F I S C A L   I M P A C T   R E P O R T

ORIGINAL DATE 1/29/07
SPONSOR Grubesic **LAST UPDATED** **HB**

SHORT TITLE Amending the Retiree Health Care Act **SB** 502

ANALYST Propst

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	$1,012.0	$3,400.0	$3,808.0	$8,220.0	Recurring	RHCA Benefit Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Retiree Health Care Authority (RHCA)

SUMMARY

Synopsis of Bill

Senate Bill 502 amends the Retiree Health Care Act to include domestic partners and surviving domestic partners as individuals eligible to participate in the provision of health care coverage provided for retirees of certain public participating employers, their spouses and dependents.

FISCAL IMPLICATIONS

RHCA calculated the estimated additional net cost to RHCA in extending health care coverage to domestic partners base on the actual number of domestic partners currently receiving health care benefits through the Risk Management Division (5.03% of the lives covered). The FY07 net cost to RHCA was used for the FY07 estimate, assuming four months of FY07 would receive the same number of domestic partners as participants. For FY08 and FY09, a 10% increase in health care cost was used with a 2% increase in the number of domestic partners covered (given that there is no historical data on this population). This assumes RHCA will succeed in achieving a certain degree of cost containment over the next several years. Based on budgeted FY08 claims cost of $184,000.0, this $3,000.0 increase would result in an additional 1.8% in claims dollar paid out by RHCA.

The chart below is the calculation for providing health care coverage to the domestic partners of employees at Risk Management Division that are currently receiving their health care coverage through RMD. The costs used are the net cost incurred by RHCA for non-Medicare and Medicare spouse participants in FY06.

Depending on the growth in number of domestic partners covered, an additional Customer Service Representative may become necessary to accommodate the members. The approximate cost of an additional CSR, including benefits, would be $33.7 per year. This amount was not included in the table below or in the operating budget impact above.

Domestic Partner Estimate

Assuming NMRHCA allows domestic partner coverage for same retiree contribution as spouse(1)

State RMD Domestic Partner coverage rate				5.03%	
	Count	Assumed Participation	Domestic Partners	RHCA Spousal Cost Per Month	FY07 Projected Annual Cost
Pre-Medicare Retirees	9,902	5.03%	498	$294.19	$1,758,079.00
Post-Medicare Retirees	16,490	5.03%	829	$128.41	$1,277,423.00
Total	26,392		1,327		$3,035,502.00

(1) If the domestic partner paid the full spousal premium for coverage with no contribution from
NMRHCA the cost would be reduced, but not eliminated unless the spouse rates were recalculated
to cover the full experience rates of spouses.

SIGNIFICANT ISSUES

According to RHCA, it is unclear at this time whether or not the 2% per annum growth in the number of domestic partners assumed to receive health care benefits through the RHCA is too conservative. If it were a higher rate of growth, it would negatively impact the increase in expenditure for the RHCA.

ADMINISTRATIVE IMPLICATIONS

RHCA notes that, under the current Retiree Health Care Act, if a retiree becomes divorced from a spouse, there is a divorce decree that is filed and it states that the spouse becomes ineligible for health care coverage. Currently, there is no formal legal process for the dissolution of a domestic partnership. The question remains as to whether the RHCA would be at risk for continuing to provide health care coverage to individuals that are no longer the domestic partner of an eligible retiree.

POSSIBLE QUESTIONS

1. How does GSD handle the issue of dissolution of a domestic partnership and its impact on beneficiaries' eligibility?

WEP/mt