

Cost Implications of Line of Duty Health Insurance Benefits

HJR 34

November 29, 2004



Line of Duty Act

- Provides State-funded benefits to State and local public safety officers and beneficiaries in the event of death or disability resulting from the performance of duties (including heart/lung presumption)
 - One-time death benefit
 - Group life insurance
 - Health insurance
- Line of duty
 - “action the deceased or disabled person was obligated or authorized to perform by rule, regulation, condition of employment or service, or law”

Eligible Groups VA Code Sec. 9.1-400

- More than 20 groups, including
 - State and Local Police
 - Sheriffs and Deputy Sheriffs
 - Fire Fighters
 - Rescue squad members
 - State and local Correctional Officers
 - Virginia National Guard
 - ABC Special Agents
 - Game Wardens
 - VMRC (with arrest powers)

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Line of Duty Benefits

Benefit	Death	Disability	Description	Duration
One-time death benefit	x		\$75,000; additional \$25,000 if within 5 years of retirement	One-time payment
Group Life Insurance	x		4 times salary	One-time payment
Health Insurance	x	x	Same plan of benefits entitled to on last day of active duty, or comparable benefits in a replacement plan	Until death, recovery, or return to full duty; for spouses, until death or coverage by alternate plan; for dependents, until death, marriage, coverage by alternate plan, or age 21 (25 if full time student)

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Health Insurance Benefits

- Payable by the general fund of the State treasury
 - State employees remain in the State health insurance program
 - Local employees remain in local plan, with reimbursement from the general fund

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Current Pay-As-You-Go Costs

- State employees
 - COVA Care – annual costs
 - 2004
 - Single = \$4,008
 - Family = \$10,836
 - 2003
 - Single = \$3,504
 - Family = \$9,468
 - Increase 2004 over 2003 = 14%
 - Costs are for the pool of State employees, not specific to line of duty
- Local employees
 - Based on cost of local plan
 - Not limited to premiums
 - Localities may claim reimbursement for actual costs for covered employee and dependents
 - Can be significantly higher than pooled premiums for a disabled employee

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Current Pay-As-You-Go Costs

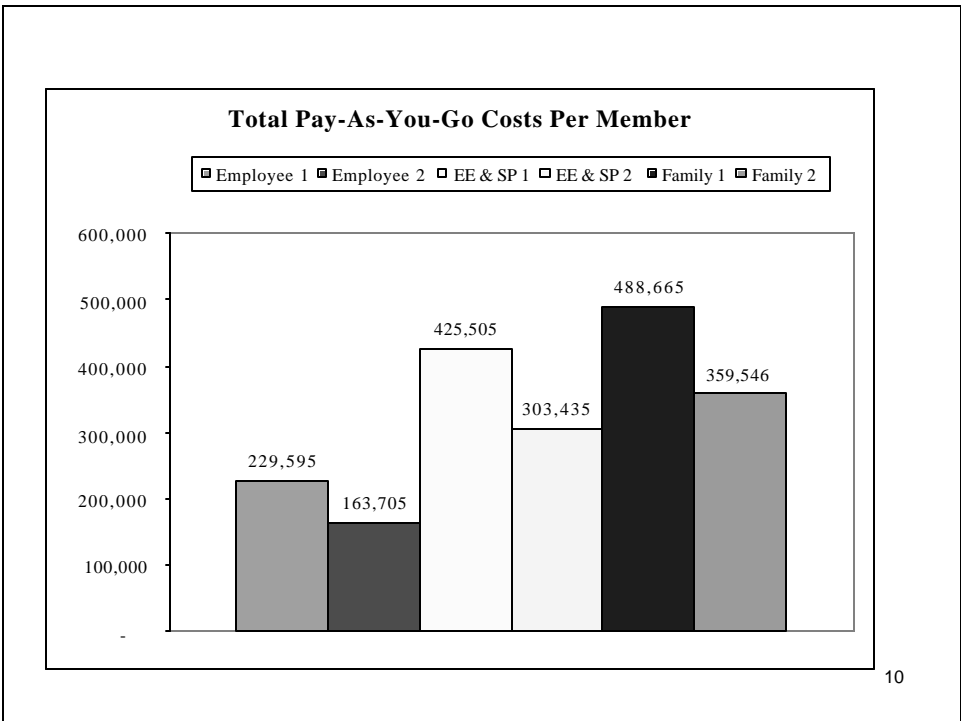
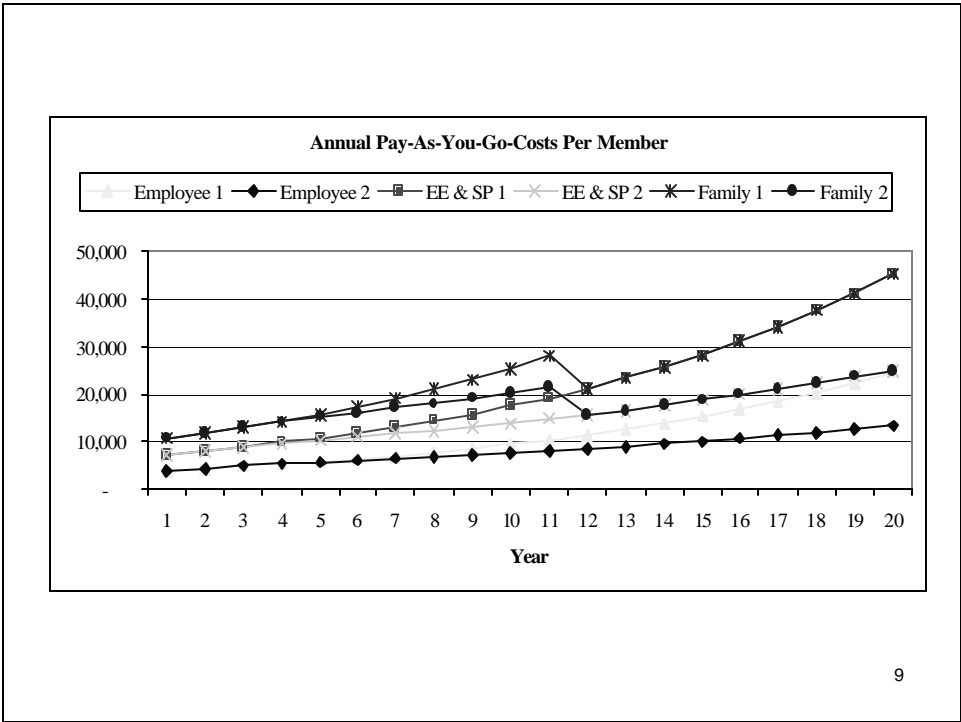
- Budget appropriations
 - Fiscal 2001 = \$475,000
 - Fiscal 2004 = \$2.2 million
 - Fiscal 2005 = \$2.5 million
 - Fiscal 2006 = \$3.1 million

