



Virginia's Line of Duty Act

COMPENSATION & RETIREMENT SUBCOMMITTEE,
HOUSE APPROPRIATIONS COMMITTEE

January 15, 2015

Study Mandate

Study the implementation and cost of Virginia's Line of Duty Act

- Review program administration, including eligibility determinations
- Project the cost of benefits over the next 10 years
- Compare the Line of Duty Act to similar programs in Virginia and other states

In Brief

The Line of Duty Act is not aligned with DOA's mission, and ambiguity in statutory criteria may lead to inconsistent program implementation.

The cost of Line of Duty Act benefits is projected to double within the next 10 years.

Some beneficiaries are not enrolled in the most cost-efficient health insurance plans.

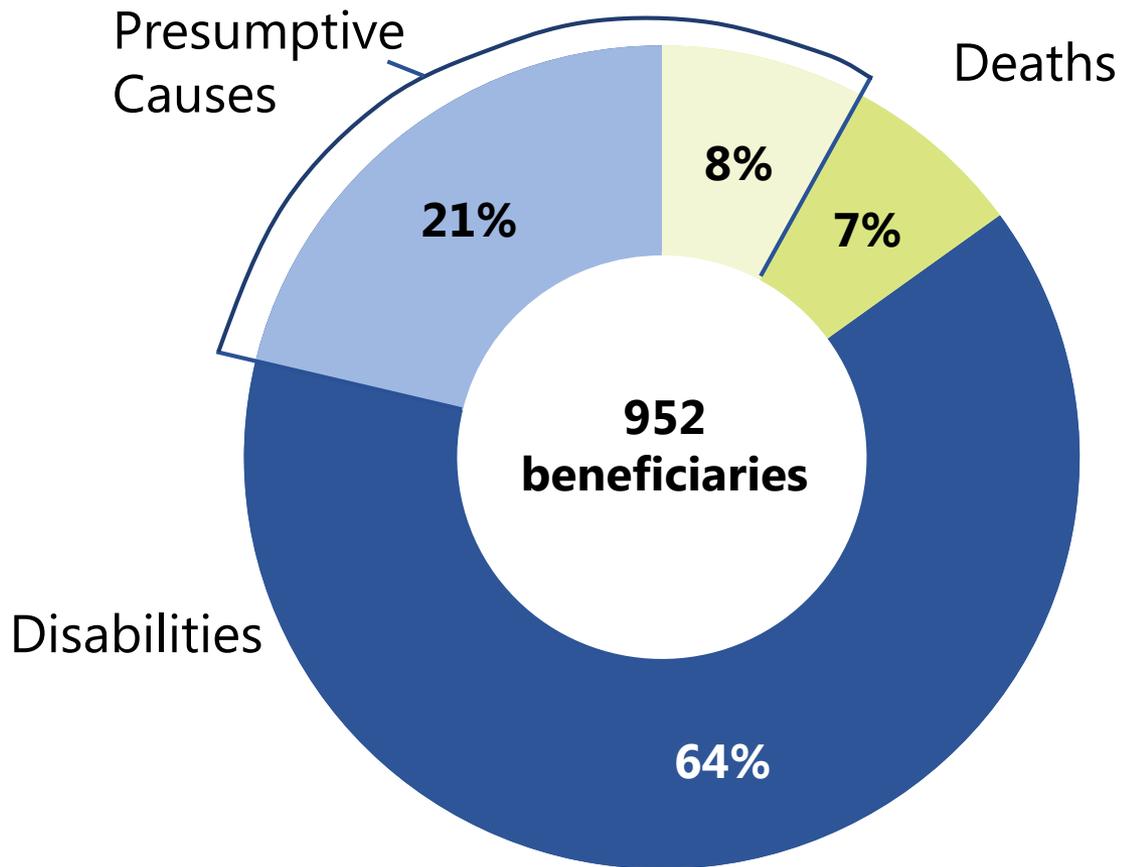
The Line of Duty Act provides benefits under more circumstances than comparable programs.

Line of Duty Act Program Provides Benefits to Public Safety Officers and Families

- Offers benefits to the families of those killed or permanently disabled in the line of duty
- Provides lump-sum death benefit and ongoing health insurance benefits
- Covers more than 82,000 state and local public safety officers

NOTE: Covered population as of FY 2013.

