

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						
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	Non-zero but indeterminate cost and/or savings. Please see discussion.											
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	Non-zero but indeterminate cost and/or savings. Please see discussion.								
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	.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	Fiscal note not available								
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

Prepared by: Marcus Ehrlander, OFM	Phone: (360) 489-4327	Date Published: Preliminary 1/22/2024
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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.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2188 HB

Title: Health subsidy/retirees

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

Legislation Impacts:

Cities: Cities that contract with the Public Employee Benefits Board (PEBB) for benefits via active employee premiums.

Counties: Same as above.

Special Districts: Same as above.

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: The increase or decrease in Other Postemployment Benefits (OPEB) obligations per jurisdiction.

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Kristine Williams	Phone: (564) 669-3002	Date: 01/17/2024
Leg. Committee Contact: David Pringle	Phone: 360-786-7310	Date: 01/09/2024
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 01/17/2024
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/22/2024

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill would increase the premium reduction available to Medicare-eligible retirees enrolled in public employee benefits board (PEBB) plans from no more than 50% of the premium to no more than 60%. The subsidy cost will be applied to the premiums local government employers pay for their active employees.

Section 1 amends 41.05.085 to change the health insurance subsidy rate in health care insurance premiums charged to Medicare-eligible retirees, except as determined to participate in the Retiree Drug Subsidy (RDS) program described in RCW 41.05.069. The premium reduction allowed by public employees' benefits board (PEBB) is increased from 50% to 60%.

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

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 an indeterminate impact on local government expenditures. Local governments may experience additional costs or savings depending on how much of the subsidy will be paid by local government employers.

According to the fiscal note prepared by the Health Care Authority (HCA), the amount of revenue local governments will contribute is \$316,000 in FY 2025 and \$583,000 in FY 2026 if this legislation is passed. Data provided by the HCA indicates that 230 local governments would be affected by this bill. However, it is unknown how much of this amount is contributed by active employees and how much is contributed by employers in each jurisdiction's medical plan. The cost to local governments is indeterminate.

According to the fiscal note prepared by the State Actuary, this bill could change the Other Postemployment Benefits (OPEB) obligations for 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. It is assumed that those retirees that do not choose Medicare plans that are limited by the explicit \$183 subsidy will receive a more generous subsidy, creating a cost to the TOL. Also, retirees may choose to select plans with the higher subsidy but lower cost. This combination may result in an overall OPEB cost or savings. The type of plan that retirees will choose cannot be predicted in advance. These costs (or savings) are also indeterminate.

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 would have no impact on local government revenues.

SOURCES

Association of Washington Cities (AWC)
Washington State Health Care Authority fiscal note, HB 2188 (2024)
Washington State Health Care Authority
Washington State Actuary fiscal note, HB 2188 (2024)
Washington State Association of Counties (WSAC)

Individual State Agency Fiscal Note

Bill Number: 2188 HB	Title: Health subsidy/retirees	Agency: SWF-SWF Statewide Fiscal Note - OFM
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

Non-zero but indeterminate cost 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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Agency Preparation: Kathy Cody	Phone: 360-480-7237	Date: 01/22/2024
Agency Approval: Jamie Langford	Phone: (360) 870-7766	Date: 01/22/2024
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/22/2024

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.

The bill modifies the premium reduction benefits for Medicare-eligible retirees who participate in the Public Employee Benefits Board (PEBB) program. It increases the potential reduction in their insurance premiums to up to 60 percent of the premium cost. The existing cap is set at 50 percent of the premium.

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.

The bill would have a cost impact for state agency employers because of the expected impact on the PEBB employer funding rate. Given the specified increase in the PEBB rate, each agency would require an increase in funding corresponding to the number of PEBB-eligible employees. The cost attributable to state employees is indeterminate at this time, but a detailed accounting of costs across the PEBB and SEBB programs is provided in the HCA fiscal note.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost 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.