



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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### **1 VAC 55-30 – Commonwealth of Virginia Long Term Care Program Department of Human Resource Management October 19, 2005**

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The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

### **Summary of the Proposed Regulation**

Pursuant to Chapter 5 of the 1999 Virginia Acts of Assembly, Chapter 280 of the 2002 Virginia Acts of Assembly, and Chapter 312 of the 2004 Virginia Acts of Assembly, the Department of Human Resource Management (department) proposes to establish regulations to administer the Virginia Long Term Care Program.

### **Estimated Economic Impact**

Section § 2.2-1208 of the Code of Virginia states that:

The Department of Human Resource Management shall develop, implement, and administer a long-term care insurance program for state employees and for any person who has five or more years of creditable service with any retirement plan administered by the Virginia Retirement System. The Department of Human

Resource Management is authorized to contract for and purchase such coverage or use other actuarially sound funding necessary to effectuate this provision.

Section § 2.2-1207 directs the department to establish a plan for providing long-term care insurance coverage for employees of local governments, local officers, and teachers. In response, the department has established the Commonwealth of Virginia Long Term Care Program. Participation is voluntary and beyond a small amount of department staff time, participants pay the entire cost. The department estimates that its annual administrative costs for the program are approximately \$3,000 worth of staff time. The state-sponsored availability of long-term care health insurance may encourage some individuals to purchase long-term healthcare insurance who otherwise may not have.

The department proposes these regulations to provide administrative detail concerning the Commonwealth of Virginia Long Term Care Program. The Code of Virginia provides that state employees, persons who have five or more years of creditable service with any retirement plan administered by the Virginia Retirement System, and employees of local governments, local officers, and teachers are eligible to participate. The department proposes to expand eligibility for the optional Long Term Care Program to spouses, parents, and parents-in-law. According to the department, expanding eligibility to spouses, parents, and parents-in-law will not add to its administration costs since the vendor will handle processing. Since all other costs are borne by voluntary participants, expanding eligibility to relatives introduces no additional costs. Since some of these individuals may find the offered long-term care insurance a worthwhile investment, there will likely be some benefit. Thus, the proposal to expand eligibility to spouses, parents, and parents-in-law will create a net benefit.

## **Businesses and Entities Affected**

The proposed regulations affect approximately 200,000<sup>1</sup> state and local employees, retirees, and vested participants, as well as and their spouses, parents, parents-in-law, and the insurance program vendor. The current vendor is Aetna.<sup>2</sup>

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<sup>1</sup> Source: Department of Human Resource Management

<sup>2</sup> Ibid

## **Localities Particularly Affected**

The proposed regulations affect state and local workers in every Virginia locality.

## **Projected Impact on Employment**

The proposed regulations are not expected to significantly affect employment.

## **Effects on the Use and Value of Private Property**

The state-sponsored availability of long-term care health insurance may encourage some individuals to purchase long-term care health insurance who otherwise may not have.

## **Small Businesses: Costs and Other Effects**

The proposed regulations are not expected to significantly affect small businesses.

## **Small Businesses: Alternative Method that Minimizes Adverse Impact**

The proposed regulations are not expected to significantly affect small businesses.