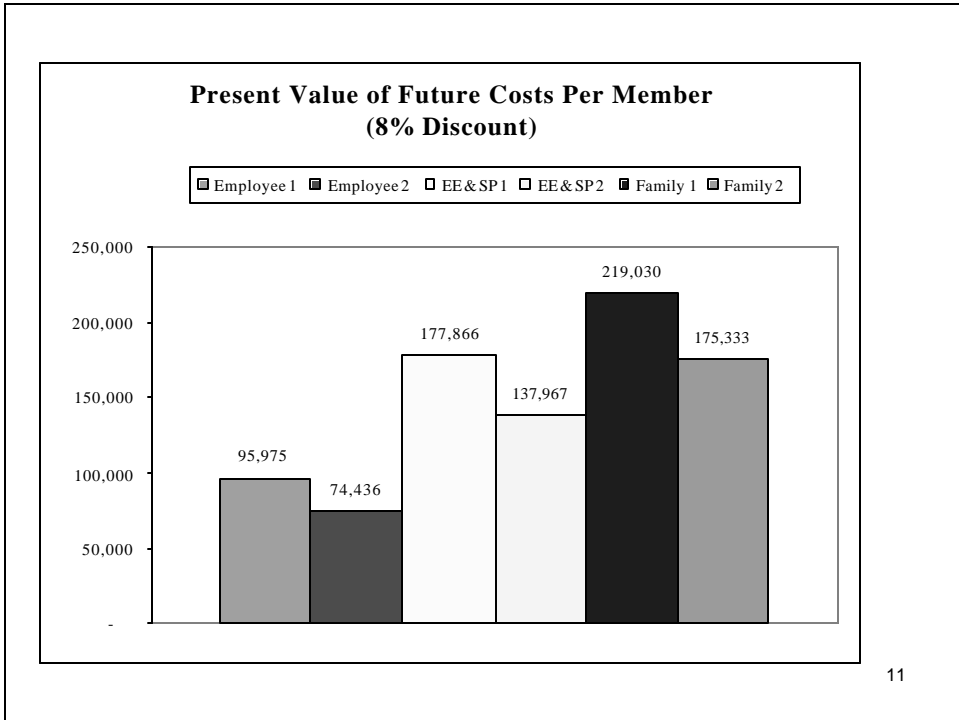
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Long Term Liabilities

- Liability for future benefits impacted by
 - Incidence of claimants
 - Age of employee, spouse, and dependents
 - Increasing cost of health insurance benefits
 - 2004/2003 increase was 14%
- Cost model
 - Anticipated future health insurance cost increases
 - Scenario 1
 - 10% in all future years
 - Scenario 2
 - 10% 2005-06
 - 8% in 2007-08
 - 6% thereafter
 - Other assumptions
 - Employee age 45, lives to age 65
 - Spouse same age as employee, covered to age 65
 - One dependent age 10
 - Illustrations
 - Annual Pay-As-You-Go Costs per member
 - Total Pay-As-You-Go Costs per member
 - Present value of future costs per member (8% discount rate)

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- ## Implications of GASB 45
- Issued June 2004; Effective fiscal 2007-08
 - Applies to post-employment benefits other than pensions
 - Health insurance
 - Life insurance
 - Other non-pension post-employment benefits
 - Requires
 - Financial statement accrual of cost of future benefits based on actuarial value for
 - Participants in pay status
 - Other participants eligible for future benefits (i.e. active employees)
 - Will result in financial statement accruals significantly higher than pay-as-you-go costs
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**First Year Annual Cost Per Member
Pay-As-You-Go v. GASB 45**

Employee 2 Employee 2 (GASB) EE & SP 2 EE & SP 2 (GASB) Family 2 Family 2 (GASB)

