disability); for all other plans, members receive a Medicare explicit subsidy reduction of fifty percent of the plan premium. If the subsidy percentage were to be raised to sixty percent of the plan premium, assuming no changes to the final 2024 procured Medicare plan premiums, the remaining six PEBB Medicare plans would be eligible to receive an increased subsidy resulting from this legislation. Since plan year 2025 rates have not yet been established, the number of plans that could experience an increase in the premium reduction could change.

An increase in the annual Medicare explicit subsidy volume results in an impact to three components of the PEBB and SEBB program funding structure: the K12-remittance, the Medicare Charge, and the State Funding Rate. For the purposes of this analysis, HCA is using the plan year 2024 fully procured Medicare bid rates and projected 2025 plan enrollment to model assumed cost impacts. No additional assumptions have been made for changes in plan premiums or plan enrollment for future fiscal periods and does not consider any changes to the current cap of \$183 (set in the State operating budget).

K-12 Remittance: collected by HCA via the SEBB funding rate for K-12 employees in the SEBB program who are eligible to participate as a retiree in PEBB Program retiree benefits. We assume the K-12 remittance will increase

HCA Fiscal Note

Bill Number: HB 2188

HCA Request #: 24-035

Title: **Health Subsidy/Retirees**

for FY2025 and future years. The increase in the K-12 Remittance would result in an increase of revenue to Account 493 (School Employees' Insurance Account) which is transferred to the PEBB program to fund the Medicare explicit subsidy expenditures by the following amounts:

K12 Remittance Revenue					SEBB Funding Rate Impact
	Current Projection	Proposed Legislation	Incremental impact to K12 Remittance	Increase in Revenue Collected	Incremental Impact to SEBB Funding Rate
FY 2025	\$75.14	\$77.13	\$1.99	\$2,652,000	\$2
FY 2026	\$80.98	\$83.71	\$2.73	\$4,512,000	\$3

This legislation is to take effect January 1, 2025, therefore the FY2025 impacts only assume a six-month fiscal period; FY2026 impacts are assumed to carry forward into future years with no assumed changes to retiree enrollment, changes in plan enrollment mix or increased bid rates.

Medicare Charge: paid to HCA for Employer Groups who participate in PEBB Program benefits through a contract with HCA for their active employees for the cost of the Medicare explicit subsidy provided to retirees. The increase in the Medicare Charge would result in an increase of revenue in Account 721 by the following amounts:

Employer Group Revenue - Medicare Charge				
	Current Projection	Proposed Legislation	Incremental impact to Medicare Charge	Increase in Revenue Collected
FY 2025	\$67.13	\$70.11	\$2.98	\$316,000
FY 2026	\$72.48	\$74.82	\$2.34	\$583,000

This legislation is to take effect January 1, 2025, therefore the FY2025 impacts only assume a six-month fiscal period; FY2026 impacts are assumed to carry forward into future years with no assumed changes to retiree enrollment, changes in plan enrollment mix or increased bid rates.

State Funding Rate: paid to HCA for Active State and Higher Education employees. The amount included in the increased funding rate below is intended to cover the share of the retiree benefit that is borne by State Agency or Higher Education Institutions.

PEBB Funding Rate Revenue				
	Current Projection	Proposed Legislation	Incremental Impact to PEBB Funding Rate	Increase in Revenue Collected
FY 2025	\$1,152	\$1,153	\$1.00	\$1,649,000
FY 2026	\$1,256	\$1,259	\$3.00	\$4,947,000

This legislation is to take effect January 1, 2025, therefore the FY2025 impacts only assume a six-month fiscal period; FY2025 impacts are assumed to carry forward into future years with no assumed increase to retiree enrollment, changes in plan enrollment mix or increased bid rates.

II. C – Expenditures

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

HCA Fiscal Note

Bill Number: HB 2188

HCA Request #: 24-035

Title: **Health Subsidy/Retirees**

Section 1(2) of this bill increases the maximum premium reduction resulting from the Medicare explicit subsidy increasing from fifty percent (50%) to sixty percent (60%). Assuming the revenue requirements listed above are funded, the expenditures are assumed to align with the projected revenue needs above.

Total assumed expenditures					
	FY 2025*	FY 2026	FY 2027	FY 2028	FY 2029
State Agency Revenue	\$1,649,000	\$4,947,000	\$4,947,000	\$4,947,000	\$4,947,000
K12 Remittance Revenue	\$2,652,000	\$4,512,000	\$4,512,000	\$4,512,000	\$4,512,000
Medicare Charge Revenue	\$316,000	\$583,000	\$583,000	\$583,000	\$583,000
Total	\$4,617,000	\$10,042,000	\$10,042,000	\$10,042,000	\$10,042,000

*Section 2 of the bill establishes the effective date of this legislation January 1, 2025. Therefore, the FY2025 fiscal impacts only include 6 months (January - June 2025) of cost. Projections for future periods assume no changes to enrollment, plan mix or increased bid rates.

