

Multiple Agency Fiscal Note Summary

Bill Number: 2162 HB	Title: LEOFFRS plan 2 medical board
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Estimated Cash Receipts

Agency Name	2005-07		2007-09		2009-11	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	Non-zero but indeterminate cost. Please see discussion."					
Washington State Health Care Authority	0	2,172,143	0	4,916,989	0	5,537,805
Department of Retirement Systems	0	321,170	0	3,660	0	3,660
Total \$	0	2,493,313	0	4,920,649	0	5,541,465

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

Estimated Expenditures

Agency Name	2005-07			2007-09			2009-11		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of the State Actuary	.0	0	0	.0	0	0	.0	0	0
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Washington State Health Care Authority	1.5	0	2,194,366	3.0	0	4,905,879	3.0	0	5,526,693
Department of Retirement Systems	.2	0	321,170	.0	0	3,660	.0	0	3,660
State Investment Board	.0	0	0	.0	0	0	.0	0	0
Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board	.0	0	0	.0	0	0	.0	0	0
Total	1.7	\$0	\$2,515,536	3.0	\$0	\$4,909,539	3.0	\$0	\$5,530,353

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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Prepared by: Elise Greef, OFM	Phone: 360-902-0539	Date Published: Final 4/25/2005
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Individual State Agency Fiscal Note

Bill Number: 2162 HB	Title: LEOFFRS plan 2 medical board	Agency: 035-Office of State Actuary
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Part I: Estimates

No Fiscal Impact

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/23/2005
Agency Preparation: Robert Baker	Phone: 586-9237	Date: 03/01/2005
Agency Approval: Matthew M. Smith	Phone: 360-753-9144	Date: 03/01/2005
OFM Review: Jane Sakson	Phone: 360-902-0549	Date: 03/01/2005

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	3/1/05	HB 2162

SUMMARY OF BILL:

This bill impacts the Law Enforcement Officer's and Fire Fighter's Retirement System Plan 2 (LEOFF 2) by establishing a medical board to oversee the funding and provision of health insurance benefits for retired members. These retiree health benefits would be funded through active member contributions and retiree premiums.

LEOFF 2 members would be eligible for coverage under the Public Employee's Benefits Board (PEBB) programs if coverage is selected immediately upon retirement. LEOFF 2 retirees would be included in the community-rated risk pool along with retired and disabled state, K-12, and higher education members.

The LEOFF 2 medical board would consist of 11 members:

- 3 active law enforcement officers,
- 3 active fire fighters,
- 1 member of the House of Representatives,
- 1 member of the Senate, and
- 3 members with expertise in the field of retiree health benefits.

The LEOFF 2 medical board would be responsible for payment of premium rates and subsidy amounts developed by the Health Care Authority. The board would determine the retired member premiums and active member contributions within the funding needs of the system including any amounts necessary for reserves and administration of the board.

The board would also adopt actuarial tables, assumptions, and cost methodologies in consultation with an enrolled actuary retained by the board.

The Retired Plan 2 LEOFF medical fund, and the Retired Plan 2 LEOFF medical expense fund are created in the office of the state treasurer. All receipts from employee contributions, participating retiree premiums, and amounts for administration of the board must be deposited into these funds.

Effective Date: 90 days after session.

CURRENT SITUATION:

Currently retired or disabled state, K-12, and higher education employees are eligible for continuation of coverage under the Public Employees' Benefits Board insurance programs.

Retired or disabled county, municipality, or other political subdivision LEOFF 2 employees, and their dependents, are eligible to continue in insurance programs offered by their employers.

MEMBERS IMPACTED:

We estimate that all active members retiring from LEOFF 2 and all currently retired LEOFF 2 members will be affected by this bill. As of September 30, 2003, there are 14,560 active and 300 retired members of LEOFF 2 (excluding survivors).

This bill would not increase retirement benefits in LEOFF 2.

ASSUMPTIONS:

We assume that retirement rates for LEOFF 2 will not change as a result of this bill.

FISCAL IMPACT:

None.

State Actuary's Comments:

Opportunities to establish a qualified post-retirement medical fund under the Internal Revenue Code are quite limited. It is not clear whether this proposed program would qualify. As a result, contributions to the fund, and associated investment income, may generate taxable income for the affected members.

Individual State Agency Fiscal Note

Bill Number: 2162 HB	Title: LEOFFRS plan 2 medical board	Agency: 090-Office of State Treasurer
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
Fund					
Total \$					

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/23/2005
Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: 02/25/2005
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: 02/25/2005
OFM Review: Deborah Feinstein	Phone: 360-902-0614	Date: 02/25/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

HB 2162 creates the retired plan 2 law enforcement officers' and fire fighters' medical fund and the retired plan 2 law enforcement officers' and fire fighters' medical expense fund. The bill allows these accounts to retain their earnings from investments. The state investment board has full power to invest the moneys. The office of the state treasurer will invest any money in the state's concentration account that is not invested by the state investment board.

Earnings from investments:

The amount of earnings by an account is a function of the average daily balance of the account and the earnings rate of the investment portfolio. The average daily balance is a function of the beginning balance in the account and the timing & amount of receipts, disbursements, & transfers during the time period in question. Accordingly, even with a beginning balance of zero, two accounts with the same overall level of receipts, disbursements, and transfers can have different average balances, and hence differing earnings.

There will be an impact to the earnings; however, the actual earnings will be determined more by the impact to the average daily balance than the amount of increases or decreases in receipts, disbursements, and transfers. Currently, estimated earnings are indeterminable. Without projected monthly estimates of receipts, disbursements, and transfers, OST is unable to estimate the changes to the average balance of the account and the impact to earnings.

Based on the November 2004 Revenue Forecast, the net rate for estimating earnings for FY 05 is 1.70%, FY 06 is 2.72%, and FY 07 is 2.99%. Approximately \$17,000 in FY 05, \$27,200 in FY 06, and \$29,900 in FY 07 in net earnings and \$5,000 in OST management fees would be gained or lost annually for every \$1 million increase or decrease in average daily balance.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

HB 2162 creates the retired plan 2 law enforcement officers' and fire fighters' medical fund and the retired plan 2 law enforcement officers' and fire fighters' medical expense fund. The bill allows these accounts to retain their earnings from investments. The state investment board has full power to invest the moneys. The office of the state treasurer will invest any money in the state's concentration account that is not invested by the state investment board.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years					
Total:					

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 2162 HB	Title: LEOFFRS plan 2 medical board	Agency: 107-Wash State Health Care Authority
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
Public Employees' and Retirees Insurance Account-Non-Appropriated 721-6		2,139,365	2,139,365	4,795,878	5,416,694
Medical Fund-Non-Appropriated NEW-6		32,778	32,778	121,111	121,111
Total \$		2,172,143	2,172,143	4,916,989	5,537,805

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	0.0	3.0	1.5	3.0	3.0
Fund					
St Health Care Authority Admin Acct-State 418-1	0	270,650	270,650	362,128	362,162
Public Employees' and Retirees Insurance Account-Non-Appropriated 721-6	0	1,868,716	1,868,716	4,433,751	5,054,531
Medical Fund-Non-Appropriated NEW-6	25,000	30,000	55,000	110,000	110,000
Total \$	25,000	2,169,366	2,194,366	4,905,879	5,526,693

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/23/2005
Agency Preparation: Nguyen Dang	Phone: (360) 923-2867	Date: 02/25/2005
Agency Approval: Connie Robins	Phone: 360 923 2923	Date: 04/19/2005
OFM Review: Elise Greef	Phone: 360-902-0539	Date: 04/25/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

See attached Narrative.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

See attached Narrative.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attached Narrative.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years		3.0	1.5	3.0	3.0
A-Salaries and Wages		114,366	114,366	228,732	228,732
B-Employee Benefits		26,533	26,533	53,066	53,066
C-Personal Service Contracts	25,000	100,000	125,000	120,000	120,000
E-Goods and Services		34,151	34,151	68,330	68,364
G-Travel		1,000	1,000	2,000	2,000
J-Capital Outlays		24,600	24,600		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services		1,868,716	1,868,716	4,433,751	5,054,531
Total:	\$25,000	\$2,169,366	\$2,194,366	\$4,905,879	\$5,526,693

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2006	FY 2007	2005-07	2007-09	2009-11
Budget Program Specialist 3	44,724		0.5	0.3	0.5	0.5
Medical Program Specialist 2	46,992		0.5	0.3	0.5	0.5
Office Assistant Senior	26,988		1.0	0.5	1.0	1.0
Public Information Officer 2	41,520		1.0	0.5	1.0	1.0
Total FTE's			3.0	1.5	3.0	3.0

III. C - Expenditures By Program (optional)

Program	FY 2006	FY 2007	2005-07	2007-09	2009-11
PEBB (040)		832,487	832,487	1,974,835	2,251,299
UMP (050)		1,306,879	1,306,879	2,821,044	3,165,395
Medical Board (New)	25,000	30,000	55,000	110,000	110,000
Total \$	25,000	2,169,366	2,194,366	4,905,879	5,526,694

Part IV: Capital Budget Impact

See attached Narrative.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

See attached Narrative.

