

Fiscal Note & Local Impact Statement

127th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **S.B. 115** DATE: **April 18, 2007**
STATUS: **As Introduced** SPONSOR: **Sen. Stivers**
LOCAL IMPACT STATEMENT REQUIRED: **Yes**
CONTENTS: **Would require health insurers that provide coverage for dependent children to do so until the age of thirty if the child meets specified conditions**

State Fiscal Highlights

STATE FUND	FY 2007	FY 2008	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Increase, potentially in the millions	Increase up to \$3.8 million or more
Other State Funds			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Increase, potentially in the millions	Increase up to \$3.8 million or more

Note: The state fiscal year is July 1 through June 30. For example, FY 2007 is July 1, 2006 – June 30, 2007.

- Costs to the state of providing health benefits to employees would increase, as dependents of some state workers are made newly eligible for coverage. The increase in costs may be up to \$7.7 million per year or more. The cost would be split approximately equally between the GRF and other state funds.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2007	FY 2008	FUTURE YEARS
Counties, municipalities, and townships			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Increase, potentially in the millions	Increase up to \$24.7 million or more
School districts			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Increase, potentially in the millions	Increase up to \$30.9 million or more

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.



- Costs to counties, municipalities, townships, and school districts of providing health benefits to employees would increase, as dependents of some employees are made newly eligible for coverage. The increase in costs may be up to \$24.7 million or more per year for counties, municipalities, and townships, and up to \$30.9 million or more per year for school districts.

Detailed Fiscal Analysis

S.B. 115 generally would require health insuring corporation (HIC) contracts, group sickness and accident insurance policies, and public employee benefit plans that provide health insurance coverage for unmarried dependent children to provide such coverage up to the age of 30. The coverage would not be required if (1) the child is not either a resident of Ohio or a full-time college student, or (2) the child is employed by an employer that offers health benefits to employees. The bill would not change existing law that prohibits HIC contracts and group sickness and accident policies from dropping coverage after a dependent child attains a maximum age in cases where the child is either incapable of self-sustaining employment due to mental retardation or primarily dependent on the parent for support, and would extend this prohibition to public employee benefit plans.

Background

The Kaiser Commission on Medicaid and the Uninsured has issued estimates of the number of uninsured in the U.S. by age group in 2005.¹ According to their estimates, 32.8% of adults aged 19 to 24 were uninsured that year, and 26.6% of those aged 25 to 34 were uninsured. The percentage of nonelderly adults who are uninsured is higher for the U.S. as a whole than it is for Ohio. An affiliate of the Kaiser Family Foundation estimates that 13% of nonelderly Ohioans were uninsured during 2004-2005, and that 18% of all Americans were uninsured in 2005.

Also, the Kaiser Family Foundation conducts an annual survey of employers, the results of which are published under the title *Employer Health Benefits*. The survey found that the average cost to employers of providing health benefits to employees increased by 9.2% from spring 2004 to spring 2005, and by 7.7% from spring 2005 to spring 2006.

Fiscal effects

The bill is likely to increase the costs to the state, to political subdivisions, and to school districts of providing health benefits to employees. By increasing the pool of covered individuals, the bill would increase the cost of claims. In the case of self-insured plans, the increased cost of claims would directly increase state and local government expenditures; in the case of HIC contracts and traditional insurance policies, it would increase costs of the insurer, which are assumed to be passed through to the insured employer.

¹ These estimates were published in *The Uninsured: A Primer*, published during October 2006. This publication can be downloaded from their web site.

Based on the estimated statistics described above, LSC fiscal staff estimate that up to 357,371 Ohio young adults would potentially be made newly eligible for insurance due to the bill's provisions.² Assuming these individuals would be covered by government employers in the proportions that government employers make up of overall Ohio employment, then up to 5,142 might be newly covered under a state plan, up to 6,149 might be covered by a public university plan, up to 16,493 might be covered by a plan provided by a county, township, or municipality, and up to 20,588 might be covered by a plan provided by a school district. These enrollment increases would be experienced gradually, likely over a period of years.

The Medical Expenditure Panel Survey found that the average total single premium for employer-provided health insurance in Ohio in 2004 was \$3,782. If this premium grew at the national growth rates for employer-provided health benefits found by Kaiser Family Foundation in its annual survey, this would correspond to a premium of \$4,448 in 2006.

The population that would receive insurance coverage due to the bill, consisting of individuals no older than 30, would be in relatively good health compared with the overall population below the age of 65. Therefore, health insurers' costs would certainly increase by less than \$4,448 for each individual newly enrolled in a plan. As of this writing, LSC staff are not aware of any research that provides the ratio of average health care costs for individuals in their twenties to costs for all individuals up to age 65. For illustrative purposes, a cost of \$1,500 per year for each additional individual enrolled is assumed in the cost estimates below. With more time, LSC staff may be able to determine a more reliable figure; if so, that figure would appear in future versions of the fiscal note for this bill. Also, the cost increase estimates in the table below assume that no potentially eligible individuals are employed by an employer that offers health benefits to employees. In actuality, many of the potentially eligible individuals would be so employed, which means that actual enrollment is likely to be less than the enrollment assumed for the table.

Governmental unit	Estimated increase in number of enrollees	Estimated increase in costs
State	5,142	\$7.7 million
Public universities	6,149	\$9.2 million
Counties, municipalities, and townships	16,493	\$24.7 million
School districts	20,588	\$30.9 million

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² This estimate includes an adjustment for the fact that a lower proportion of Ohioans are uninsured than are uninsured nationally.