

BILL # SB 1176

TITLE: ASRS; retiree health insurance

SPONSOR: Arzberger

STATUS: As Introduced

REQUESTED BY: Senate

PREPARED BY: Timothy Sweeney

FISCAL ANALYSIS

Description

SB 1176 adds a statutory provision to require that Arizona State Retirement System (ASRS) health insurance premiums, deductibles, and co-payments are comparable for all participating members.

Estimated Impact

This legislation is not estimated to have a General Fund impact, as long as the “comparability” requirement does not affect the health insurance premium subsidy. If this legislation leads to increases or decreases in ASRS retiree gross health insurance premiums, those changes will affect the retirees, and not contribution rates. The gross premiums are solely funded by retirees and there is no ASRS financial support. ASRS, however, does provide a benefit subsidy to offset the cost of the gross premiums. This subsidy is financed through system assets and does affect the employer contribution rate and the state budget. ASRS, however, does not interpret the comparability requirement to apply to the health insurance subsidy benefit, and estimates that this legislation would have no cost to the ASRS contribution rate.

Analysis

ASRS retirees pay the monthly premiums for the ASRS health insurance program, as well as any established deductibles or co-payments. To partially offset this cost, however, all retirees receive a permanent health insurance subsidy benefit and rural retirees receive an additional temporary health insurance subsidy. The temporary rural subsidy ends June 30, 2005, and is not affected by this legislation.

This legislation could have an effect on the monthly premium amounts paid by participating ASRS retirees if the current premiums are not found to be comparable across all eligible persons. Specifically, it could lead to increases or decreases in the monthly premium amounts based on whether the retiree is in a rural or non-rural area. ASRS is currently in the process of examining this legislation and the effect it would have on specific health insurance rates, however, they are not estimating that it would affect the retirement contribution rate. As an example of the current range of premium payments, Table 1 shows the monthly health insurance premiums and health insurance subsidy benefit for single retirees, without Medicare. Monthly premiums and subsidy amounts vary as plans include dependants, and either the retiree or dependant is eligible for Medicare.

Table 1	<u>Gross Monthly Premium</u>	<u>Subsidy Benefit</u> ^{1/}	<u>Net Monthly Premium</u>
Non-Rural Retirees			
HMO	\$403.79	\$150.00	\$253.79
PPO	925.42	150.00	775.42
Rural Retirees			
HMO ^{2/}	403.79	278.79	125.00
PPO	769.45	450.00	319.45
1/ The additional rural subsidy requires that members pay a portion of the monthly premium cost before the subsidy kicks in. For single retiree w/o Medicare the monthly requirement is \$125.			
2/ Rural retirees may participate in the HMO, however must receive HMO care in an HMO area (Maricopa and Pima counties).			

Local Government Impact

None.