

**130th MAINE LEGISLATURE****LD 293****LR 1400(01)****An Act To Increase the State's Share of the Cost of Health Insurance for Retired Teachers****Preliminary Fiscal Impact Statement for Original Bill****Sponsor: Rep. Collings of Portland****Committee: Education and Cultural Affairs****Fiscal Note Required: Yes****Preliminary Fiscal Impact Statement**

	FY 2021-22	FY 2022-23	Projections FY 2023-24	Projections FY 2024-25
Net Cost (Savings)				
General Fund	\$0	\$0	\$3,794,939	\$3,933,074
Appropriations/Allocations				
General Fund	\$0	\$0	\$3,794,939	\$3,933,074

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 2021-22. At the same time and unrelated to this bill, the Maine Education Association Benefit Trust (MEABT) transitioned 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 2022-2023 and 2024-2025 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 2020-22 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 293 (e)	Estimated cost of LD 293 (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)
FY21	\$32,266,215	(\$3,077,432)	\$29,188,784	0.45	\$29,188,784	\$0	\$0
FY22	\$33,440,706	(\$3,189,450)	\$30,251,256	0.55	\$36,973,757	\$6,722,501	\$3,533,051
FY23	\$34,657,947	(\$3,305,546)	\$31,352,401	0.55	\$38,319,602	\$6,967,200	\$3,661,654
FY24	\$35,919,497	(\$3,425,868)	\$32,493,629	0.55	\$39,714,435	\$7,220,806	\$3,794,939
FY25	\$37,226,966	(\$3,550,569)	\$33,676,397	0.55	\$41,160,041	\$7,483,644	\$3,933,074

The Retired Teachers Health Insurance program is currently budgeted to receive \$45.0 million in General Fund appropriations in fiscal year 2020-21. Based on 7 months of actual expenditure data, it is estimated that the State will pay approximately \$29.2 million for its contribution for retired teachers health insurance premiums in fiscal year 2020-21. 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 2020-21 by approximately \$5.8 million (\$45.0 million - \$29.2 million - \$10 million).

For fiscal year 2021-22, however, when the \$3.5 million cost of this provision and the plan change together (g) is added to the projected expenditures of \$33.4 million (a) along with another \$10.0 million being applied to the UAL, expenditures are projected to exceed appropriations by approximately \$1.97 million (\$45.0 million - 3.5 million - \$33.4 million - \$10.0 million). In fiscal year 2022-23, projected expenditures of \$38.3 million, including the \$3.7 million cost of this provision and \$10.0 million being applied to the UAL, is expected to exceed appropriations by approximately \$3.3 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 \$5.8 million in anticipated unexpended funds in fiscal year 2020-21 be used to cover the \$5.3 million cost in fiscal year 2022-2023 biennium and no additional funding is required in either fiscal year 2021-22 and fiscal year 2022-23.

This fiscal note assumes that General Fund appropriations of \$45.0 million per year in both fiscal year 2021-22 and fiscal year 2022-23 for the Retired Teachers Health Insurance program included in LD 221, the Governor's proposed budget for the 2022-2023 biennium, will be approved by the Legislature. If the budget is enacted with different funding levels for this program, the fiscal impact of this bill will need to be revised.