Assumptions:

- 2024 final procured bid rates and projected 2025 plan enrollment were used to calculate fiscal assumptions and do not reflect possible rates or actual enrollment for periods modeled.
- There are no assumed changes to enrollment mix over the projection period; changes in enrollment mix would impact the results of these assumed fiscal impacts.
- A maximum explicit subsidy threshold would continue to be established in the State operating budget; should the maximum amount increase above the current \$183 cap, the results of this analysis would increase.

Part III: Expenditure Detail

III. A - Operating Budget Expenditure

ACCOUNT	ACCOUNT TITLE	TYPE	FY-2024	FY-2025	FY-2026	FY-2027	2023-25	2025-27
721	Public Employees' and Retirees Insurance Account	Non-Appropriated	-	\$ 1,965,000	\$ 5,530,000	\$ 5,530,000	\$ 1,965,000	\$ 11,060,000
493	School Employees' Insurance Account	Non-Appropriated	-	\$ 2,652,000	\$ 4,512,000	\$ 4,512,000	\$ 2,652,000	\$ 9,024,000
ACCOUNT - TOTAL \$			\$ -	\$ 4,617,000	\$ 10,042,000	\$ 10,042,000	\$ 4,617,000	\$ 20,084,000

III. B - Expenditures by Object Or Purpose

OBJECT	OBJECT TITLE	FY-2024	FY-2025	FY-2026	FY-2027	2023-25	2025-27
Object N	Grants, Benefits & Client Services	-	\$ 4,617,000	\$ 10,042,000	\$ 10,042,000	\$ 4,617,000	\$ 20,084,000
OBJECT - TOTAL \$		\$ -	\$ 4,617,000	\$ 10,042,000	\$ 10,042,000	\$ 4,617,000	\$ 20,084,000

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

HCA Fiscal Note

Bill Number: HB 2188

HCA Request #: 24-035

Title: **Health Subsidy/Retirees**

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.

NONE

Individual State Agency Fiscal Note

Bill Number: 2188 HB	Title: Health subsidy/retirees	Agency: AFN-Actuarial Fiscal Note - State Actuary
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

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.

Legislative Contact: David Pringle	Phone: 360-786-7310	Date: 01/09/2024
Agency Preparation: Aaron Gutierrez	Phone: 360-786-6152	Date: 01/13/2024
Agency Approval: Kyle Stineman	Phone: 3607866153	Date: 01/13/2024
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/13/2024

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.

"This bill impacts certain members of the pension plans administered by the Department of Retirement Systems (DRS) who have access to the Public Employees Benefits Board (PEBB) and receive an explicit medical subsidy as a Medicare retiree. Under current law, the reduction from the subsidy is limited to 50% of the premium or \$183 per month (whichever is less). The bill changes it to 60%, but leaves the \$183 per month cap intact.

We expect this bill could change the Other Postemployment Benefits (OPEB) obligations for the state and certain local governments. This would be captured through a change in the Total OPEB Liability (TOL) as required under the Governmental Accounting Standards Board Statement No. 75 and disclosed in their annual financial reports. Since actuarial fiscal notes from the Office of the State Actuary only capture pension impacts, we did not quantify the potential change in TOL. For context, of the PEBB medical plan selections available, we assume 90% of retirees will join Medicare plans that are limited by the \$183 explicit subsidy; meaning, the remaining 10% may receive a more generous subsidy under this bill and thus create a cost to the TOL. At the same time, this higher subsidy could lead to more Medicare-eligible retirees selecting either UnitedHealthcare or Plan G which would come at a net savings to the TOL because these medical plans are less expensive. The combination of these two factors could ultimately lead to an overall cost or savings for OPEB. For further details, please see our 2022 PEBB OPEB Actuarial Valuation Report: <https://leg.wa.gov/osa/additionalservices/Documents/PEBB.OPEB.AVR.pdf>.

Additionally, this bill could theoretically impact the retirement systems administered by DRS through a change in retirement behavior for Medicare eligible members. That said, we expect no impact since these members would already have reached the normal retirement age of 65. Any cost/savings to the retirement systems that do emerge as a result of this bill will be divided between employers and Plan 2 members according to the standard funding methods of the respective plan; the actual impact to the retirement systems could be higher or lower than expected. Kyle Stineman, ASA, MAAA, served as the responsible actuary for this analysis and meets the qualification standards of the American Academy of Actuaries to render the actuarial opinions herein; he is available for questions."

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.

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.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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.