Most Beneficiaries Are Disabled Public Safety Officers



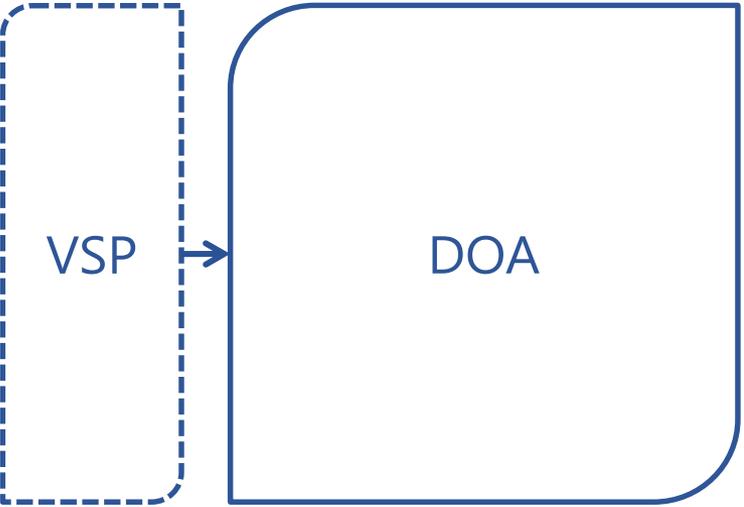
NOTE: Beneficiaries as of FY 2013.

Majority of Benefit Payments Are Health Insurance Premiums to Local Beneficiaries

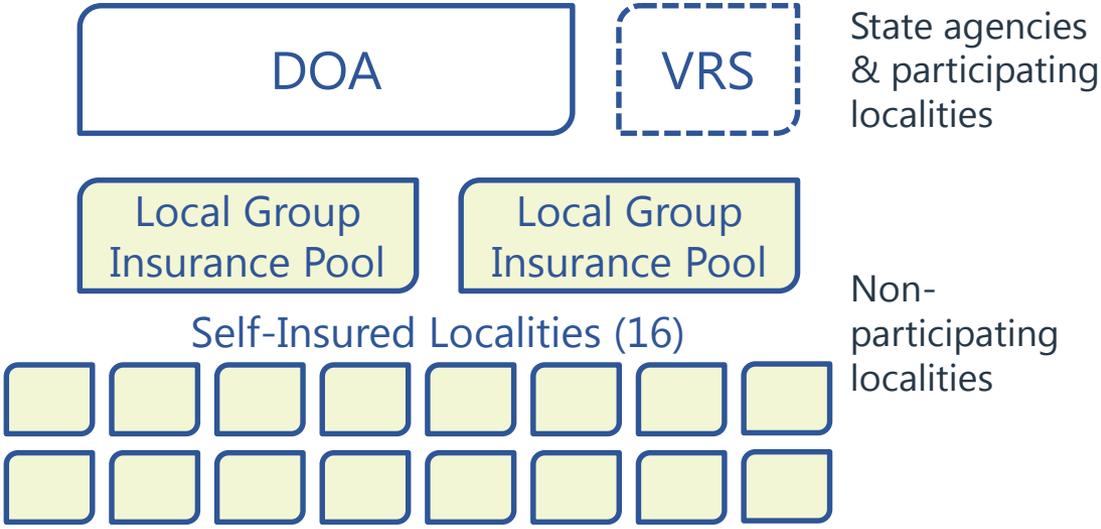
- \$12.2 million in total benefit payments in FY 2013
- Vast majority of benefits (92%) for health insurance premiums
- Most benefits (81%) paid to the families of deceased or disabled local public safety officers

Program Administration Involves Multiple State and Local Agencies

Eligibility Determination



Ongoing Administration



DOA's Mission and Expertise Not Related to Disability or Health Insurance Programs

- DOA's mission and expertise is to protect the state's financial management infrastructure
- Line of Duty Act is primarily a disability health insurance benefit

Recommendations

The General Assembly may wish to consider:

- transferring responsibility for determining eligibility to VRS and
- transferring responsibility for benefits administration to DHRM.

