

Department of Planning and Budget 2003 Fiscal Impact Statement

1. Bill Number SB814

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron Stolle

3. Committee General Laws

4. Title Line of Duty Act

5. Summary/Purpose: The bill would amend the definition of "disabled person" under the Line of Duty Act to include any individual who, as the direct or proximate result of the performance of his duty in any qualified position, has become mentally or physically incapacitated, on or after April 8, 1972, so as to prevent the further performance of duty where such incapacity is likely to be permanent.

6. Fiscal impact: This bill would have a significant fiscal impact. The Department of Planning and Budget (DPB), along with the Department of Accounts (DOA), conducted an analysis of the potential costs associated with this bill. In addition, in 2001 the Joint Legislative Audit and Review Commission (JLARC) prepared a fiscal impact review of SB812 (Stolle) as introduced (2001 General Assembly Session), which was identical to this legislation. In the fall of 2001, the Virginia Retirement System (VRS), at the request of Delegate Putney, examined the potential costs associated with SB812. The results of these three analyses are presented below.

DPB/DOA analysis. Under current law, any eligible person disabled on or after July 1, 2000, is entitled to receive health insurance coverage fully paid for by the Commonwealth. The bill would extend this benefit to all eligible individuals disabled on or after April 8, 1972. The Line of Duty Act also requires that any such payments for health insurance coverage be retroactive to the first date that the disability existed (§9.1-404, Code of Virginia). The legislation would thus create liability with respect to claims for retroactive payments to reimburse newly eligible disabled individuals for health insurance premiums paid prior to FY 2004.

The fiscal impact associated with this legislation depends on a number of factors, including the number of newly eligible individuals disabled on or after April 8, 1972, and before July 1, 2000, the number of such individuals who file claims, and the costs associated with past and future health insurance coverage. At this time, DPB and DOA cannot estimate with precision the fiscal impact associated with this legislation. However, it appears that the state's potential liability for prospective costs could range from \$6 million to \$12 million per year, and the state's potential liability for retroactive costs could range from \$45 million to \$90 million in total.

If, for example, there were 1,000 newly eligible disabled individuals filing claims for health insurance coverage, then the prospective costs could begin at about \$6 million per year (beginning in FY2004). If, however, the number of newly eligible disabled individuals filing claims for health insurance coverage numbered 2,000, then the prospective costs could begin at about \$12 million per year (beginning in FY2004). In addition, as mentioned above, the state's potential liability for the retroactive payments could range from \$45 million to \$90 million in total. DPB and DOA believe it is likely that the total population of eligible individuals disabled on or after April 8, 1972, and before July 1, 2000, numbers between 1,000 and 2,000. DPB and DOA cannot estimate, however, the number of such individuals who would file claims for health insurance coverage.

There also may be increased costs to the Department of State Police to conduct additional investigations. DOA estimates that it may need additional staff to prepare the monthly premium payments for such eligible disabled individuals. However, DPB cannot estimate the amount of any such additional costs because it would depend on the number of eligible disabled individuals filing claims.

JLARC analysis. In 2001 JLARC estimated that there could be 890 individuals eligible for this benefit in FY2002, but recognized that this number might be below. Based on the cost of state employees' health insurance coverage, JLARC estimated that coverage for all 890 individuals could cost \$5.8 - \$6.9 million in FY2002, depending on the coverage chosen by the individuals. JLARC also noted that the retroactivity provision included in current law would increase the costs substantially. For example, if the 890 individuals were on average disabled five years ago, then, according to JLARC, the retroactive payments could exceed \$34 million.

VRS analysis. In 2001 VRS estimated that the total number of eligible individuals disabled between April 1, 1972 and June 30, 2000 is 1,523. VRS further estimated that the potential FY2002 cost of providing health insurance to such persons disabled in the line of duty between April 1972 and June 2000 would be a little more than \$8 million. VRS estimated that FY2001 retroactive payments would total just under \$8 million. VRS did not estimate retroactive costs prior to FY2001.

7. **Budget amendment necessary:** Yes.
8. **Fiscal implications:** See Item 6.
9. **Specific agency or political subdivisions affected:** Department of Accounts; Department of State Police.
10. **Technical amendment necessary:** No.

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11. Other comments: This bill is identical to SB759 as introduced.

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cc: Secretary of Finance
Secretary of Public Safety