



Office Memorandum

Date: January 18, 2018

To: Representative Sarah Anderson
Chair, State Government Finance

Representative Sheldon Johnson
DFL Lead, State Government Finance

Senator Mary Kiffmeyer
Chair, State Government Finance and Policy and Elections

Senator Jim Carlson, Ranking Minority Member
State Government Finance and Policy and Elections

From: Commissioner Myron Frans 

Subject: Annual SEGIP Opt-Out Report (mandated in M.S. 43A.24, subd. 1a)

This is the first annual report providing statistics on employees opting out of health insurance following changes to Minnesota Statute 43A.24 subdivision 1a, which allows employees eligible for state-paid hospital, medical, and dental benefits to decline those benefits if they provide proof of other coverage. Our intent is for this statutorily required annual report to be a look back on the previous year and explain agency savings resulting from employees opting out of medical coverage under this provision. The new language took effect on July 1, 2017 and so this report covers the last six months of 2017.

Background

Previous to the addition of M.S. 43A.24, subd. 1a, all employees could opt out of dental coverage and they could opt out of medical coverage if they were:

- Offered a partial or no employer contribution; or
- Covered through another SEGIP member's medical coverage; or
- On an unpaid leave of absence; or
- Not eligible for the full employer contribution towards medical coverage under the applicable labor agreement or compensation plan.

Based on the classes of employees able to opt out of dental and medical coverage prior to this legislation, the new M.S. 43A.24 language is understood to mean that employees offered the full employer contribution through the applicable labor agreement or compensation plan may opt out of medical coverage if they can show proof of other medical coverage.

To administer the policy, the term "other medical coverage" is defined to include:

- Group health insurance coverage for employees and other group plans, including self-insured plans
- COBRA coverage

- Retiree coverage
- Health insurance purchased from an insurance company, Health Insurance Marketplace,
- Health insurance provided through a student health plan or a Basic Health Program standard health plan
- Medicare Part A coverage and Medicare Advantage plans
- Most Medicaid coverage
- TRICARE coverage
- Comprehensive health care programs offered by the Department of Veterans Affairs

This definition of medical coverage does not include a health reimbursement account (HRA) or a health savings account (HSA) that are not paired with a high deductible health plan (HDHP); a flexible saving account (FSA); disability coverage; long-term care insurance; automobile coverage; or other insurance coverage that does not primarily cover both hospital and medical costs.

Results

A total of 77 employees opted out of employee medical coverage under this provision during 2017. Federal law limits medical coverage enrollment elections to when an employee first becomes eligible, during the annual open enrollment period, and upon a qualified life event such as marriage or a change in employment status. Most employees are limited to making changes during the annual open enrollment because they tend to experience qualified life events infrequently. This language took effect after the open enrollment period for 2017, and so few employees were able to opt out during 2017. Table 1 provides detailed statistics on the number of employees, by agency, opting out of medical coverage based on this new language.

Executive branch employees initial opt out of medical coverage, by agency	
Agency	July 1 – December 31, 2017
Administration Department	2
Agriculture Department	1
Attorney General	4
Corrections Department	6
Education Department	1
Employ & Econ Development Department	2
Explore Minnesota Tourism	1
Health Department	3
Housing Finance Agency	1
Human Services Department	10
Military Affairs Department	1
MN St Colleges & Universities	23
MN.IT Services Office	5
MNsure	1
Natural Resources Department	2
Pollution Control Agency	1
Prof Educator Licensing Std Board	1
Public Safety Department	7
Transportation Department	4
Water & Soil Resources Board	1
TOTAL	77

Table 1 – Total number of executive branch employees opting out of medical coverage by agency

We tracked the types of other medical coverage employees chose over that offered through their state employment. Of the employees opting out of insurance coverage, most are taking group coverage offered through another employer, while the rest are divided among Medicare, TRICARE and coverage offered through the U.S. Department of Veterans Affairs (VA). At the time this report was written, 8 employees were still in the process of providing proof of other coverage. Employees are allowed their enrollment period to submit proof of other coverage and an additional one month grace period. Additional time may be allowed upon employee request. Table 2 details the reasons employees provided for opting out of state employee coverage.

Reasons executive branch employees opt out of state employee coverage	
Reason	2017
Medicare	9
TRICARE	8
VA care	6
Other group coverage	46
Still providing proof	8
Total	77

Table 2 – Total number of employees opting out of medical coverage by proof of other coverage

Executive branch savings from employees opting out of medical coverage

During the second half of 2017, executive branch state agencies saved a total of \$155,570 due to employees opting out of state employee health coverage under M.S. 43A.24, subd. 1a. To calculate the savings, we used the amount an executive branch agency pays for monthly single coverage. During 2017, that amount was \$582.66. Table 3 details the savings by agency for 2017.

Actual savings by executive branch agency (cumulative)	
Agency	2017 Savings
Administration Department	\$3,205
Agriculture Department	\$1,748
Attorney General	\$11,362
Corrections Department	\$12,236
Education Department	\$291
Employ & Econ Development Department	\$3,205
Explore Minnesota Tourism	\$ 1,165
Health Department	\$4,079
Housing Finance Agency	\$3,205
Human Services Department	\$20,393
Military Affairs Department	\$1,457
MN St Colleges & Universities	\$52,439
MN.IT Services Office	\$9,031
MNsure	\$3,496
Natural Resources Department	\$2,039
Pollution Control Agency	\$583
Prof Educator Licensing Std Board	\$2,622
Public Safety Department	\$11,362

Actual savings by executive branch agency (cumulative)	
Agency	2017 Savings
Transportation Department	\$11,071
Water & Soil Resources Board	\$583
TOTAL	\$155,570

Table 3 – Executive branch agency savings from opt out