

Colorado Legislative Council Staff Fiscal Note
STATE and STATUTORY PUBLIC ENTITY
FISCAL IMPACT

Drafting Number: LLS 12-0453
Prime Sponsor(s): Rep. Holbert
 Sen. Harvey

Date: February 21, 2012
Bill Status: House Finance
Fiscal Analyst: Kerry White (303-866-3469)

TITLE: CONCERNING THE PREMIUM SUBSIDY PROVIDED BY PUBLIC EMPLOYERS TO THE HEALTH CARE BENEFITS PROGRAM ADMINISTERED BY THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Expenditures	Potential increase.	
FTE Position Change		
Effective Date: August 8, 2012, if the General Assembly adjourns on May 9, 2012, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2012-2013: None required.		
Local Government Impact: See Statutory Public Entity Impact section.		

Summary of Legislation

This bill modifies the manner in which health care premium subsidy benefits are paid for and provided to members of the Public Employees' Retirement Association (PERA).

Payment of health care premium subsidies. Under current law, 1.02 percent of the employer contribution to PERA is allocated to the PERA Health Care or DPS Health Care Trust Fund. As of January 1, 2013, this bill specifies that these funds will consist of only the portion of employer contributions necessary to fund premium subsidies paid on behalf of members enrolled in the PERACare health care program.

Health care premium subsidies. Under current law, members under the age of 65 who are not entitled to Medicare benefits are eligible for health care premium subsidies of \$230 per month. Members who are eligible for Medicare benefits may receive premium subsidies of \$115 per month. As of January 1, 2013, this bill fixes the premium subsidy at \$230 per month and makes it only available to members under the age of 65 who are not eligible for Medicare benefits. The bill also prohibits PERA from modifying the premium subsidy.

Statutory Public Entity Impact

This bill will reduce the number of individuals eligible to receive premium subsidies by an estimated 37,000 retirees and 5,000 dependants. As a result, it will reduce the amount of benefits payable from each of the health care trust funds and reduce employer contributions as shown in Tables 1 and 2 below.

Table 1. Changes in Employer Contributions PERA Health Care Trust Fund			
Valuation Year	Current Employer Contribution	Proposed Employer Contribution	Change in Employer Contribution
2013	1.02 percent	0.55 percent	(0.47 percent)
2014	1.02 percent	0.48 percent	(0.54 percent)
2019	1.02 percent	0.33 percent	(0.69 percent)
2024	1.02 percent	0.24 percent	(0.78 percent)
2029	1.02 percent	0.19 percent	(0.83 percent)
2034	1.02 percent	0.15 percent	(0.87 percent)
2039	1.02 percent	0.12 percent	(0.90 percent)

Table 2. Changes in Employer Contributions DPS Health Care Trust Fund			
Valuation Year	Current Employer Contribution	Proposed Employer Contribution	Change in Employer Contribution
2013	1.02 percent	0.54 percent	(0.48 percent)
2014	1.02 percent	0.51 percent	(0.51 percent)
2019	1.02 percent	0.39 percent	(0.63 percent)
2024	1.02 percent	0.28 percent	(0.74 percent)
2029	1.02 percent	0.20 percent	(0.82 percent)
2034	1.02 percent	0.16 percent	(0.86 percent)
2039	1.02 percent	0.14 percent	(0.88 percent)

Division trusts. Because there will be less employer contributions required to fund health care premium subsidies, this bill will allow more funds to be retained within each of the division trusts. This reduces the amortization period for each division trust accordingly. While no dollar amounts were available as of this writing, according to the PERA, the reduction in the amortization period is three years for the local government and judicial divisions, two years for the state and DPS divisions, and one and a half years for the school division.

State Expenditures

This bill has a conditional fiscal impact on state expenditures. According to PERA, of the 37,000 persons over the age of 65 and currently eligible for health care premium subsidies, approximately 2,400 persons receive pre-subsidy monthly benefits of less than \$700 per month. To the extent that these individuals have no other source of income, by removing the premium subsidy payments, these individuals may become eligible for Medicaid. For the current FY 2011-12, the estimated per-client cost of a person over the age of 65 that enrolls in Medicaid is \$22,739, paid with equal shares of General Fund and federal funds. Because it is not known how many of these individuals will qualify and choose to enroll in Medicaid, the amount of potential increase in state expenditures has not been estimated.

Departments Contacted

PERA