

## **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 ( $\$5,426,428 \times 29.9\%$ ).
- 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 ( $\$658,137 \times .299 \times .88$  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 ( $15.9 \times \$36.60$ ) given current premiums.
- Any retirement service credit costs or analysis will be provided by URS separately from this analysis.