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**FISCAL IMPACT STATEMENT**

**LS 7941**

**BILL NUMBER: HB 1739**

**NOTE PREPARED: Feb 3, 2005**

**BILL AMENDED:**

**SUBJECT:** Retired Legislator Health Insurance.

**FIRST AUTHOR:** Rep. Davis

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED: X GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill reduces the benefits available under the Retired Legislator Health Insurance Program, including: (1) removes the election by legislative employers to permit a former member (and spouse) to remain in the program after the former member (or spouse) becomes eligible for Medicare; (2) permits legislative employers to elect to pay not more than 50% of an eligible former member's (and spouse's) Medicare supplement premium; (3) repeals the requirement that the State Personnel Department establish two retirement health plans that were available to state employees after they became eligible for Medicare; (4) requires former legislators to pay the same percentage of health care premiums in retirement that active legislators pay for health care benefits; and (5) exempts former legislators whose last day of service is before November 8, 2006, from the benefit reductions. The bill repeals and replaces without change provisions concerning eligibility requirements for the spouse of a legislator who dies in office.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** *Health Benefit Costs Under Group Health Insurance Program:* The state currently pays a share of the health insurance premium for former state legislators (or surviving spouses) who have at least 10 years of service credit as a member of the General Assembly. The amount paid by the state is the same percentage employer share of the premium paid for other state employees as existed at the time of the legislator's retirement. This bill eliminates the authority of the House and Senate to pay a greater share of the health insurance premiums for those former legislators whose last day of office is after November 7, 2006, than is paid for active state legislators.

The estimated reduction in state expenditures from the state General Fund from what otherwise would occur

will most likely begin occurring in FY 2009 (after the November 2008 elections). However, the impact could occur sooner in the event that a legislator would retire in the middle of their term of office (i.e., retire after November 7, 2006). The estimated reduction in state expenditures from the state General Fund for retired legislator health insurance benefits for those legislators who retire after November 7, 2006, is estimated to be approximately 13% for this provision, and would not begin occurring until sometime after November 7, 2006.

In addition, former legislators (whose last day of office is after November 7, 2006) will become ineligible for group health insurance benefits once the retired legislator becomes eligible for Medicare.

*Medicare Supplement Insurance Program:* The bill also eliminates the statutory requirement that the Department of Personnel offer Medicare supplement insurance policies to retired state employees who become eligible for Medicare coverage. The statutory requirement is that at least two policies be offered: one providing medical coverage only, and the other providing medical coverage along with coverage for prescription drug benefits. Currently, 18 individuals are enrolled in the Medicare supplement plans; 6 with medical coverage only and 12 with medical coverage plus prescription drug coverage. Enrollees are required to pay the entire premium. Although the statutory requirement to provide these policies is eliminated, elimination of the program will depend on administrative actions.

However, the bill does permit the state to pay up to 50% of a former legislator's premium (whose last day of office is after November 7, 2006) for Medicare supplemental insurance. Current annual rates for Medicare supplemental insurance offered under the state program are \$2,005 for medical coverage only and \$11,209 for medical coverage plus prescription drug benefits.

*Background Information:* The annual premiums for health insurance or coverage under HMO plans currently range from \$3,810 to \$5,104 for single coverage and \$10,668 to 13,981 for family coverage. The annual premiums for dental coverage currently range from \$197 to \$207 for single coverage and from \$513 to \$673 for family coverage. And the annual premiums for vision coverage are approximately \$46 for single coverage and \$116 for family coverage.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** General Assembly; Department of Personnel.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Alan Gossard, 317-233-3546.