Fiscal Note & Local Impact Statement

122 nd General Assembly of Ohio

BILL: **Am. Sub. H.B. 212** DATE: **November 5, 1998**

STATUS: **As Reported by Senate Ways and Means** SPONSOR: **Rep. Netzley**

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

CONTENTS: **Requires DAS to offer medical savings accounts for certain state employees in a two-year pilot program**

State Fiscal Highlights

STATE FUND	FY 1998	FY 1999	FUTURE YEARS*
General Revenue Fund and other state funds			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Unpredictable effect on employee benefits expenditures	Unpredictable effect on employee benefits expenditures
Personnel Services Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Increased administrative costs	Increased administrative costs

*Depending on the start date of the pilot program and its success, the program may continue after two years.

- 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, the Department of Administrative Services (DAS) would be required to establish a pilot program in which medical savings accounts are offered to exempt employees and state elected officials. The pilot program would continue for two years and could be renewable at the end of the trial period. Any health, medical, hospital, dental, surgical, or vision benefits for which an exempt state employee or elected official 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 employee with such a medical savings account. The bill would allow participating employees to choose from a list of administrators designated by DAS.

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.

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