



# 129th MAINE LEGISLATURE

LD 178

LR 575(02)

## An Act To Increase the State Share of the Cost of Health Insurance for Retired Teachers

Fiscal Note for Bill as Amended by Committee Amendment " "

Committee: Education and Cultural Affairs

Fiscal Note Required: Yes

### Fiscal Note

	FY 2019-20	FY 2020-21	Projections FY 2021-22	Projections FY 2022-23
<b>Net Cost (Savings)</b>				
General Fund	\$0	\$0	\$3,533,224	\$3,661,833
<b>Appropriations/Allocations</b>				
General Fund	\$0	\$0	\$3,533,224	\$3,661,833

### Fiscal Detail and Notes

This bill increases the State's contribution for retired teachers health insurance premiums from 45% to 55% beginning in fiscal year 2020-21. At the same time and unrelated to this bill, the Maine Education Association Benefit Trust (MEABT) is transitioning from a Medicare companion plan to a Medicare Advantage Group plan effective July 1, 2020, significantly reducing the premiums for the over 8,300 people on this plan. The fiscal impact of this bill and the MEABT plan change for the 2020-2021 and 2022-2023 biennia is provided in the table below. The estimated savings to the State from the MEABT plan change is shown in column (b). The total cost associated with the increase in the State's contribution from 45% to 55% beginning in fiscal year 2020-21 is shown in column (f). The net cost of this bill and the plan change together are shown in column (g).

Fiscal Year	Estimated annual cost to State without legislative changes (a)	Estimated savings from MEABT change to Medicare Advantage Group Plan (b)	Estimated annual cost to State with MEABT change to Medicare Advantage Plan (c)	State Share % (d)	Estimated annual cost to State with Enactment of LD 178 (as amended) (e)	Estimated cost of LD 178 (as amended) (f)	Net cost of annual Increase in State share and MEABT Plan change (g)
			(a + b)		(c / .45) * (d)	(e - c)	(e - a)
FY20	\$31,873,189	\$0	\$31,873,189	0.45	\$31,873,189	\$0	\$0
FY21	\$32,266,964	(\$3,077,432)	\$29,189,533	0.55	\$35,676,095	\$6,486,563	\$3,409,131
FY22	\$33,441,481	(\$3,189,450)	\$30,252,031	0.55	\$36,974,705	\$6,722,674	\$3,533,224
FY23	\$34,658,751	(\$3,305,546)	\$31,353,205	0.55	\$38,320,584	\$6,967,379	\$3,661,833

The Retired Teachers Health Insurance program is currently budgeted to receive \$45.0 million in General Fund appropriations in both fiscal year 2019-20 and fiscal year 2020-21. Based on 8 months of actual expenditure data, it is estimated that the State will pay approximately \$31.9 million for its contribution for retired teachers health insurance premiums in fiscal year 2019-20. The State is also expected to apply \$10.0 million of the General Fund appropriation towards the unfunded actuarial liability (UAL) of the retired teachers health insurance plan pursuant to Title 5, §286-B, sub-§2. Given this information, expenditures for this program are expected to be less than current appropriations for fiscal year 2019-20 by approximately \$3.1 million (\$45.0 million - \$41.9 million). For fiscal year 2020-21, however, when the \$3.4 million cost of this provision and the plan change together (g) is added to the projected expenditures of \$32.3 million (a) along with another \$10.0 million being applied to the UAL, expenditures are projected to exceed appropriations by approximately \$0.676 million (\$45.0 million - 3.4 million - \$32.3 million - \$10.0 million). Funds appropriated to the Retired Teachers Health Insurance program are transferred to the Retiree Health Insurance Fund, an internal services fund within the Department of Administrative and Financial Services. Unexpended funds in this Fund are carried forward into the next fiscal year and may be used to pay future premium costs or applied to the normal or UAL costs of the retired teachers health insurance plan. It is the intent that a portion of the \$3.1 million in anticipated unexpended funds in fiscal year 2019-20 be used to cover the \$676,000 cost in fiscal year 2020-21 and no additional funding is required in fiscal year 2020-21.