**Financial Stimulus Accountability Group**

**Revised F&A Benefits Administration Proposal – March, 2023**

In November 2022, Benefits Administration submitted a request to the FSAG for ARPA funding to offset the impact of the extraordinary costs associated with testing, treatment, and prevention of COVID-19 on the state group insurance program. At that time, the costs by each program, State/Higher Education, Local Education and Local Government, were presented below.



Given the remaining funds and outstanding requests, Benefits Administration asks consideration of a reduced allocation of funds focused exclusively on the Local Government Plan**--$13,794,057.46.** The Local Government Plan could greatly benefit from these funds for the following reasons:

* COVID-19 had a higher cost impact per member on the Local Government Plan than the other plans in the state group insurance program. Through November 2022, the Local Government Plan COVID-19 costs per member were $530.93, 21% higher than for the State/Higher Education Plan and 20% higher than for the Local Education Plan.
* The Local Government Plan is relatively small (~26,000 members) and is not able to spread costs over many lives. Therefore, extraordinary costs, such as COVID-19, have a higher negative impact on the Plan than with the State or Local Education Plans.
* The Local Government Plan has historically and consistently had higher premiums than the other two Plans due to a higher risk profile of the population.

Most participating Local Government Plan agencies are rural counties, municipalities, utility districts, 911 agencies and other quasi-governmental entities. Currently, approximately 18% are non-profit grantees of various state departments or other entities permitted eligiblity when the Plan was first established.

The table below shows the potential CY2024 annual premium reduction in the Premier PPO for the Local Government Plan if COVID-19 costs are reimbursed. The three premium levels in the Local Government Plan reflect the higher costs associated with the age demographics of the group.

**2024 Annual Premium Savings – Premier PPO**

**Employee Employer Total**

**Local Government:**

               Level 1               $140.38 $140.38 $280.76

               Level 2               $147.38 $147.38 $294.76

Level 3                $154.37 $154.37 $308.74

Assumptions:

* 50% Employer/50% Employee premium split as a proxy for Local Government agencies; higher cost sharing for the employee is more common in the Local Government agencies and some do not fund the family tier at all.

Notes:

* As a self-funded plan, any savings resulting from premium reduction will inure to the benefit of the Local Government agency and members.
* Full CY 2022 costs are not yet analyzed for our program, so we do not have revised projections for CY2024 from those reported in November
* Most recent discussions with our consulting actuary, Aon, indicate continued volatility with the Local Government claims trend