HCA Fiscal Note

Bill Number: HB 2162

HCA Request #:05-52

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

The bill would allow all law enforcement officers' and fire fighters' retirement system (LEOFF) Plan 2 members who are receiving a retirement allowance as of July 1, 2006, who separated from employment with a county, municipality, special district, or other political subdivisions, to purchase health insurance through the Public Employees Benefit Board (PEBB) program. Also, members of LEOFF Plan 2 who separate from employment with a county, municipality, special district, or other political subdivision on or after July 1, 2006 will be eligible to join PEBB. The bill would also create an 11-member medical board to help administer this process.

The medical board, including an actuary employed by the medical board, along with the Health Care Authority (HCA) will establish an employee contribution and premium level that will be collected from active and retired LEOFF Plan 2 members. If an agreement on the amounts cannot be reached between the medical board and HCA, a third party actuary will help determine the final contribution level. From the employee contribution and premiums collected, the medical board will be responsible for the payment of premium rates and subsidy amounts established by HCA to cover the additional cost of LEOFF Plan 2 members joining PEBB.

At the request of the Office of Financial Management, HCA is including the expenditures of the medical board in HCA's fiscal note.

II. B – Cash Receipts Impact

HCA will receive funds from the medical board that will cover the additional costs to HCA, due to new LEOFF Plan 2 members joining PEBB. HCA estimates the following cash receipts:

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Fund 721	\$ -	\$2,139,365	\$2,312,676	\$ 2,483,202	\$ 2,635,076	\$ 2,781,618

Medical Board:

In addition to the cash receipt covering the additional LEOFF Plan 2 members joining PEBB (table above), the medical board will receive the following estimated cash receipts for administration, including the recovery of the startup costs from LEOFF Plan 2 members:

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
New Medical Fund	\$ -	\$ 32,778	\$ 60,556	\$ 60,555	\$ 60,556	\$ 60,555

II. C - Expenditures

The estimated total expenditures are detailed below:

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Fund 721	\$ -	\$1,868,716	\$2,131,617	\$ 2,302,134	\$ 2,453,998	\$ 2,600,533
Fund 418	\$ -	\$ 270,650	\$ 181,059	\$ 181,069	\$ 181,077	\$ 181,085
Total Expenditures	\$ -	\$2,139,365	\$2,312,676	\$ 2,483,202	\$ 2,635,076	\$ 2,781,618

PEBB Background and General Assumptions:

PEBB purchases health care benefits for many subgroups composed of many members. By purchasing insurance for combined groups, the higher costs for sicker and/or older members are somewhat offset by

HCA Fiscal Note

Bill Number: HB 2162

HCA Request #:05-52

the lower costs for healthier and/or younger members. PEBB has two distinct groups of members: (1) the state active employees and non-Medicare retirees and (2) Medicare retirees. Each group is referred to as a "risk pool." The insurance companies evaluate the risk involved to insure each group and establish rates based on the perceived risk of future claims.

PEBB Non-Medicare Subsidy Assumptions:

The state active/non-Medicare risk pool consists of all state active employees and non-Medicare retirees under the age of 65 who are not eligible for Medicare. This bill proposes to allow LEOFF Plan 2 members who will retire or have retired from employment to join PEBB. As the numbers of older participants join PEBB, the insurance companies risk of future health care claims increases. Based on available claims, demographics, and diagnostic data, HCA's actuaries, Mercer Human Resources Consulting, estimate that PEBB non-Medicare retirees have approximately a 50 percent higher risk factor than a state active enrollee, and HCA assumes health plans would raise their premium rates to cover the increased costs. The additional state cost from the pooling of non-Medicare retiree enrollees with the younger, state active employees is referred to as the non-Medicare implicit subsidy. Enrolling more non-Medicare retiree enrollees in the risk pool increases this implicit subsidy. HCA assumes that the rate charged to the medical board will cover these additional increases, so current PEBB members and K-12 school districts will not be charged additional expenses from retired LEOFF Plan 2 members joining PEBB. The new LEOFF Plan 2 members joining PEBB are estimated to increase the blended premium rate for a non-Medicare subscriber from \$689.38 per subscriber per month (pspm) for CY 06 to \$689.71 (pspm). See enrollment assumptions below.

PEBB Medicare Subsidy Assumptions:

HCA assumes that the additional Medicare retirees joining the Medicare risk pool will not affect Medicare plan rates, since the additional enrollee's health is assumed to be similar to the current Medicare population, therefore the blended Medicare retiree rate will remain at \$458.17 pspm for CY 06.

Enrollment Assumptions:

The Office of the State Actuary (OSA) and the Department of Retirement Systems has provided HCA with projections of how many LEOFF Plan 2 employees will be eligible to join PEBB in CY 06 – CY 11 based on this bill. HCA makes the following additional assumptions:

- 50% of eligible members will join PEBB.
- The retiree ratio of non-Medicare to Medicare eligibles will stay at 78% non-Medicare to 22% Medicare for CY 06 - 11, based on the Actuarial Valuation Report from 2003 provided by OSA.
- Non-Medicare: Of the group choosing PEBB, 59.4% would enroll in Uniform Medical Plan (UMP). (Percentage is calculated on current UMP/MCO non-Medicare retiree ratio from the fall 2004 legislative model).
- Medicare: Of the group choosing PEBB, 63.8% would enroll in UMP coverage. (Percentage is calculated on current UMP/MCO Medicare retiree ratio from the fall 2004 legislative model).

Based on these assumptions, the estimated total increase in PEBB enrollment is:

	CY 05	CY 06	CY 07	CY 08	CY 09	CY 10	CY 11
Non-Medicare Retirees	-	137	149	162	174	184	196
Medicare Retirees	-	39	43	46	50	52	56
Total Increase in PEBB	-	177	192	208	224	237	252

Administration:

HCA Fiscal Note

Bill Number: HB 2162

HCA Request #:05-52

HCA will require the assistance and expertise of actuaries to calculate the premium rates and subsidy. This will involve estimating the non-Medicare risk factor with and without the new enrollees each year so that the changes in the implicit subsidy can be determined. HCA will also require significant assistance to make one-time modifications to PEBB's current costing model. These expenditures are estimated at \$75,000 for FY 07 and \$10,000 ongoing.

In addition to the actuarial services discussed above, HCA will also need additional staffing as follows:

- 1.0 FTE Public Information Officer 2 to work on outreach materials to eligible retirees and assist with updating current employer group materials.
- 1.0 FTE Office Assistant Senior to manage correspondence and track appeals and assist training and outreach with scheduling and responding to requests for presentations to LEOFF Plan 2 retiree groups.
- 0.5 FTE Medical Program Specialist 2 to manage a project plan for enrollment of LEOFF Plan 2 members; draft rules, policies, processes and procedures while paying close attention to how they will impact current processes, policies and rules; and draft language for communication materials.
- 0.5 FTE Budget Program Specialist 3 to assist the program analyst with rate development and updates to the projection model.

Summary of Increase in expenditures:

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Estimated Expenditures for new Non Medicare Retirees	\$ -	\$1,055,239	\$1,201,997	\$ 1,298,212	\$ 1,383,910	\$ 1,466,608
Estimated Increased Implicit Subsidy Cost	\$ -	\$ 573,667	\$ 653,940	\$ 706,187	\$ 752,711	\$ 797,594
Estimated Expenditures for new Medicare Retirees	\$ -	\$ 239,809	\$ 275,681	\$ 297,735	\$ 317,378	\$ 336,331
Estimated Administrative Expenditure	\$ -	\$ 270,650	\$ 181,059	\$ 181,069	\$ 181,077	\$ 181,085
Total Expenditures	\$ -	\$2,139,365	\$2,312,676	\$ 2,483,202	\$ 2,635,076	\$ 2,781,618

Medical Board:

HCA assumes the medical board would incur administrative and actuarial expenditures to develop the employee contribution and retiree premiums. It also assumes that a third party actuary will not be needed. In total, HCA estimates the following administration costs to the medical board:

- \$5,000, reimbursement for board member travel and authorized expenses, ongoing.
- \$50,000, actuary costs for the development of employee contribution and premiums, ongoing.

Also, HCA assumes the medical board will incur a portion of these expenditures months before they will be able to collect employee contributions from LEOFF Plan 2 members. HCA assumes that this start-up cost would be funded by an appropriation into the new medical fund, and that these costs would be recouped over FY 07 – FY 11.

Medical Board expenditures estimates are detailed below, including the startup costs:

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
New Medical Fund	\$ 25,000	\$ 30,000	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

Yes. Chapter 182-12 WAC would need amended to include eligibility for LEOFF Plan 2 retirees. A new section would need added to include procedures related to the remittance and to include new rules adopted by the Medical Board.

