

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6928
BILL NUMBER: SB 404

NOTE PREPARED: Jan 8, 2005
BILL AMENDED:

SUBJECT: Employee Health Coverage.

FIRST AUTHOR: Sen. Simpson
FIRST SPONSOR:

BILL STATUS: As Introduced

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: This bill requires the Budget Agency to establish and implement a program through which certain private employers may provide health coverage for the private employers' employees.

Effective Date: July 1, 2005.

Explanation of State Expenditures: This bill requires the State Budget Agency (SBA) to establish and implement a program through which a private employer: (a) with less than 100 employees, or (b) established in Indiana within the 12 months immediately preceding the date the private employer applies for participation in the program; may provide coverage for health care services.

The fiscal impact of this bill, as well as the features of the required private employer health insurance program will be dependent upon administrative actions taken by the State Budget Agency. The SBA may contract for administration of the program. The level of participation in the program would be dependent upon advertising the availability of the program to potential participants and the structure. The SBA does not have the in-house expertise or resources to develop, implement, advertise, or maintain a program for private employer health insurance.

The U.S. Bureau of Labor Statistics identified 143,461 private business establishments with fewer than 100 employees in Indiana for the first quarter of CY 2004. The definition of "establishment" in this data base includes employers that may have more than one establishment, and consequently, more than 100 employees in total. If only 10% to 25% of these establishments would decide to participate in the private employer health insurance program, the program could expect the number of binder agreements to administer to be between

14,346 and 35,790. The number of private employers that would establish themselves in Indiana within the 12 months preceding application into the program is unknown.

The number of covered individuals would be dependent upon the number of employees in each participating small business and the number of persons in their families. While the fiscal impact of the bill may be absorbable within the current resources available with regard to establishing the master contract, it would appear unlikely that administrative oversight of the contract or the binders could be absorbed within the current resources available to either the State Budget Agency or the State Personnel Department. As a point of reference, the State Personnel Department contracts out for services to administer the state health insurance program to its 38,255 employees. In FY 2004, contract costs were equal to \$9,260,613, and central office costs were approximately \$260,000 plus benefits.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Budget Agency.

Local Agencies Affected:

Information Sources: John Renner, State Budget Agency, 317-232-5623; Keith Beesley, Chief Counsel, State Personnel Department, (317) 232-3062; U.S. Department of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages at: www.bls.gov; People Soft; Celesta Bates, State Department of Personnel.

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