

MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Wednesday, March 09, 2016

TIME: 1:30 PM or Upon Adjournment

PLACE: Room EW05

MEMBERS: Chairman Hartgen, Vice Chairman Anderson, Representatives Harris, Holtzclaw, Romrell, Chaney, Horman, Nielsen, Packer, Redman, King, Chew, Rudolph

**ABSENT/
EXCUSED:** Repersentative Horman

GUESTS: Russ Hendricks, Farm Bureau; Dan Goicoeche, SCO; Lance Clow
Chairman Hartgen called the meeting to order at 1:31 P.M.

MOTION: **Rep. Redman** made a motion to approve the minute from the meeting on February 29, 2016. **Motion carried by voice vote.**

S 1346: **Senator Thayn** presented **S 1346**. The reason for this legislation is due to heath care costs rapidly increasing over the last few years. This is causing the inability to provide employees higher wages. This legislation would give options to employees when it comes to their insurance needs. This legislation will not save the state money but may lower insurance cost increases over a period of time. This legislation will amend Section 67-5761B and require the State Department of Administration to offer a funded health saving account that has a high deductible health plan that is HSA qualified. There would be a funded portion because the deductible is higher. The premiums that would usually pay on a lower deductible plan would now be deposited into the employees health saving account. The fiscal impact for this legislation would be a onetime set up cost of \$64,000 for the payroll modification. This HSA plan would be optional for employees. The state Indiana started a program similar to this in 2006 and at first only 4% of employees signed up but by the end of 2014 96% of employees signed up. Benefits from having an HSA for an employer includes that employees look at these funds as their own money which it is but it changes the way they spend it. Studies show that employees on a HSA plan had fewer hospital admissions, use generic instead of name brand drugs, have more out patient procedures, have less emergency room visits, and use a primary care physician more. Employees become educated on the actual price of health care costs and start accessing the health care system as a responsible consumer.

In response to committee questions, **Sen. Thayn** explained that the funds are able to rollover, the employee will not lose their funds. He doesn't believe that offering this plan will not deteriorate the quality of benefits offered by the state. An employee does not have to give up their current state plan, and this legislation does not effect current offerings. If an employee chooses to be on the HSA plan, they cannot be on full coverage plan as well, it is one or the other. Consumers cannot use HSA's for premiums. The State of Idaho is estimated to contribute between \$1500 and \$2000 dollars in each state employees account each year. This legislation is not intended to reduce state costs. Preventative care is still covered in HSA plans. The implementation date would July 1, 2017 which would allow plenty of time to install this legislation. The idea for the savings account is for it to pay a large portion of that high-deductible plan.

Michael Berry, President and CEO of American Health Value. American Health Value is a national health savings account administration company. Mr. Berry explained that this legislation will provide state employees more savings choices and control over their health care expenses while reducing health care costs. HSA's are the fastest growing options in today's markets place. Indiana estimated it saved 20 million dollars in 2010 because of HSA's, slowed down medical costs. HSA's make employees health insurance more cost effective.

In response to committee questions **Mr. Berry** stated there are fees through HSA companies. He also explained that as a state employee when you do go to the doctor you still would pay a negotiate price not retail because the plan is still a qualified health plan and all those prices are negotiated. Dependents can stay on a HSA plan as long as they are considered a dependent. The money put into the HSA is tax deferred. HSA's are very flexible and allows the consumer to change the amount they would like to put in throughout the year. HSA's will cover dental, vision, hearing, any medical costs. The money is all paid into the account with tax deferred money. The exact amount the employer will deposit into each employees account will be determined by the Dept. of Administration. The contribution amount paid by the employer can change each year. The HSA plan will be virtually identical to the employees current PPO plan but the deductible level they have to meet would be different. If you chose a higher deductible plan the amount the state deems appropriate is deposited into your HSA account. There would be investment option for employees to put their money into to grow their funds, but this would be up to each employee and may depend on how much you use your funds and how fast you need to access to your funds. Most investment plans are set up on self directed basis, but for people that want to do investments themselves they can get advice if they need it. Investments are always subject to risk, and it is up to the individual to make that decision if they want to do that. In the event of the death of an account holder, the money will go to beneficiary. HSA accounts are individually owned and even after employment ends that HSA is that individuals.

In response to committee questions, **Senator Thayne** stated we currently do not have a HSA available to employees. This legislation is following IRS rules. States that have high deductible health plans that follows certain criteria can have an HSA that is coupled with that high deductible plan but the IRS does not require employers to pay out money into the HSA's but the State of Idaho is suggesting we do put money into each employees HSA. State employees do not have to choose the HSA option they can stay with current PPO plan.

Russ Hendricks, Idaho Farm Bureau Federation, is testifying in support of this legislation that permits or assist in permitting individual HSA's. The Idaho Farm Bureau Federation has a policy to support HSA's. This is legislation is a great opportunity for choice for employees and is passed will hopefully lead to broader offering of HSA's across the state.

Rep. Clow testified in support of **S 1346**. HSA's give flexibility to employees and save employer funds. The insurance is virtually identical just a matter of meeting the deductible. It also can be deducted at a certain age for retirement income. The funds come in pre tax and pre payroll tax. Rep. Clow encouraged the committee to give this legislation a do pass recommendation.

Dan Goicoeche, Chief Deputy for the State Controller Brandon Wolf, explained the current cost estimates are one years old, but he does believe that if this legislation passes these cost will be close to or the actual cost it would take to implement this plan.

MOTION:

Rep Packer moved to send S 1346 to the floor with a DO PASS recommendation.
Motion carried by voice vote. Rep. King would like to be recorded as voting **NAY**.
Rep. Clow will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:52 P.M.

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Representative Hartgen
Chair

Chelsea Cantrell
Secretary