

Fiscal Estimate Narratives

ETF 3/5/2009

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| LRB Number | 09-1158/1 | Introduction Number | SB-070 | Estimate Type | Original |
| Description coverage of dependents under health care plans | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

This bill requires group health plans administered under the group insurance board's (board) authority to provide coverage for an adult child of an insured as a dependent if the child is younger than 27, unmarried, and not eligible for a group insurance plan with the child's employer for which the child's premium is no greater than the premium amount for his or her coverage under the board's plan. Currently the board's program requires that children be dependent upon the subscriber. This bill has no such requirement. This law applies to the state employee and Wisconsin Public Employer group health plans.

According to the board's consulting actuary, this program costs are estimated to be between 1.0% to 1.2% of premium. For the state employee plan this would increase costs by \$10.0 million to \$10.9 million annually (in 2009 dollars). For the local government plans, the annual cost is estimated to range from \$1.5 million to \$1.8 million. One-time administrative costs associated with the implementation of the bill provisions are estimated to be \$20,000 SEG.

This bill will increase costs to the extent it increases the health insurance premiums charged to the state and local employers by group health insurers to provide coverage for the increased number of members covered under the program.

It is estimated that there are approximately 20,500 individuals between the ages of 19 and 27 who could be covered under the state employee program. Many are covered currently, either under the state program or other coverage. The rate of uninsured status in Wisconsin in this age group is 17%, based on US Census estimates. This estimate assumes that between 80% (2788) and 100% (3485) of these uninsured individuals will newly enroll for state group health insurance. For the local government employee program, this estimate assumes that there are 3,000 eligible individuals between the ages 19 and 27 and approximately 408 to 510 of these eligible individuals would enroll. Finally, the estimate assumes that the average claims cost of this age group is 55% of the total average cost.

This does not provide any estimate for tax implications of covering non-qualifying children (based on current federal tax law). Under the revised Wisconsin definition of "dependent," a State employee may elect family coverage for children who are not dependents within the meaning of section 152 of the Internal Revenue Code. The value of that coverage is not excludible from the employee's income under section 106, nor may the employee's share of the premiums be paid on a pre-tax basis under section 125. Benefits received by the non-dependent are, however, excludible from income under section 104(a)(3) as "amounts received through accident or health insurance . . . for personal injuries or sickness". Therefore, the State must determine the value of non-dependent coverage and report it as taxable income to the employees.

Long-Range Fiscal Implications