HCA Fiscal Note

Bill #:HB 2162

Summary of impacts

HCA Request: 05-52

FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
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Expenditures

Fund

PEBB/UMP							
Managed Care Organizations (MCOs)		\$ -	\$ 832,487	\$ 949,447	\$ 1,025,388	\$ 1,093,021	\$ 1,158,278
UMP		\$ -	\$ 1,036,229	\$ 1,182,170	\$ 1,276,746	\$ 1,360,978	\$ 1,442,255
Total PEBB Benefits Increase	721	\$ -	\$ 1,868,716	\$ 2,131,617	\$ 2,302,134	\$ 2,453,998	\$ 2,600,533
Additional Administrative Costs:	418	\$ -	\$ 270,650	\$ 181,059	\$ 181,069	\$ 181,077	\$ 181,085
Additional Administrative Costs:	439	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Administrative Costs:	438	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total UMP Administration		\$ -	\$ 270,650	\$ 181,059	\$ 181,069	\$ 181,077	\$ 181,085
Total PEBB Benefits and Administration		\$ -	\$ 2,139,365	\$ 2,312,676	\$ 2,483,202	\$ 2,635,076	\$ 2,781,618
Medical Board							
Startup Costs	New	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative Costs	New	\$ -	\$ 30,000	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000
Total Medical Board		\$ 25,000	\$ 30,000	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000
Grand Total Expenditures		\$ 25,000	\$ 2,169,365	\$ 2,367,676	\$ 2,538,202	\$ 2,690,076	\$ 2,836,618

HCA Fiscal Note

Bill #:HB 2162

PEBB-UMP Impact

HCA Request: 05-52

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Expenditure change						
721 Benefits	-	1,868,716	2,131,617	2,302,134	2,453,998	2,600,533
418 Administration	-	270,650	181,059	181,069	181,077	181,085
439 UMP Admin	-	-	-	-	-	-
438 UDP Admin	-	-	-	-	-	-
Total	-	2,139,365	2,312,676	2,483,202	2,635,076	2,781,618

Estimated Total Enrollment						
State active subscribers (FR basis)	108,643	108,643	108,643	108,643	108,643	108,643
Other active subscribers	13,730	13,730	13,730	13,730	13,730	13,730
Non Medicare Retirees	10,445	10,588	10,601	10,613	10,624	10,635
Medicare Retirees	38,347	39,692	41,044	42,441	43,886	45,379
Total	171,165	172,653	174,018	175,428	176,883	178,387

Revenue change						
State Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Share (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Enrollment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New Medical Fund	\$ -	\$ 2,139,365	\$ 2,312,676	\$ 2,483,202	\$ 2,635,076	\$ 2,781,618
Non Medicare Retirees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Medicare Retirees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ 2,139,365	\$ 2,312,676	\$ 2,483,202	\$ 2,635,076	\$ 2,781,618

Summary of Increase in Expenditures

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Additional Expenditures from Increase in Subscribers						
Estimated Expenditures for new Non Medicare Retirees	0	1,055,239	1,201,997	1,298,212	1,383,910	1,466,608
Estimated Increased Implicit Subsidy Cost	0	573,667	653,940	706,187	752,711	797,594
Estimated Expenditures for new Medicare Retirees	0	239,809	275,681	297,735	317,378	336,331
Estimated Administrative Expenditure	0	270,650	181,059	181,069	181,077	181,085
Total Expenditures	0	2,139,365	2,312,676	2,483,202	2,635,076	2,781,618
Startup Cost and Recoupment						
Startup Cost	25,000	0	0	0	0	0
Estimated Recoupment of Startup Cost		2,778	5,556	5,555	5,556	5,555

HCA Fiscal Note
Medicare Summary

Estimated Expenditure

	CY 05	CY 06	CY 07	CY 08	CY 09	CY 10	CY 11
Estimated retired local government members (1) (2)	-	39	43	46	50	52	56
Additional Medicare Subscribers	-	39	43	46	50	52	56
Blended Medicare Retiree Rate (3)	\$ 406.05	\$ 458.17	\$ 518.54	\$ 518.54	\$ 518.54	\$ 518.54	\$ 518.54
Additional Expenditure for new Medicare Retirees	\$ -	\$ 107,483	\$ 264,654	\$ 286,708	\$ 308,763	\$ 325,993	\$ 346,669

Fiscal Year Conversion

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Additional Expenditure for new Medicare Retirees	\$ -	\$ 239,809	\$ 275,681	\$ 297,735	\$ 317,378	\$ 336,331

Notes:

- 1) Eligible member estimates came from the Office of the State Actuary, including HCA's assumption that 50% of eligible members will join PEBB.
- 2) 2006 estimates, includes members who are retired receiving a retirement under LEOFF 2 as of July 1, 2006 and employees who separate on or after July 1, 2006.
- 3) The Blended Medicare Retiree rate came from the fall 2004 legislative model.

HCA Fiscal Note
Non-Medicare Summary

Estimated Expenditure

	CY 05	CY 06	CY 07	CY 08	CY 09	CY 10	CY 11
Current Estimated Enrollment							
State active subscribers (Funding Rate basis)	103,908	103,908	103,908	103,908	103,908	103,908	103,908
Other active subscribers	13,730	13,730	13,730	13,730	13,730	13,730	13,730
Non Medicare Retirees	10,445	10,445	10,445	10,445	10,445	10,445	10,445
Total Non Medicare (NMC) Subscribers	128,083	128,083	128,083	128,083	128,083	128,083	128,083
Current Blended Premium Rate (MCO/UMP) Per subscriber (3)	\$ 620.49	\$ 689.38	\$ 765.90	\$ 765.90	\$ 765.90	\$ 765.90	\$ 765.90
Adjusted Non Medicare Risk Profile (current rate 1.041) (4)	1.041	1.041	1.041	1.041	1.041	1.041	1.041
Adjusted Non Medicare Rate Per Subscriber	\$ 620.49	\$ 689.71	\$ 766.29	\$ 766.33	\$ 766.36	\$ 766.39	\$ 766.42
Monthly Premium Impact Per Subscriber	\$ -	\$ 0.33	\$ 0.39	\$ 0.43	\$ 0.46	\$ 0.49	\$ 0.52
Additional Expenditure for Premium Increase	\$ -	\$ 259,760	\$ 627,814	\$ 680,066	\$ 732,308	\$ 773,114	\$ 822,074
Estimated increase in Non-Medicare Retirees (1)(2)	0	137	149	162	174	184	196
Current Non Medicare Retiree rate (3)	\$ 519.19	\$ 579.89	\$ 643.00	\$ 643.00	\$ 643.00	\$ 643.00	\$ 643.00
Adjusted Non Medicare Risk Profile (current rate 1.041) (4)	1.041	1.041	1.041	1.041	1.041	1.041	1.041
Adjusted Non Medicare Retiree Rate	\$ 519.19	\$ 580.16	\$ 643.33	\$ 643.36	\$ 643.39	\$ 643.41	\$ 643.43
Additional Expenditures for new Non Medicare Retirees	\$ -	\$ 478,294	\$ 1,153,891	\$ 1,250,102	\$ 1,346,321	\$ 1,421,498	\$ 1,511,717
Total Expenditure	\$ -	\$ 738,054	\$ 1,781,705	\$ 1,930,168	\$ 2,078,629	\$ 2,194,613	\$ 2,333,792

Fiscal Year Conversion

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Additional Expenditure for Premium Increase (Implicit Subsidy)	\$ -	\$ 573,667	\$ 653,940	\$ 706,187	\$ 752,711	\$ 797,594
Additional Expenditure for new Non Medicare Retirees	\$ -	\$ 1,055,239	\$ 1,201,997	\$ 1,298,212	\$ 1,383,910	\$ 1,466,608
Total Additional Expenditures	\$ -	\$ 1,628,906	\$ 1,855,937	\$ 2,004,398	\$ 2,136,621	\$ 2,264,202

Notes:

- 1) Eligible member estimates came from the Office of the State Actuary, including HCA's assumption that 50% of eligible members will join PEBB.
- 2) 2006 estimates, includes members who are retired receiving a retirement under LEOFF 2 as of July 1, 2006 and employees who separate on or after July 1, 2006.
- 3) Current Blended Premium and Non Medicare Retirees rate came from the fall 2004 legislative model.
- 4) Calculations for Risk Profile does not include waivers (4,735), but they are still affected by the change in risk.

HCA Fiscal Note

Table 3, HCA Admin

Bill #:HB 2162

Other Admin

HCA Request: 05-52

SIX YEAR EXPENDITURE ESTIMATE FOR:	Title: LEOFF Plan 2 Medical Board									
Bill #:HB 2162										
HCA Request: 05-52	FY06	FY07	1st Biennium	FY08	FY09	2nd Biennium	FY10	FY11	3rd Biennium	Six Year Total
FTE	0.0	3.0	1.5	3.0	3.0	3.0	3.0	3.0	3.0	2.5
Salaries	0	114,366	114,366	114,366	114,366	228,732	114,366	114,366	228,732	571,830
Benefits	0	26,533	26,533	26,533	26,533	53,066	26,533	26,533	53,066	132,665
Personal Service Contracts	0	75,000	75,000	10,000	10,000	20,000	10,000	10,000	20,000	115,000
Goods and Services	0	29,151	29,151	29,160	29,170	58,330	29,178	29,186	58,365	145,845
1. Supplies	0	1,671	1,671	1,671	1,671	3,342	1,671	1,671	3,342	8,355
2. Telephone	0	1,029	1,029	1,029	1,029	2,058	1,029	1,029	2,058	5,145
3. Facilities Mgmt. (EC, ED, & EK)	0	15,396	15,396	15,396	15,396	30,792	15,396	15,396	30,792	76,980
4. Printing / Copies	0	597	597	597	597	1,194	597	597	1,194	2,985
5. Employee Training	0	1,146	1,146	1,146	1,146	2,292	1,146	1,146	2,292	5,730
6. Personnel Service Charge	0	801	801	801	801	1,602	801	801	1,602	4,005
7. Data Processing Charges "EL"	0	8,400	8,400	8,400	8,400	16,800	8,400	8,400	16,800	42,000
8. Attorney General Revolving Fund "EM"	0	0	0	0	0	0	0	0	0	0
9. "Special " Data Processing	0	0	0	0	0	0	0	0	0	0
10. Misc Goods & Services "EZ"	0	0	0	0	0	0	0	0	0	0
11. IS expenditures for additional new enrollees	0	111	111	120	130	250	138	146	285	645
12. "SPECIAL" Goods & Services	0	0	0	0	0	0	0	0	0	0
13. "SPECIAL" Goods & Services	0	0	0	0	0	0	0	0	0	0
14. "SPECIAL" Goods & Services	0	0	0	0	0	0	0	0	0	0
Travel	0	1,000	1,000	1,000	1,000	2,000	1,000	1,000	2,000	5,000
Equipment	0	24,600	24,600	0	0	0	0	0	0	24,600
Other -	0	0	0	0	0	0	0	0	0	0
Other -	0	0	0	0	0	0	0	0	0	0
Other -	0	0	0	0	0	0	0	0	0	0
Total	0	270,650	270,650	181,059	181,069	362,128	181,077	181,085	362,163	994,940

