**HB 279, DISABILITY BENEFIT AMENDMENTS, (King, B J)**

**Anticipated Fiscal Impact:**

Expected Fiscal Impact $1,796,253.

The state provides two different types of long-term disability benefits (“LTD”). The first type is for an Own Occupation benefit for two-years. The second is On-going benefit, which can last until retirement. Currently, an employee can receive the two-year Own Occupation LTD due to a physical or mental disability. However, an employee can only receive On-going LTD due a physical disability. HB 279 expands On-going LTD to include a mental disability at an estimated cost of $1,796,253.

The benefits related to LTD are made up of four components: 1) an income replacement benefit; 2) a stipend for health insurance stipend; 3) PEHP life insurance; and 4) for Tier 1 retirement system members, retirement service credit during the time on LTD.

We estimate that expanding On-going LTD to include a mental disability will increase the three of the four components as follows:

- **Income replacement benefit by 29.9%**. The estimated cost of the income replacement benefit for the State in 2020-21 is $5,426,428. The average amount of time a person with a physical disability receives disability benefits after the Two-year benefit is 9.2 years. PEHP would expect the same 9.2 years would apply to those with a mental disability. In addition, the income replacement benefit, which is usually 66 2/3 percent, can be increased to 100% if the disability is caused by external force or violence for an additional .18%. In total, the cost for the income replacement benefit would be $1,622,502 ($5,426,428 x 29.9%).

- **Health insurance stipend benefit by 26.3%**. The estimated cost of the health insurance stipend benefit in 2020-2021 is $658,137. Using the same factor above, and then adjusting that factor for how the stipend benefit decreases ($658,137 x .299 x .88 decreasing stipend factor), the additional cost would be $173,169.
• A small increase in basic life insurance of $582/year. The state pays premiums ($25,000 of coverage) through PEHP for individuals receiving LTD benefits. This benefit would also continue longer for those with mental disability. The amount of the premium waiver currently is $3.05/month or $36.60/year. PEHP expects an additional 15.9 people to utilizing this benefit for a premium waiver cost of $582/year (15.9 x $36.60) given current premiums.

• Any retirement service credit costs or analysis will be provided by URS separately from this analysis.