

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: SB 90  
Fiscal Note Number: 2  
(S) Publish Date: 4/8/13

Identifier: SB090-DOA-HPA-4-05-13  
Title: SCHOOL DISTRICT EMPLOYEE HEALTH  
INSURANCE  
Sponsor: DUNLEAVY  
Requester: Senate State Affairs

Department: Department of Administration  
Appropriation: Centralized Administrative Services  
Allocation: Health Plans Administration  
OMB Component Number: 2152

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

|                               | FY2014                  | Included in               | Out-Year Cost Estimates |                |                |                |                |
|-------------------------------|-------------------------|---------------------------|-------------------------|----------------|----------------|----------------|----------------|
|                               | Appropriation Requested | Governor's FY2014 Request | FY 2015                 | FY 2016        | FY 2017        | FY 2018        | FY 2019        |
| <b>OPERATING EXPENDITURES</b> | <b>FY 2014</b>          | <b>FY 2014</b>            | <b>FY 2015</b>          | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</b> | <b>FY 2019</b> |
| Personal Services             |                         |                           |                         |                |                |                |                |
| Travel                        |                         |                           |                         |                |                |                |                |
| Services                      |                         |                           |                         |                |                |                |                |
| Commodities                   |                         |                           |                         |                |                |                |                |
| Capital Outlay                |                         |                           |                         |                |                |                |                |
| Grants & Benefits             |                         |                           |                         |                |                |                |                |
| Miscellaneous                 |                         |                           |                         |                |                |                |                |
| <b>Total Operating</b>        | <b>0.0</b>              | <b>0.0</b>                | <b>0.0</b>              | <b>0.0</b>     | <b>0.0</b>     | <b>0.0</b>     | <b>0.0</b>     |

**Fund Source (Operating Only)**

|                 |             |            |            |            |            |            |            |
|-----------------|-------------|------------|------------|------------|------------|------------|------------|
| 1017 Group Ben  | 100,000.0   |            |            |            |            |            |            |
| 1108 Stat Desig |             |            | (10,000.0) | (10,000.0) | (10,000.0) | (10,000.0) | (10,000.0) |
| 1178 temp code  | (100,000.0) |            | 10,000.0   | 10,000.0   | 10,000.0   | 10,000.0   | 10,000.0   |
| <b>Total</b>    | <b>0.0</b>  | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

**Positions**

|           |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |  |

|                           |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|
| <b>Change in Revenues</b> |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|

**Estimated SUPPLEMENTAL (FY2013) cost:** 0.0

**Estimated CAPITAL (FY2014) cost:** 0.0

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Not applicable, initial version.

|              |                                    |        |                     |
|--------------|------------------------------------|--------|---------------------|
| Prepared By: | Jim Puckett, Director              | Phone: | (907)465-4471       |
| Division     | Retirement & Benefits              | Date:  | 04/05/2013 02:45 PM |
| Approved By: | Curtis Thayer, Deputy Commissioner | Date:  | 04/05/13            |
|              | Department of Administration       |        |                     |

## FISCAL NOTE ANALYSIS #2

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. SB 90

### Analysis

SB 90 introduces a new section to AS 14.20, AS 14.20.137, which extends group insurance coverage under AS39.30.090 to school district employees. It also amends AS39.30.090(a)(2) extending coverage to dependents of school district employees. It is estimated that 18,300 school district employees and 29,000 dependents will become members of the AlaskaCare Employee Health Plan. The addition of these 47,300 new members will quadruple the overall population of the AlaskaCare Employee Health Plan.

#### PUBLIC EDUCATION FUND -

How the bill works: starting on July 1, 2014, school districts would begin to enroll their employees in the AlaskaCare active employee health plan. That process must be complete no later than July 1, 2015. There are approximately 18,300 school district employees that would likely enroll over FY15-FY16. With dependents, the total population is approximately 47,300 covered lives.

Self-funded insurance pools tend to maintain a reserve of 3-4 months of claim costs. The reserve is available to pay claims in times of claim spikes so that recourse to external funding sources or mid-year premium increases is unnecessary.

We estimate that such a reserve for the 47,000 inbound covered lives would be approximately \$100mm. Having such a reserve in place on July 1, 2014 is important, because this population will begin to incur health claims immediately, and we need to have funds in place to pay them. The bill contemplates that the \$100mm would be drawn from the Public Education Fund over a 10 year period. The withdrawn funds would be repaid over a 10 year period. The source of the repayment for withdrawn funds would be school districts. The Department would send them a bill for the first 4 months of claims paid; the bill would be repaid over a 10 year period.

The bill contemplates that the health insurance benefit credit the state pays on behalf of all State of Alaska employees (\$1330/mo/ee in FY13; \$1389/mo/ee in FY14) would be paid by school districts on behalf of school district employees. The benefit credit equates to the premium for the AlaskaCare Economy level plan plus the premium for the Preventive Dental plan. The Department would send monthly bills to school districts to collect the benefit credit. These sums would be deposited in the Group Health and Life Benefits fund (AS 36.30.095) and used to pay claims and administer the system.