001-2 General Fund - Federal	0	0	0	0	0	0	0	0	0	0
721-6 PEBB Insurance Account	0	270,650	270,650	181,059	181,069	362,128	181,077	181,085	362,163	994,940
760-1 Health Services Acct	0	0	0	0	0	0	0	0	0	0
Total Funds	0	270,650	270,650	181,059	181,069	362,128	181,077	181,085	362,163	994,940

	FY06	FY07	1st Bien.	FY08	FY09	2nd Bien.	FY10	FY11	3rd Bien.	6 Year Total
Non-appropriated	0	0	0	0	0	0	0	0	0	0
Non-appropriated	0	0	0	0	0	0	0	0	0	0
Total Non-appropriated funds	0	0	0	0	0	0	0	0	0	0

HCA Fiscal Note

Table 3, Medical Board Admin

Bill #:HB 2162

Other Admin

HCA Request: 05-52

SIX YEAR EXPENDITURE ESTIMATE FOR:	Title: LEOFF Plan 2 Medical Board									Six
Bill #:HB 2162			1st			2nd			3rd	Year
HCA Request: 05-52	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium	Total
FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Salaries	0	0	0	0	0	0	0	0	0	0
Benefits	0	0	0	0	0	0	0	0	0	0
Personal Service Contracts	25,000	25,000	50,000	50,000	50,000	100,000	50,000	50,000	100,000	250,000
Goods and Services	0	5,000	5,000	5,000	5,000	10,000	5,000	5,000	10,000	25,000
1. Supplies	0	0	0	0	0	0	0	0	0	0
2. Telephone	0	0	0	0	0	0	0	0	0	0
3. Facilities Mgmt. (EC, ED, & EK)	0	0	0	0	0	0	0	0	0	0
4. Printing / Copies	0	0	0	0	0	0	0	0	0	0
5. Employee Training	0	0	0	0	0	0	0	0	0	0
6. Personnel Service Charge	0	0	0	0	0	0	0	0	0	0
7. Data Processing Charges "EL"	0	0	0	0	0	0	0	0	0	0
8. Attorney General Revolving Fund "EM"	0	0	0	0	0	0	0	0	0	0
9. "Special " Data Processing	0	0	0	0	0	0	0	0	0	0
10. Misc Goods & Services "EZ"	0	0	0	0	0	0	0	0	0	0
11. Medical Board Expenses (Reimbursement)	0	5,000	5,000	5,000	5,000	10,000	5,000	5,000	10,000	25,000
12. "SPECIAL" Goods & Services	0	0	0	0	0	0	0	0	0	0
13. "SPECIAL" Goods & Services	0	0	0	0	0	0	0	0	0	0
14. "SPECIAL" Goods & Services	0	0	0	0	0	0	0	0	0	0
Travel	0	0	0	0	0	0	0	0	0	0
Equipment	0	0	0	0	0	0	0	0	0	0
Other -	0	0	0	0	0	0	0	0	0	0
Other -	0	0	0	0	0	0	0	0	0	0
Other -	0	0	0	0	0	0	0	0	0	0
Total	25,000	30,000	55,000	55,000	55,000	110,000	55,000	55,000	110,000	275,000
001-2 General Fund - Federal	0	0	0	0	0	0	0	0	0	0
NEW Medical Board Fund	25,000	30,000	55,000	55,000	55,000	110,000	55,000	55,000	110,000	275,000
760-1 Health Services Acct	0	0	0	0	0	0	0	0	0	0
Total Funds	25,000	30,000	55,000	55,000	55,000	110,000	55,000	55,000	110,000	275,000
	FY06	FY07	1st Bien.	FY08	FY09	2nd Bien.	FY10	FY11	3rd Bien.	6 Year Total
Non-appropriated	0	0	0	0	0	0	0	0	0	0
Non-appropriated	0	0	0	0	0	0	0	0	0	0
Total Non-appropriated funds	0	0	0	0	0	0	0	0	0	0

Individual State Agency Fiscal Note

Bill Number: 2162 HB	Title: LEOFFRS plan 2 medical board	Agency: 124-Department of Retirement Systems
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
Department of Retirement Systems	319,340	1,830	321,170	3,660	3,660
Expense Account-State 600-1					
Total \$	319,340	1,830	321,170	3,660	3,660

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	0.3	0.0	0.2	0.0	0.0
Fund					
Department of Retirement Systems	319,340	1,830	321,170	3,660	3,660
Expense Account-State 600-1					
Total \$	319,340	1,830	321,170	3,660	3,660

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/23/2005
Agency Preparation: Dave Nelsen	Phone: (360) 664-7304	Date: 02/28/2005
Agency Approval: John Charles	Phone: (360) 664-7312	Date: 02/28/2005
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 03/01/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill creates the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 Retiree Medical Board. This board will oversee the funding and provision of post-retirement health benefits for retirees of LEOFF Plan 2. Funding will be accomplished through the contributions of active members of LEOFF Plan 2 and through premiums paid by retirees that enroll in the health benefit plans. The roles of the principal organizations involved are summarized as follows:

- The Health Care Authority (HCA) will establish and manage the health benefit plans for participating retirees.
- The LEOFF Plan 2 Retiree Medical Board will oversee the creation and the on-going management of the retired LEOFF Plan 2 medical fund, and within that, the retired LEOFF Plan 2 medical expense fund. All contributions from active LEOFF Plan 2 members and premiums from participating LEOFF Plan 2 retirees will be deposited into that fund. The Medical Board will then remit to HCA the funds necessary to pay the costs of covering the participating retirees, and any associated administrative costs.
- The Washington State Investment Board (WSIB) will invest, reinvest, manage, contract, sell or exchange money in the funds, pursuant to investment policies the WSIB develops.
- The Department of Retirement Systems (DRS) will collect contributions from active LEOFF Plan 2 employees and premiums from participating LEOFF Plan 2 retirees and remit those amounts to the LEOFF Plan 2 medical fund.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Section 13 of the bill identifies that all DRS expenses related to the implementation and administration of this act shall be reimbursed from the medical expense fund. This fiscal note assumes that the reimbursement would be handled as a cash transfer into the DRS Expense Account.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attached.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	0.3	0.0	0.2	0.0	0.0
A-Salaries and Wages	14,000	1,397	15,397	2,794	2,794
B-Employee Benefits	4,340	433	4,773	866	866
C-Personal Service Contracts					
E-Goods and Services	301,000		301,000		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	\$319,340	\$1,830	\$321,170	\$3,660	\$3,660

Request # 05-048-1

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2006	FY 2007	2005-07	2007-09	2009-11
Financial Analyst 2	40,512	0.0	0.0	0.0	0.0	0.0
Financial Analyst 3	46,992	0.3		0.1		
Total FTE's		0.3	0.0	0.2	0.0	0.0

Part IV: Capital Budget Impact

No impact.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

No impact.

II. C - Expenditures

Administrative Assumptions

- Active member contributions, for the medical expense fund, will be collected as an additional percentage of the reportable compensation submitted to DRS for retirement purposes.
- The tax status of the member health contributions will mirror the tax status of the member retirement contributions.
- DRS will remit active member contributions to the medical fund and a corresponding data file, containing individual demographic data and contribution amounts, to the Medical Board.
- DRS will not report information, such as an annual statement of medical account funds, back to the member.
- DRS will deduct premiums for participating retirees and remit them to the medical fund in a manner consistent with current HCA retiree premiums.
- The Medical Board will reimburse DRS for the on-going administrative expenses associated with the collection of contributions and premiums.

The assumptions above were used in developing the following workload impacts and cost estimates.

Fiscal Unit

To implement this program, fiscal staff will perform the tasks identified below. Additionally, on an on-going basis, fiscal staff will reconcile and remit the appropriate contributions and premiums to the medical expense fund.

