

Revised on 4/14/09 based on amendments adopted through 4/1/09.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2009-10		FY 2010-11	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below	See Below	See Below	See Below

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 551 pertains to individual and group health insurance policies issued in the state after January 1, 2010. Current law provides for health insurance policies to provide coverage for children under an age specified in the policy, not to exceed 23 years. The bill provides that coverage may be provided for children up to 30 years of age in certain instances. Health insurance or self-funded employee benefit plans are to provide an option to an insured to continue coverage for children who are over the age at which specified coverage ceases, through age 29, upon request by a policyholder. The policyholder may request coverage if the child is unmarried, a resident of the state and doesn't receive coverage under another health plan. An additional premium in the amount of the premium for a single insured adult may be charged for such coverage. In cases of group insurance, an employer is not required to contribute to the additional premium.

Currently, the insurance plan offered to state and University of Nebraska employees cover dependents through age 18. Dependents may continue coverage after they are age 19, as long as they are full time students. Since the bill expands coverage under group health insurance policies to dependents through age 29, there could be an increase in the cost of health insurance for state and University employees. There may also be an unknown increase in health insurance costs for local employees.

The bill provides for an additional premium in the amount of the premium for a single insured adult to be charged to the policyholder for the coverage of dependents over the age specified in the policy. The Department of Administrative Services (DAS) indicates the annual cost for single coverage under the state employee health insurance plan ranges from \$4,607 to \$6,429, depending upon the coverage selected. The bill will not have any fiscal impact for the state, if premiums paid for additional dependents covered pursuant to the bill offset annual administrative and claims expenses. However, since the state health insurance plan is self-funded by employee and state contributions, claims in excess of premiums paid may ultimately result in higher insurance costs for the state and employees in the plan in the future.

DAS projects there may be a potential 950 dependents not attending school full-time, who could opt to continue health insurance coverage through age 29 pursuant to the bill. The average claim and administrative expense for dependents ages 19 through 29 in 2008 under the state health insurance plan was \$1,604. The average claim and administrative expense for a state employee in the plan was \$4,210. If the dependents seeking coverage pursuant to the bill are average risks, then the bill should have no fiscal impact because premiums will cover administrative and claims expenses.

However, it is assumed that the majority of persons, who would continue coverage as a dependent through age 29, may be in a higher risk category or they would seek individual coverage elsewhere at a lower premium cost. It is estimated that members of the state plan who are in the high risk category have claims that average about \$16,720 per year. The fiscal impact of the bill for the state plan will depend upon whether a significant number of high risk individuals with substantial claims seek coverage pursuant to the bill. If so, then it is assumed overall premium costs for employees and the state for insurance coverage will increase in the future pursuant to LB 551.

The state assumes the premium will be paid by the policyholder via payroll deduction in most instances and claims will be processed as they are for other policyholders. The state also assumes there will be no additional work required to verify dependent status. If dependent verification is required, there could be an additional unknown fiscal impact to enroll such dependents in the state plan.