Fiscal Note & Local Impact Statement

122 nd General Assembly of Ohio

BILL: **H.B. 212** DATE: **March 11, 1997**

STATUS: **As Introduced** SPONSOR: **Rep. Netzley**

LOCAL IMPACT STATEMENT REQUIRED: **No — No local cost**

CONTENTS: **Requires the state to offer medical savings accounts for its employees**

State Fiscal Highlights

STATE FUND	FY 1997	FY 1998	FUTURE YEARS
General Revenue Fund and other state funds			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Indeterminate effect on employee benefits expenditures	Indeterminate effect on employee benefits expenditures
Personnel Services Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Increased administrative costs	Increased administrative costs

- The bill's effect on state employee health care costs cannot currently be predicted. It would depend on the amount contributed to medical savings accounts, the number and characteristics of the employees electing medical savings accounts, and the effects on costs for the other employees.

- An increase in administrative costs for the state would result from the need to communicate the details of the program to state employees, and from the requirement that account administrator designations are to be made in accordance with the employee's request.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Under the bill, any health, medical, hospital, dental, surgical, or vision benefits for which a state employee is eligible would be provided through a medical savings account if the employee chooses that option. The state would also be required to provide a high-deductible health insurance policy to each state employee who chooses a medical savings account. The annual amount the state pays for this health insurance policy would not be permitted to exceed half the annual amount the state deposits in the employee's medical savings account, and the annual deductible under the insurance policy would not be permitted to be less than the amount deposited in the medical savings account. The bill would require the Department of Administrative Services (DAS) to designate an account administrator for every employee who chooses a medical savings account, but the employee would be permitted to choose a different administrator.

In general, the academic research on the effects of MSA plans is sharply divided. At the macro level, the existing research shows that MSA arrangements have lowered employer health-care spending for some companies. However, research has also raised questions about adverse selection in insurance markets, where the younger and healthier workers are "skimmed off" into MSA plans, and older and sicker workers are left in traditional insurance. If this occurs, it would increase premiums for the other state employee health care plans, which could lead to an increase in overall health costs for the state.

According to a DAS spokesperson, the establishment of an MSA program would result in an increase in administrative costs for the agency. This increase would result from the need to communicate the details of the program to state employees, and from the need to account for MSA expenditures and communicate with the various account administrators.

❑ *LBO staff: Debra Pelley, Senior Analyst*

hb0212in