- Define business requirements for the automated systems
- Develop new rules and operating policies
- Conduct user acceptance testing
- Conduct staff training

One time: Financial Analyst 3 – 560 hours (salaries/benefits)	\$16,510
On-going: Financial Analyst 2 – 144 hours biennium (salaries/benefits)	<u>\$3,660</u>
Total Estimated Fiscal Unit Costs	\$20,170

Automated Systems

DRS' automated systems will require the following modifications:

- Modify the Employer Information Transmittal System to allow employers to report medical account contributions in addition to member retirement contributions
- Modify the Member Information System to track medical account contributions
- Modify the Receivables Management System to manage medical account contributions reported by employers
- Create a new interface with HCA to transmit medical account contributions and data to the Medical Board

Programmer time of 2,800 hours @ \$95 per hour	\$266,000
DIS cost* of \$500 per week for 70 weeks	<u>\$35,000</u>
Total Estimated Automated Systems Costs	\$301,000

**cost for mainframe computer processing time and resources at the Department of Information Services*

ESTIMATED TOTAL COST TO IMPLEMENT THIS BILL:

	<u>2005-07</u>	<u>2007-09</u>	<u>2009-11</u>
FISCAL UNIT	\$20,170	\$3,660	\$3,660
AUTOMATED SYSTEMS	\$301,000	\$0	\$0
ESTIMATED TOTAL COSTS	\$321,170	\$3,660	\$3,660

Individual State Agency Fiscal Note

Bill Number: 2162 HB	Title: LEOFFRS plan 2 medical board	Agency: 126-State Investment Board
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Part I: Estimates

No Fiscal Impact

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/23/2005
Agency Preparation: Erwin Vidallon	Phone: 360-956-4740	Date: 02/28/2005
Agency Approval: Erwin Vidallon	Phone: 360-956-4740	Date: 02/28/2005
OFM Review: Deborah Feinstein	Phone: 360-902-0614	Date: 02/28/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

The legislature intends to establish a medical board to oversee the funding and provision of postretirement health insurance benefits for retired members of the law enforcement officers' and fire fighters' retirement system plan 2. The legislature also intends to fund the postretirement health benefits through contributions made by active members of the law enforcement officers' and fire fighters' retirement system plan 2 and premiums paid by retirees that enroll in the health benefit plans.

Section 8: Creates an eleven member medical board to govern the retired plan 2 law enforcement officers' and firefighters' medical plans. Membership includes: three active law enforcement officers; three active fire fighters; one member of the house of representatives; one member of the senate; and three members with the expertise in the field of retiree health benefits.

Section 12: (3) The WSIB has the full power to invest, reinvest, manage, contract, sell, or exchange investment money in the medical fund and the medical expense fund. The WSIB is authorized to adopt the necessary investment policies for the funds. All investment and operating costs associated with the investment of money shall be paid pursuant to RCW 43.33A.160 and 43.84.160. (4) All investments made by the WSIB shall be made with the degree of judgment and care pursuant to RCW 43.33A.140 and the investment policy established by the WSIB. (5) When appropriate, the WSIB may commingle money in the medical fund and medical expense fund with other funds. (7) The WSIB shall routinely consult and communicate with the medical board on the investment policy, earnings of the trust, and related needs of the funds.

The proposed bill will increase workload, but not enough to generate a fiscal impact. The workload is associated research and development of investment options. The WSIB assumes that the medical fund is part of the current LEOFF plan retirement fund for purposes of how funds can be invested.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 2162 HB	Title: LEOFFRS plan 2 medical board	Agency: 341-LEOFF 2 Retirement Board
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Part I: Estimates

No Fiscal Impact

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/23/2005
Agency Preparation: Diann Lewallen	Phone: (360) 664-7666	Date: 02/24/2005
Agency Approval: Steve Nelsen	Phone: 360-586-2323	Date: 02/24/2005
OFM Review: Jane Sakson	Phone: 360-902-0549	Date: 02/25/2005

Multiple Agency Fiscal Note Summary

Bill Number: 5781 SB	Title: Retired lcl gvrnmnt employee
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Estimated Cash Receipts

Agency Name	2005-07		2007-09		2009-11	
	GF- State	Total	GF- State	Total	GF- State	Total
Washington State Health Care Authority	0	150,683,433	0	200,598,787	0	234,829,588
Total \$	0	150,683,433	0	200,598,787	0	234,829,588

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

Estimated Expenditures

Agency Name	2005-07			2007-09			2009-11		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of the State Actuary	.0	0	0	.0	0	0	.0	0	0
Washington State Health Care Authority	8.5	0	150,683,433	8.0	0	200,598,787	8.0	0	234,829,589
Department of Retirement Systems	.0	0	0	.0	0	0	.0	0	0
Total	8.5	\$0	\$150,683,433	8.0	\$0	\$200,598,787	8.0	\$0	\$234,829,589

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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Prepared by: Elise Greef, OFM	Phone: 360-902-0539	Date Published: Final 4/15/2005
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Individual State Agency Fiscal Note

Bill Number: 5781 SB	Title: Retired lcl gvrnmnt employee	Agency: 035-Office of State Actuary
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Part I: Estimates

No Fiscal Impact

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

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- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/23/2005
Agency Preparation: Robert Baker	Phone: 586-9237	Date: 02/25/2005
Agency Approval: Matthew M. Smith	Phone: 360-753-9144	Date: 02/25/2005
OFM Review: Jane Sakson	Phone: 360-902-0549	Date: 02/25/2005

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	2/25/05	SB 5781

SUMMARY OF BILL:

This bill impacts the Public Employee's Retirement System (PERS) by allowing members who retire (PERS 1 & 2) or separate (PERS 3 at age 55 with 10 years of service) from a county, municipality, or other political subdivision of the state, and who select to participate in insurance plans provided by their employers immediately upon retirement or separation, to move to coverage provided by the Public Employee's Benefits Board during the open enrollment period of each year, provided that no lapse in coverage results.

Counties, municipalities, and other political subdivision employers would be required to remit to the Health Care Authority an amount that would cover the cost of premium subsidies for such retirees. These monies would be deposited in the public employees' and retirees' insurance account.

Effective Date: July 1, 2005

CURRENT SITUATION:

Currently retired or disabled state, K-12, and higher education employees are eligible for continuation of coverage under the Public Employees' Benefits Board insurance programs.

Retired or disabled county, municipality, or other political subdivision PERS 1 and PERS 2 employees, and their dependents, are eligible to continue in insurance programs offered by their employers (if available).

Separated county, municipality, or other political subdivision PERS 3 employees who are at least age 55 and have at least 10 years of service are eligible to continue in insurance programs offered by their employers (if available).

MEMBERS IMPACTED:

We estimate that all members retiring from PERS 1 & 2 and all PERS 3 members who separate from service and are at least age 55 with 10 or more years of service will be affected by this bill. This bill could impact 6,093 out of 19,740 PERS 1 active members, 54,429 out of 117,262 PERS 2 active members, and 6,127 out of 17,548 active PERS 3 members, for a total of 66,649 out of 154,550 active PERS members.

This bill would not increase retirement benefits in the affected systems.

ASSUMPTIONS:

We assume that retirement rates for PERS Plans 1 and 2 and the termination rates for PERS 3 will not increase or decrease as a result of this bill.

FISCAL IMPACT:

None.

Individual State Agency Fiscal Note

Bill Number: 5781 SB	Title: Retired lcl gvrnmnt employee	Agency: 107-Wash State Health Care Authority
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
Public Employees' and Retirees InsuranceAccount-Non-Appropriated 721-6	67,440,686	83,242,747	150,683,433	200,598,787	234,829,588
Total \$	67,440,686	83,242,747	150,683,433	200,598,787	234,829,588

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	9.0	8.0	8.5	8.0	8.0
Fund					
St Health Care Authority Admin Acct-State 418-1	675,126	502,559	1,177,685	1,013,033	1,024,282
Public Employees' and Retirees InsuranceAccount-Non-Appropriated 721-6	66,765,560	82,740,188	149,505,748	199,585,754	233,805,307
Total \$	67,440,686	83,242,747	150,683,433	200,598,787	234,829,589

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/23/2005
Agency Preparation: Nguyen Dang	Phone: (360) 923-2867	Date: 02/25/2005
Agency Approval: Connie Robins	Phone: 360 923 2923	Date: 04/15/2005
OFM Review: Elise Greef	Phone: 360-902-0539	Date: 04/15/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

See attached Narrative.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

See attached Narrative.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attached Narrative.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	9.0	8.0	8.5	8.0	8.0
A-Salaries and Wages	324,762	306,660	631,422	613,320	613,320
B-Employee Benefits	75,345	71,145	146,490	142,290	142,290
C-Personal Service Contracts	75,000	10,000	85,000	20,000	20,000
E-Goods and Services	125,353	112,088	237,441	232,091	243,340
G-Travel	2,916	2,666	5,582	5,332	5,332
J-Capital Outlays	71,750		71,750		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	66,765,560	82,740,188	149,505,748	199,585,754	233,805,307
Total:	\$67,440,686	\$83,242,747	\$150,683,433	\$200,598,787	\$234,829,589

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2006	FY 2007	2005-07	2007-09	2009-11
Benefits Marketing Representative	44,724	0.8		0.4		
Budget Program Specialist 3	44,724	0.5	0.5	0.5	0.5	0.5
Customer Service Representatives	27,636	2.3		1.2		
Financial Analyst 2	36,708	0.8	1.5	1.2	1.5	1.5
Financial Analyst 4	44,724	0.3	0.5	0.4	0.5	0.5
Health Service Consultant 4	53,136	0.5	1.0	0.8	1.0	1.0
HIBS 2	34,092	1.5	2.5	2.0	2.5	2.5
Medical Program Specialist 2	46,992	0.8		0.4		
Office Assistant Senior	26,988	0.5	1.0	0.8	1.0	1.0
Public Information Officer 2	41,520	1.0	1.0	1.0	1.0	1.0
Total FTE's		9.0	8.0	8.5	8.0	8.0

III. C - Expenditures By Program (optional)

-

Program	FY 2006	FY 2007	2005-07	2007-09	2009-11
PEBB (040)	27,851,221	34,364,407	62,215,628	83,196,176	97,714,624
UMP (050)	39,589,465	48,878,340	88,467,805	117,402,611	137,114,965
Total \$	67,440,686	83,242,747	150,683,433	200,598,787	234,829,589

Part IV: Capital Budget Impact

See attached Narrative.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

See attached Narrative.