Statute Does Not Provide Clear Guidance for Eligibility and Benefit Decisions

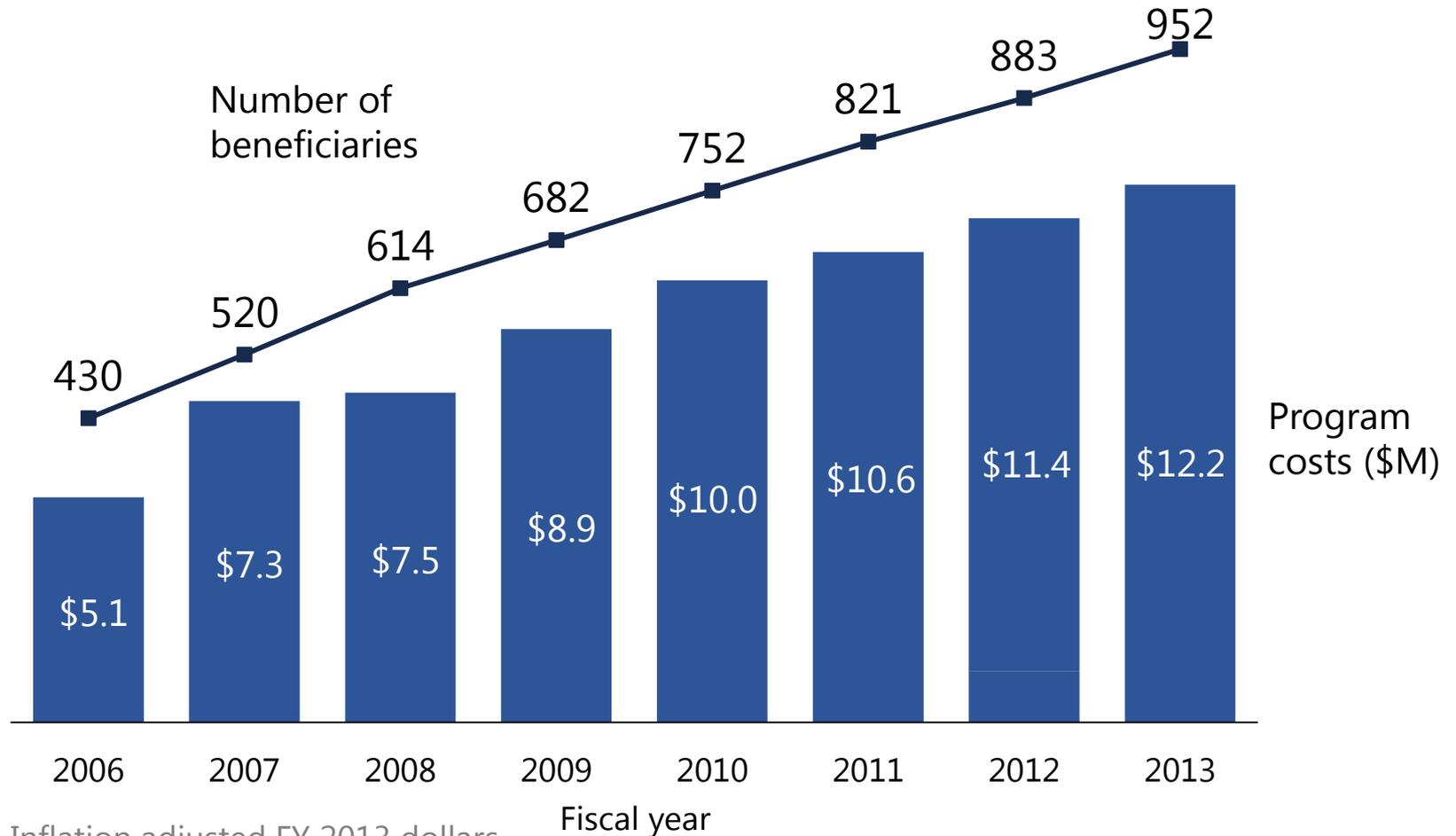
- Wide range of events are eligible for benefits due to ambiguous criteria
- “Comparable” health insurance requirement is interpreted inconsistently across localities
- Ambiguity decreases the predictability of future program costs

