

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi [signature]
Chief Financial Officer

DATE: November 4, 2004

SUBJECT: Fiscal Impact Statement: "Health Care Benefits Expansion Amendment Act of 2004"

REFERENCE: Bill Number 15-756 as Introduced

Conclusion

Funds are not sufficient in the FY 2005 through FY 2008 budget and financial plan. The proposed legislation would cause unbudgeted costs impacting the financial plan in the second quarter of FY 2005 and continuing thereafter. Implementing the proposed legislation would result in unbudgeted costs of approximately \$490,000 per 250 persons enrolled in FY 2005 and \$3.32 million for the same population of 250 persons in FY 2005 through FY 2008.

Background

Under current law, District employees enrolled in the DC Employee Health Benefits Program have the option to purchase family health insurance coverage for a domestic partner or domestic partner family members. The total cost of the additional family health insurance coverage is paid by the employee.

The proposed legislation provides that beginning January 1, 2005 through December 31, 2005, 50 percent of the additional cost of family health insurance coverage would be paid by the employee and 50 percent would be paid by the District Government. After December 31, 2005 the employee's share of the additional cost would be 25 percent and the District's share would be 75 percent.

Financial Plan Impact

Funds are not sufficient in the FY 2005 through FY 2008 budget and financial plan as agreed to by the Mayor and the Council because implementation would cause unbudgeted costs. The District Office of Personnel cannot project enrollment pressures caused by implementation of the proposed legislation. Assuming 250 additional persons are immediately enrolled in the health programs at an average estimated premium payment of \$5,180 annually, and the number of enrollees remains static for four fiscal years, the expenditure impact of the proposed legislation is presented in the following table.

Figure 1.

Expenditure Impact to the Financial Plan				
(\$ in millions)				
FY 2005	FY 2006	FY 2007	FY 2008	4 - Year Total
\$0.49	\$0.89	\$0.97	\$0.97	\$3.32

The above analysis assumes no additional increases in individual premium payments, or significant increases in the additional enrolled population.