HCA Fiscal Note

Bill Number: SB 5781

HCA Request #:05-25

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

The bill would allow all Public Employee Retirement Systems (PERS) Plan 1, 2 or 3 members who are receiving a retirement allowance as of July 1, 2005, who separated from employment with a county, municipality, or other political subdivisions, to purchase health insurance through the Public Employees' Benefit Board (PEBB) program. Also, any members of PERS Plan 1, 2 or 3 who separate from employment with a county, municipality, or other political subdivision on or after July 1, 2005 will be eligible to join PEBB.

Apparent Contradiction:

Sec. 6 of this bill provides for a remittance fee to be paid by local governments who do not contract with PEBB for insurance benefits. The fee is to cover the cost of premium subsidies for retirees and administration costs related to their coverage. **Sec. 6(1) provides that PEBB will establish the fee. Sec. 6(3) states that the Health Care Authority (HCA) has the authority to establish the fee.** For the purpose of this fiscal note, HCA assumes that HCA will establish the remittance and develop a method to collect it from local government employers based on the numbers of appropriate employees.

HCA assumes that the K-12 remittance and the local government remittance will be set independently, and that the local government remittance will be based on the increase in administrative costs and plan rates for current PEBB members caused by the retired local government employees joining PEBB.

HCA assumes PERS Plan 1, 2, and 3 retired local government members may join PEBB on July 1, 2005, as directed in the bill.

II. B – Cash Receipts Impact

HCA assumes that the non-Medicare and Medicare enrollment will increase, since additional local government employees are now eligible for PEBB benefits. New revenues will be collected from the additional non-Medicare and Medicare retirees. New revenues that normally would result from current members paying an increased plan rate, due to any impact to the non-Medicare risk pool, will be collected through a new local government remittance. In other words, the changes in the current implicit subsidy and the effective explicit subsidy that PEBB retirees receive will be funded through the remittance along with HCA's administrative expenditures. The cash receipts estimates are detailed below:

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Local Government Remittance	\$24,619,605	\$30,122,786	\$34,652,767	\$ 37,512,319	\$ 40,304,366	\$ 43,623,027
New Non Medicare Retirees	\$20,816,747	\$27,195,916	\$32,700,341	\$ 36,745,562	\$ 40,575,932	\$ 44,279,354
New Medicare Retirees	\$22,004,334	\$25,924,045	\$28,775,701	\$ 30,212,097	\$ 31,746,983	\$ 34,299,926
Total Fund 721	\$67,440,686	\$83,242,747	\$96,128,809	\$104,469,978	\$112,627,281	\$122,202,307

HCA Fiscal Note

Bill Number: SB 5781

HCA Request #:05-25

II. C - Expenditures

The estimated total expenditures are detailed below:

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
PEBB Benefits Fund (Fund 721)	\$66,765,560	\$82,740,188	\$95,623,622	\$103,962,132	\$112,116,817	\$121,688,490
HCA Administrative Account (Fund 418)	\$ 675,126	\$ 502,559	\$ 505,187	\$ 507,846	\$ 510,464	\$ 513,818
Total Expenditures	\$67,440,686	\$83,242,747	\$96,128,809	\$104,469,978	\$112,627,281	\$122,202,307

PEBB Background and General Assumptions:

PEBB purchases health care benefits for many subgroups composed of many members. By purchasing insurance for combined groups, the higher costs for sicker and/or older members are somewhat offset by the lower costs for healthier and/or younger members. PEBB has two distinct groups of members: (1) the state active employees and non-Medicare retirees and (2) Medicare retirees. Each group is referred to as a "risk pool." The insurance companies evaluate the risk involved to insure each group and establish rates based on the perceived risk of future claims.

PEBB Non-Medicare Subsidy Assumptions:

The state active/non-Medicare risk pool consists of all state active employees and non-Medicare retirees under the age of 65 who are not eligible for Medicare. This bill proposes to allow political subdivision employees in PERS Plan 1, 2 or 3 who will retire or have retired from employment to join PEBB. As the numbers of older participants join PEBB, the insurance companies risk of future health care claims increases. Based on available claims, demographics, and diagnostic data, HCA's actuaries, Mercer Human Resources Consulting, estimate that PEBB non-Medicare retirees have approximately a 50 percent higher risk factor than a state active enrollee, and HCA expects health plans to raise their premium rates to cover the increased costs. The additional state cost from the pooling of non-Medicare retiree enrollees with the younger, state active employees is referred to as the non-Medicare implicit subsidy. Enrolling more non-Medicare retiree enrollees in the risk pool increases this implicit subsidy. HCA assumes that the local government remittance will cover the increased subsidy costs, so that current PEBB members and K-12 school districts will not bear any additional expenses from retired local government members joining PEBB. The estimated average rate increase for PEBB members is \$7.82 per subscriber per month (pspm) for CY 06. See enrollment assumptions below.

PEBB Medicare Subsidy Assumptions:

HCA assumes that the additional Medicare retirees joining the Medicare risk pool will not affect Medicare plan rates, since the additional enrollee's health is assumed to be similar to the current Medicare population. However, these retirees will receive the explicit subsidy (\$132 per member per month for CY 06, which is equivalent to \$170 pspm) that all Medicare retirees receive, and HCA assumes that this additional explicit subsidy cost, like the implicit subsidy cost, will be covered by the local government remittance.

Enrollment Assumptions:

The Office of the State Actuary (OSA) and the Department of Retirement Systems have provided HCA with projections of how many local government employees will be eligible to join PEBB in CY 06 – CY 11 based on this bill. HCA makes the following additional assumptions:

HCA Fiscal Note

Bill Number: SB 5781

HCA Request #:05-25

- 50% of eligible members will join PEBB.
- Non-Medicare: Of the group choosing PEBB, 59.4% would enroll in Uniform Medical Plan (UMP). (Percentage is calculated on current UMP/MCO non-Medicare retiree ratio from the fall 2004 PEBB model).
- Medicare: Of the group choosing PEBB, 63.8% would enroll in UMP coverage. (Percentage is calculated on current UMP/MCO Medicare retiree ratio from the fall 2004 PEBB model).

Based on these assumptions the estimated total increase in PEBB enrollment is:

	CY 05	CY 06	CY 07	CY 08	CY 09	CY 10	CY 11
Non-Medicare Retirees	2,839	3,379	3,917	4,443	4,936	5,405	5,863
Medicare Retirees	6,594	6,884	7,200	7,555	7,937	8,342	9,246
Total Increase in PEBB	9,433	10,262	11,117	11,997	12,872	13,746	15,109

Administration:

HCA will require the assistance and expertise of actuaries to calculate the remittance. This will involve estimating the non-Medicare risk factor with and without the new enrollees each year so that the changes in the implicit subsidy can be determined. HCA will also require significant assistance to make one-time modifications to PEBB's current rates projection model. These expenditures are estimated at \$75,000 for FY 06 and \$10,000 ongoing.

In addition to the actuarial services discussed above, HCA will also have new communication and processing expenses as follows:

Additional staffing on July 1, 2005

- 1.0 FTE Public Information Officer 2 to work on outreach materials to local government retirees and assist with updating current employer group materials.
- 1.0 FTE Medical Program Specialist 2 temporary for 9 months beginning on July 1, 2005 to manage a project plan for enrollment of local government retirees; draft rules, policies, processes and procedures while paying close attention to how they will impact current processes, policies and rules; and draft language for communication materials.
- 1.0 FTE Benefits Marketing Representative temporary for 9 months beginning on July 1, 2005 for initial outreach to local government retirees, such as speaking to retiree groups like the Retired Public Employees Council regional chapters to assist their retiree population with eligibility questions and enrollment. Adding additional retiree sessions during Open Enrollment to facilitate group question and answer sessions to assist retirees and their family members that will need to make enrollment decisions. Training Senior Health Insurance Benefits Assistance and other volunteers who give one-on-one assistance to retirees that are in nursing homes or unable to attend public meetings.
- 1.5 FTE Health Information Benefit Specialists 2 to process additional enrollments and perform account maintenance based on the current caseload for PEBB retirees.
- 3.0 FTE Customer Service Representatives temporary for 9 months beginning on September 1, 2005 to absorb initial phone call volume related to eligibility and enrollment questions, call eligibility to the carriers, handle returned mail and address corrections.
- 0.5 FTE Budget Program Specialist 3 to assist the program analyst with rate development and updates to the projection model.
- Additional communication, processing and mailing expenses are estimated at \$41,000 for FY 06 and \$34,000 for FY 07.

