

House Bill 1128

Actuarial Cost Study prepared for Joint Committee on Public Retirement and Social Security Programs of the Arkansas 89th General Assembly

Provisions of the Bill

House Bill 1128 affects the group health insurance program offered through the Employee Benefits Division (EBD). This bill changes the eligibility requirements to allow a retiree to rejoin the state's health insurance program. Currently, retirees can rejoin only if they had been covered by an employer sponsored group policy. House Bill 1128 will allow retirees who were insured by either a group or an individual health insurance policy while not in the program, to rejoin. We believe that the bill would primarily allow retirees who had opted out of the state health program to purchase an individual Medipak type policy, to rejoin the state health plan.

Fiscal Impact

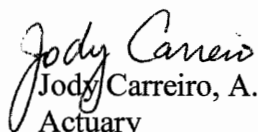
The number of individuals who would rejoin is unknown. Currently, Medicare eligible retirees do not pay the full cost of coverage. Active employees' premiums include a \$11.20/month charge that funds the subsidy provided to Medicare retirees.

Estimating 500 rejoining retirees over the next couple of years, implies an added cost of \$200,000 to \$400,000 per year to the state health plan. This translates into a \$1 to \$2 increase in the cost to retired members of the plan. However, it is likely that the number of covered active employees will increase, as more employees join the plan to meet the individual mandate requirement of the Affordable Care Act. If the increase is large enough (about 2,000 to 3,000 new covered employees), it is possible that the retiree premium, currently \$50.14/month, would not change.

Related Legislation

Senate Bill 231, which received a Do Pass recommendation of this committee, would also amend the same section of code. There does not appear to be any conflict between the results of these two bills, that is, HB1128 changes eligibility and SB231 changes how you pay.

Sincerely,


Jody Carreiro, A.S.A., M.A.A.A.
Actuary