

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 466 - SB 822

March 10, 2017

SUMMARY OF BILL: Authorizes the State Insurance Committee to offer or continue to provide health insurance benefits to the surviving spouse and children of a first responder killed in the line of duty for a period not to exceed three years after the death of the first responder.

Authorizes local governments to offer or continue to provide health insurance benefits to the surviving spouse and children of a first responder killed in the line of duty for a period not to exceed three years after the death of the first responder. Requires the state to reimburse any local government for expenditures related to providing such benefits.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$19,700/FY17-18
Exceeds \$59,100/FY18-19
Exceeds \$98,600/FY19-20
Exceeds \$115,700/FY20-21 and Subsequent Years

Other Fiscal Impact – In the event a first responder’s death occurs in a local government that provides first responder health benefits for survivors, there will be an effective decrease in local government expenditures, as, at a minimum, any benefits that would have been provided by such local governments under current law will be covered by the state for a period of three years. Any such decrease in local government expenditures is dependent upon multiple unknown factors and cannot be determined with reasonable certainty.

Assumptions:

State First Responders

- Based on information provided by the Department of Commerce and Insurance and Benefits Administration, at least one state employee first responder and at least four local government first responders are killed in the line of duty each year.
- All local governments will participate in providing benefits for survivors and will be reimbursed by the state.
- Active employees pay approximately 20.5 percent of health insurance premiums.
- Based on information provided by Benefits Administration there are currently 10 such contracts paid by the state. The average annual premium of survivor health insurance

benefits per deceased head of contract killed in the line of duty as a first responder is estimated to be \$8,565.

- Survivors of state employee first responders are currently eligible to receive six months fully paid health insurance coverage followed by an option to continue coverage at the previous premium rate.
- At least half of survivors are expected to switch insurance coverage under current law to an employer provided plan or other health insurance plan after the six months of paid coverage is exhausted.
- Under the proposed legislation, all survivors will choose to stay on the state paid plan for an additional two and-a-half years due to 100 percent coverage for the entire three years allowed by this legislation.
- For survivors who would have stayed on the state plan under current law, the average increase in expenditures for the state to cover the employee share of the remaining six months in the first year of death is approximately \$878 ($\$8,565 \times 20.5\% \times 50\%$).
- For survivors who would have switched plans under current law but now choose to stay on the state paid plan, the increase in state expenditures in the first year will exceed \$4,283 ($\$8,565 / 2$).
- The average increase in state expenditures for first year survivor coverage will exceed \$2,581 [$(\$878 + \$4,283) / 2$].
- In subsequent years, the average increase in state expenditures will be approximately \$1,756 to cover those survivors who would have stayed on the state plan under current law ($\$8,565 \times 20.5\%$).
- For survivors who would have switched plans under current law but now choose to stay on the state paid plan, the total cost will be \$8,565.
- Assuming at least one death per year, the average annualized increase in state expenditures each subsequent year will exceed \$5,161 [$(\$8,565 + \$1,756) / 2$].
- The increase in state expenditures for survivors of state employee first responders is reasonably estimated to exceed \$2,581 in FY17-18 and exceed \$7,742 in FY18-19 ($\$2,581 + \$5,161$).
- In FY19-20, state expenditures will increase by at least an additional \$5,161 each year for a total increase in state expenditures estimated to exceed \$12,903 ($\$7,742 + \$5,161$).
- In FY20-21 and subsequent years, the survivors that received benefits beginning in FY17-18 will become ineligible for the plan after exhausting their three years of eligibility. As new survivors are added, the increase in state expenditures in FY20-21 and subsequent years is reasonably estimated to exceed \$12,903.

Impact on State from Local First Responder Benefits

- At least four local government first responders are killed in the line of duty each year. Survivors of first responders killed after the effective date will be eligible for these benefits.
- The increase in state expenditures for reimbursement to local governments will be approximately one-half in the first year of enactment due to deaths occurring at different times throughout the year.
- An increase in state expenditures to reimburse local governments in FY17-18 exceeding \$17,130 ($\$8,565 \times 4 \times 50\%$).

- In FY18-19, the full cost of FY17-18 survivors' premiums will be paid in addition to one-half of survivors' premiums that are added in FY18-19. The total increase in state expenditures to reimburse local governments in FY18-19 is estimated to exceed \$51,390 $[(\$8,565 \times 4) + (\$8,565 \times 4 \times 50\%)]$.
- In FY19-20, state expenditures will increase by at least an additional \$34,260 each year. The total increase in state expenditures in FY19-20 is estimated to be \$85,650 $(\$34,260 + \$51,390)$.
- In FY20-21 and subsequent years, half of the survivors that received benefits beginning in FY17-18 will become ineligible for the plan after exhausting their three years of eligibility; the other half of the survivors that received benefits beginning in FY17-18 (for one-half of the year) will be eligible for their remaining six months of benefits in FY20-21. The total increase in state expenditures in FY20-21 is estimated to exceed \$102,780 $[\$85,650 + (\$34,260 / 2)]$.
- This pattern is anticipated to occur in each subsequent year, as half of the first survivors that received benefits become ineligible for the plan and the other half are only eligible for the remaining six months. As new survivors are added, the increase in state expenditures in FY21-22 and subsequent years is reasonably estimated to exceed \$102,780.
- The total increase in state expenditures for survivors of both state employee first responders and local government employee first responders are estimated to exceed the following:

FY17-18	\$ 19,711	(\$ 2,581	+ \$ 17,130)
FY18-19	\$ 59,132	(\$ 7,742	+ \$ 51,390)
FY19-20	\$ 98,553	(\$ 12,903	+ \$ 85,650)
FY20-21 and subsequent years	\$ 115,683	(\$ 12,903	+ \$ 102,780)

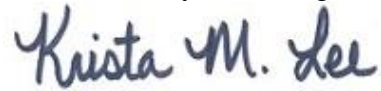
Local Government Impact

- The state will reimburse local governments to provide complete health insurance coverage.
- Based on the results of surveys of multiple local government agencies and information provided by other local government organizations, benefits for survivors of first responders vary greatly from one local government agency to another, ranging from agencies that provide no benefits for survivors after death of a first responder to agencies that cover the entire cost for 12 months and agencies that cover COBRA insurance premiums for 36 months.
- Based on results of surveys, it is estimated that approximately 75 percent of local government agencies provide no benefits to survivors, and approximately 5 percent of local government agencies provide benefits paid by in full for an extended period of time.
- With an average of four first responder deaths in the line of duty each year, and the uncertainty of where such deaths will occur, the extent of any benefits (if any) that would be paid by the local government under current law cannot be reasonably determined.
- In the event such a death occurs in a local government that provides such benefits for

survivors, there will be an effective decrease in local government expenditures. Any such decrease in local government expenditures is dependent on multiple unknown factors and cannot be reasonably determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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