HCA Fiscal Note

Bill Number: SB 5781

HCA Request #:05-25

Additional staffing on January 1, 2006

- 0.5 FTE Financial Analyst (FA) 4 for supervision.
- 1.5 FTE FA 2 to assist with account maintenance, billing questions, and revenue collection.
- 1.0 FTE Health Services Consultant 4 to respond to correspondence, respond to appeals and attend hearings.
- 1.0 FTE Office Assistant Senior to manage correspondence and track appeals and assist training and outreach with scheduling and responding to requests for presentations to local retiree groups.

Remittance:

Based on the estimated implicit and explicit subsidy, enrollment and administrative expenditures, HCA estimates that the remittance rate will be \$25.02 per employee per month (pepm) for FY 06 collected among 82,000 local government employees currently in PERS Plan 1, 2 or 3. A comparable remittance based on actuarial analysis of actual experience is collected on behalf of approximately 100,000 K-12 employees who are eligible to purchase their health care through PEBB. In FY 06, the K-12 remittance is \$48.46 pepm.

Remittance Summary:

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Total New Enrollment into PEBB	9,848	10,689	11,557	12,435	13,309	14,427
Estimated Implicit Subsidy	\$10,960,758	\$ 14,220,155	\$ 17,018,246	\$ 19,020,094	\$20,895,850	\$22,691,466
Estimated Explicit Subsidy	\$12,983,722	\$ 15,400,073	\$ 17,129,334	\$ 17,984,379	\$18,898,051	\$20,417,744
Estimated Administrative Expenditure	\$ 675,126	\$ 502,559	\$ 505,187	\$ 507,846	\$ 510,464	\$ 513,818
Total Additional Subsidy	\$24,619,605	\$ 30,122,786	\$ 34,652,767	\$ 37,512,319	\$40,304,366	\$43,623,027
Total Remittance Payers	82,000	82,000	82,000	82,000	82,000	82,000
Local Government Remittance (pepm)	\$ 25.02	\$ 30.61	\$ 35.22	\$ 38.12	\$ 40.96	\$ 44.33

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

Yes. Chapter 182-12 WAC would need amended to include eligibility for local government retirees. Chapter 182-08 would need amended or a new section added to include procedures related to the remittance.

HCA Fiscal Note

Bill #: SB 5781

Summary of impacts

HCA Request: 05-25

FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
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Expenditures

Fund

PEBB/UMP							
Managed Care Organizations (MCOs)		\$ 27,176,095	\$ 33,861,849	\$ 39,302,123	\$ 42,881,020	\$ 46,359,819	\$ 50,330,523
UMP		\$ 39,589,465	\$ 48,878,340	\$ 56,321,499	\$ 61,081,112	\$ 65,756,998	\$ 71,357,967
Total PEBB Benefits Increase	721	\$ 66,765,560	\$ 82,740,188	\$ 95,623,622	\$ 103,962,132	\$ 112,116,817	\$ 121,688,490
Additional Administrative Costs:	418	\$ 675,126	\$ 502,559	\$ 505,187	\$ 507,846	\$ 510,464	\$ 513,818
Additional Administrative Costs:	439	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Administrative Costs:	438	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total UMP Administration		\$ 675,126	\$ 502,559	\$ 505,187	\$ 507,846	\$ 510,464	\$ 513,818
Total PEBB Benefits and Administration		\$ 67,440,686	\$ 83,242,747	\$ 96,128,809	\$ 104,469,978	\$ 112,627,281	\$ 122,202,307

HCA Fiscal Note

Bill #:SB 5781

PEBB-UMP Impact

HCA Request: 05-25

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Expenditure change						
721 Benefits	66,765,560	82,740,188	95,623,622	103,962,132	112,116,817	121,688,490
418 Administration	675,126	502,559	505,187	507,846	510,464	513,818
439 UMP Admin	-	-	-	-	-	-
438 UDP Admin	-	-	-	-	-	-
Total	67,440,686	83,242,747	96,128,809	104,469,978	112,627,281	122,202,307

Estimated Total Enrollment						
State active subscribers (FR basis)	108,643	108,643	108,643	108,643	108,643	108,643
Other active subscribers	13,730	13,730	13,730	13,730	13,730	13,730
Non Medicare Retirees	13,554	14,093	14,625	15,134	15,615	16,079
Medicare Retirees	45,086	46,693	48,377	50,139	51,974	54,118
Total	181,013	183,158	185,374	187,646	189,962	192,570

Revenue change						
State Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Share (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Enrollment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local Government Remittance	\$ 24,619,605	\$ 30,122,786	\$ 34,652,767	\$ 37,512,319	\$ 40,304,366	\$ 43,623,027
New Non Medicare Retirees	\$ 20,816,747	\$ 27,195,916	\$ 32,700,341	\$ 36,745,562	\$ 40,575,932	\$ 44,279,354
New Medicare Retirees	\$ 22,004,334	\$ 25,924,045	\$ 28,775,701	\$ 30,212,097	\$ 31,746,983	\$ 34,299,926
Total	\$ 67,440,686	\$ 83,242,747	\$ 96,128,809	\$ 104,469,978	\$ 112,627,281	\$ 122,202,307

State Share Source						
46.1%	GF-State	-	-	-	-	-
7.8%	GF-Federal	-	-	-	-	-
0.7%	GF-Local	-	-	-	-	-
19.5%	Other Appropriated	-	-	-	-	-
25.9%	Non Appropriated	-	-	-	-	-
100.0%	Total Active revenue	-	-	-	-	-

Employer Funding rate impact						
	Enrollment					
MCO	57,843					
UMP	46,065					
Waivers	4,735					
	108,643	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:

1) This fiscal note assumes that state employees pay an average of 12% of the cost of medical premiums in CY 05 and following years.

2) Since the Cover Sheet Fund 721 does not include the GF-S, GF-F, and GF-L as revenue, but does include them as expenditures, the bolded funds above, (less Funds 418, 438, and 439) equal the Cover Sheet Fund 721 expenditure line.

Estimated Remittance Summary

New Active Employees	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Non-Participating Local Government (1)	82,000	82,000	82,000	82,000	82,000	82,000
Total Remittance Payers	82,000	82,000	82,000	82,000	82,000	82,000

Additional Expenditures from Increase in Subscribers

Estimated Annual Premium Increase for riskpool impact	10,960,758	14,220,155	17,018,246	19,020,094	20,895,850	22,691,466
Estimated Annual Explicit Subsidy for Retirees	12,983,722	15,400,073	17,129,334	17,984,379	18,898,051	20,417,744
Estimated Annual Administrative Expenditure	675,126	502,559	505,187	507,846	510,464	513,818
Total Additional Subsidy	24,619,605	30,122,786	34,652,767	37,512,319	40,304,366	43,623,027

Local Government Remittance (Per employee per month)	25.02	30.61	35.22	38.12	40.96	44.33
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Notes:
 1) Assumes that there will always be 82,000 non-PEBB local government who are in PERS Plan 1, 2 or 3 (based on December 2004 OSA estimate of active local government PERS members).

HCA Fiscal Note
Medicare Summary

Estimated Expenditure

Estimated Enrollment	CY 05	CY 06	CY 07	CY 08	CY 09	CY 10	CY 11
Estimated retiring local government members (1)(2)	6,594	6,884	7,200	7,555	7,937	8,342	9,246
Additional Medicare Subscribers	6,594	6,884	7,200	7,555	7,937	8,342	9,246
Retirees Premium	\$ 255.85	\$ 287.69	\$ 325.05	\$ 325.05	\$ 325.05	\$ 325.05	\$ 325.05
Effective Explicit Subsidy per Subscriber (4)	\$ 150.20	\$ 170.48	\$ 193.49	\$ 193.49	\$ 193.49	\$ 193.49	\$ 193.49
Current Blended Medicare Retirees Rate (3)	\$ 406.05	\$ 458.17	\$ 518.54	\$ 518.54	\$ 518.54	\$ 518.54	\$ 518.54
Expenditures for Retirees	\$ 20,244,899	\$ 23,763,769	\$ 28,084,320	\$ 29,467,083	\$ 30,957,112	\$ 32,536,855	\$ 36,062,997
Expenditures for Explicit Subsidy	\$ 11,885,073	\$ 14,082,371	\$ 16,717,775	\$ 17,540,893	\$ 18,427,864	\$ 19,368,239	\$ 21,467,248
Additional Expenditure for new Medicare Retirees	\$ 32,129,972	\$ 37,846,140	\$ 44,802,095	\$ 47,007,976	\$ 49,384,976	\$ 51,905,094	\$ 57,530,246

Fiscal Year Conversion

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Expenditures Collected from Medicare	\$ 22,004,334	\$ 25,924,045	\$ 28,775,701	\$ 30,212,097	\$ 31,746,983	\$ 34,299,926
Expenditures from Explicit Subsidy	\$ 12,983,722	\$ 15,400,073	\$ 17,129,334	\$ 17,984,379	\$ 18,898,051	\$ 20,417,744
Additional Expenditures for new Medicare Retirees	\$ 34,988,056	\$ 41,324,117	\$ 45,905,035	\$ 48,196,476	\$ 50,645,035	\$ 54,717,670

Notes:

- 1) Eligible member estimates came from the Office of the State Actuary, including HCA's assumption that 50% of eligible members will join PEBB.
- 2) 2005 estimates, includes members who are retired receiving a retirement under PERS 1, 2 or 3 as of July 1, 2005 and employees who separate on or after July 1, 2005
- 3) Medicare Retiree rate came from the fall 2004 legislative model.
- 4) Effective Explicit Subsidy is based on a ratio of 1.34 Adult Units per Medicare Retiree subscriber (Assumption is based on fall 2004 legislative model).

HCA Fiscal Note
Non-Medicare Summary

Estimated Expenditure

	CY 05	CY 06	CY 07	CY 08	CY 09	CY 10	CY 11
Current Estimated Enrollment							
State active subscribers (Funding Rate basis)	103,908	103,908	103,908	103,908	103,908	103,908	103,908
Other active subscribers	13,730	13,730	13,730	13,730	13,730	13,730	13,730
Non Medicare Retirees	10,445	10,445	10,445	10,445	10,445	10,445	10,445
Total Non Medicare (NMC) Subscribers	128,083	128,083	128,083	128,083	128,083	128,083	128,083
Current Blended Premium Rate (MCO/UMP) Per subscriber (3)	\$ 620.49	\$ 689.38	\$ 765.90	\$ 765.90	\$ 765.90	\$ 765.90	\$ 765.90
Adjusted Non Medicare Risk Profile (current rate 1.041) (4)	1.051	1.053	1.054	1.056	1.058	1.059	1.061
Adjusted Non Medicare Rate Per Subscriber	\$ 626.43	\$ 697.20	\$ 775.93	\$ 777.23	\$ 778.44	\$ 779.58	\$ 780.69
Monthly Premium Impact Per Subscriber	\$ 5.94	\$ 7.82	\$ 10.03	\$ 11.33	\$ 12.54	\$ 13.68	\$ 14.79
Additional Expenditure for Premium Increase	\$ 4,731,135	\$ 12,459,246	\$ 15,981,063	\$ 18,055,429	\$ 19,984,760	\$ 21,806,941	\$ 23,575,991
Estimated increase in Non-Medicare Retiree (1)(2)	2,839	3,379	3,917	4,443	4,936	5,405	5,863
Current Non Medicare Retiree rate (3)	\$ 519.19	\$ 579.89	\$ 643.00	\$ 643.00	\$ 643.00	\$ 643.00	\$ 643.00
Adjusted Non Medicare Risk Profile (current rate 1.041) (4)	1.051	1.053	1.054	1.056	1.058	1.059	1.061
Adjusted Non Medicare Retiree Rate	\$ 524.16	\$ 586.47	\$ 651.42	\$ 652.51	\$ 653.53	\$ 654.49	\$ 655.42
Additional Expenditures for new Non Medicare Retirees	\$ 8,928,501	\$ 23,776,492	\$ 30,615,341	\$ 34,785,341	\$ 38,705,783	\$ 42,446,081	\$ 46,112,627
Total Expenditure	\$ 13,659,636	\$ 36,235,738	\$ 46,596,404	\$ 52,840,770	\$ 58,690,543	\$ 64,253,021	\$ 69,688,619

Fiscal Year Conversion

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Additional Expenditure for Premium Increase	\$ 10,960,758	\$ 14,220,155	\$ 17,018,246	\$ 19,020,094	\$ 20,895,850	\$ 22,691,466
Additional Expenditure for new Non Medicare Retirees	\$ 20,816,747	\$ 27,195,916	\$ 32,700,341	\$ 36,745,562	\$ 40,575,932	\$ 44,279,354
Total Additional Expenditures	\$ 31,777,504	\$ 41,416,071	\$ 49,718,587	\$ 55,765,656	\$ 61,471,782	\$ 66,970,820

Notes:

- 1) Eligible member estimates came from the Office of the State Actuary, including HCA's assumption that 50% of eligible members will join PEBB.
- 2) 2005 estimates, includes members who are retired receiving a retirement under PERS 1, 2 or 3 as of July 1, 2005 and employees who separate on or after July 1, 2005.
- 3) Current Blended Premium and Non Medicare Retirees rate came from the fall 2004 legislative model.
- 4) Calculations for Risk Profile does not include waivers (4,735), but they are still affected by the change in risk.

HCA Fiscal Note

Table 3, Other Admin

Bill #:SB 5781

Other Admin

HCA Request: 05-25

SIX YEAR EXPENDITURE ESTIMATE FOR:	Title: Retired Icl Government									Six
Bill #:SB 5781			1st			2nd			3rd	Year
HCA Request: 05-25	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium	Total
FTE	8.8	8.0	8.4	8.0	8.0	8.0	8.0	8.0	8.0	8.1
Salaries	324,762	306,660	631,422	306,660	306,660	613,320	306,660	306,660	613,320	1,858,062
Benefits	75,345	71,145	146,490	71,145	71,145	142,290	71,145	71,145	142,290	431,070
Personal Service Contracts	75,000	10,000	85,000	10,000	10,000	20,000	10,000	10,000	20,000	125,000
Goods and Services	125,353	112,088	237,440	114,716	117,375	232,091	119,993	123,347	243,340	712,871
1. Supplies	4,874	4,456	9,330	4,456	4,456	8,912	4,456	4,456	8,912	27,154
2. Telephone	3,001	2,744	5,745	2,744	2,744	5,488	2,744	2,744	5,488	16,721
3. Facilities Mgmt. (EC, ED, & EK)	44,905	41,056	85,961	41,056	41,056	82,112	41,056	41,056	82,112	250,185
4. Printing / Copies	1,741	1,592	3,333	1,592	1,592	3,184	1,592	1,592	3,184	9,701
5. Employee Training	3,343	3,056	6,399	3,056	3,056	6,112	3,056	3,056	6,112	18,623
6. Personnel Service Charge	2,273	2,147	4,420	2,147	2,147	4,294	2,147	2,147	4,294	13,008
7. Data Processing Charges "EL"	24,500	22,400	46,900	22,400	22,400	44,800	22,400	22,400	44,800	136,500
8. Attorney General Revolving Fund "EM"	0	0	0	0	0	0	0	0	0	0
9. "Special " Data Processing	0	0	0	0	0	0	0	0	0	0
10. Misc Goods & Services "EZ"	0	0	0	0	0	0	0	0	0	0
11. IS expenditures for additional new enrollees	5,909	6,414	12,322	6,934	7,461	14,395	7,985	8,656	16,642	43,359
12. Additional Lock Box Fee	25,374	27,394	52,768	29,476	31,583	61,059	33,682	36,365	70,047	183,874
13. Additional Communication Expenditures	9,433	829	10,262	855	881	1,735	875	874	1,749	13,746
14. "SPECIAL" Goods & Services	0	0	0	0	0	0	0	0	0	0
Travel	2,916	2,666	5,582	2,666	2,666	5,332	2,666	2,666	5,332	16,246
Equipment	71,750	0	71,750	0	0	0	0	0	0	71,750
Other -	0	0	0	0	0	0	0	0	0	0
Other -	0	0	0	0	0	0	0	0	0	0
Other -	0	0	0	0	0	0	0	0	0	0
Total	675,126	502,559	1,177,684	505,187	507,846	1,013,033	510,464	513,818	1,024,282	3,214,999
001-2 General Fund - Federal	0	0	0	0	0	0	0	0	0	0
721-6 PEBB Insurance Account	675,126	502,559	1,177,684	505,187	507,846	1,013,033	510,464	513,818	1,024,282	3,214,999
760-1 Health Services Acct	0	0	0	0	0	0	0	0	0	0
Total Funds	675,126	502,559	1,177,684	505,187	507,846	1,013,033	510,464	513,818	1,024,282	3,214,999
	FY06	FY07	1st Bien.	FY08	FY09	2nd Bien.	FY10	FY11	3rd Bien.	6 Year Total
Non-appropriated			0			0			0	0
Non-appropriated			0			0			0	0
Total Non-appropriated funds	0	0	0	0	0	0	0	0	0	0

Individual State Agency Fiscal Note

Bill Number: 5781 SB	Title: Retired lcl gvrnmnt employee	Agency: 124-Department of Retirement Systems
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Part I: Estimates

No Fiscal Impact

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/23/2005
Agency Preparation: Dave Nelsen	Phone: (360) 664-7304	Date: 02/24/2005
Agency Approval: John Charles	Phone: (360) 664-7312	Date: 02/28/2005
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/28/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill amends the definition of retired employee in RCW 41.05, granting eligibility for health care coverage under the Public Employees Benefits Board (PEBB) to members of Public Employees' Retirement System (PERS) who left or leave employment with a county, municipality or other political subdivision under the following conditions:

- Have separated from employment and are receiving a PERS retirement allowance as of July 1, 2005 or;
- Separate from employment on or after July 1, 2005 and, immediately upon separation, begin receiving a PERS retirement allowance or;
- Are PERS Plan 3 members, who are at least 55 years of age and have at least 10 years of service credit in PERS, and separate from employment on or after July 1, 2005 and, immediately upon separation, elect to continue health insurance coverage with their employer or coverage provided by PEBB.

The bill also allows retired and separated employees who selected participation in insurance plans provided by their employers immediately upon retirement to switch to PEBB coverage during the annual open enrollment period, provided that no lapse in coverage results.

The benefits provided under the PEBB program are administered by the Health Care Authority. This bill will have no impact on the Department of Retirement Systems.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.