Recommendations

The General Assembly may wish to consider:

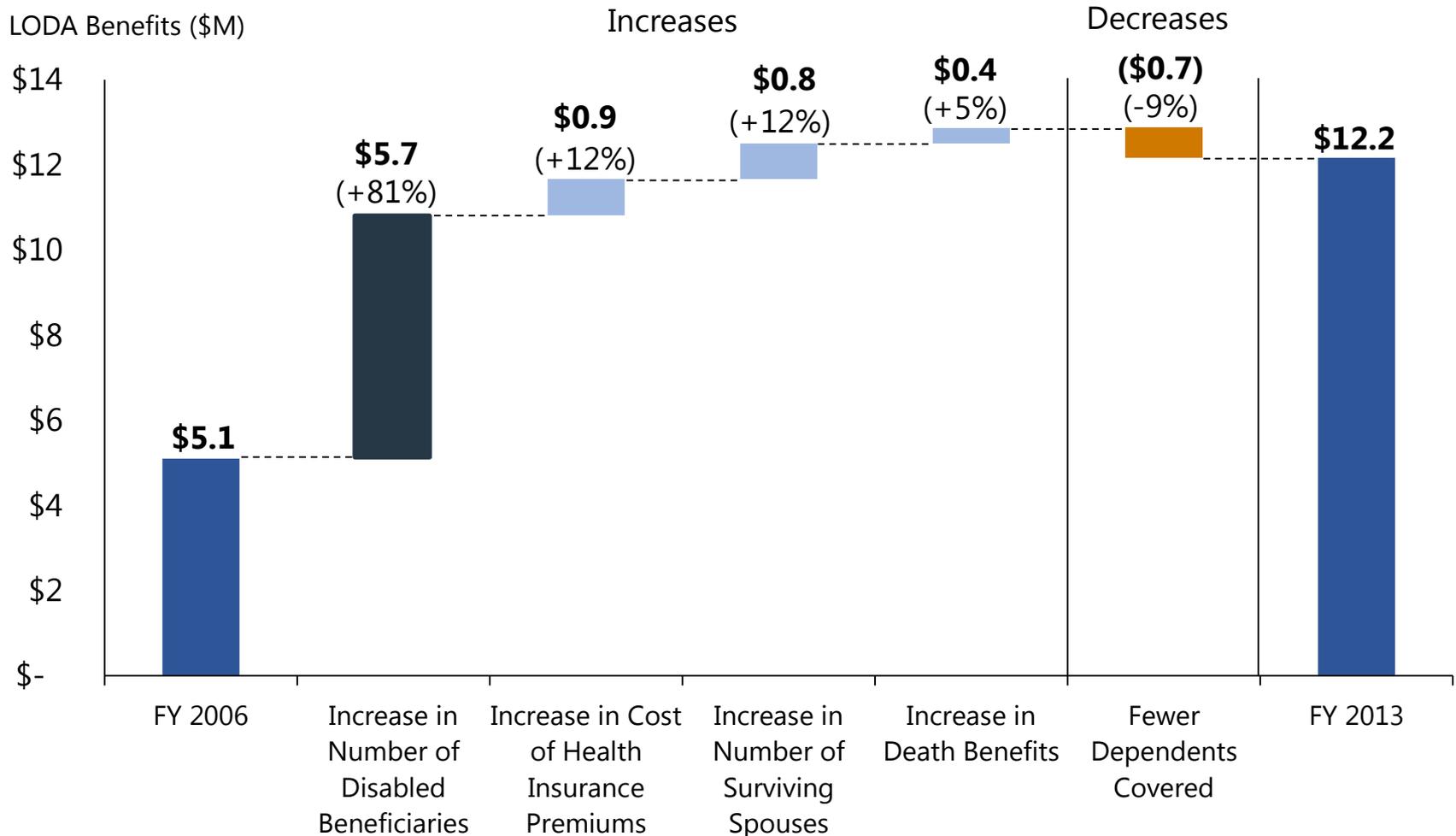
- more clearly defining “line of duty” in the Line of Duty Act and
- directing DHRM to develop standard criteria for use in comparing health insurance plans.

Number of Beneficiaries and Costs More Than Doubled Since FY 2006

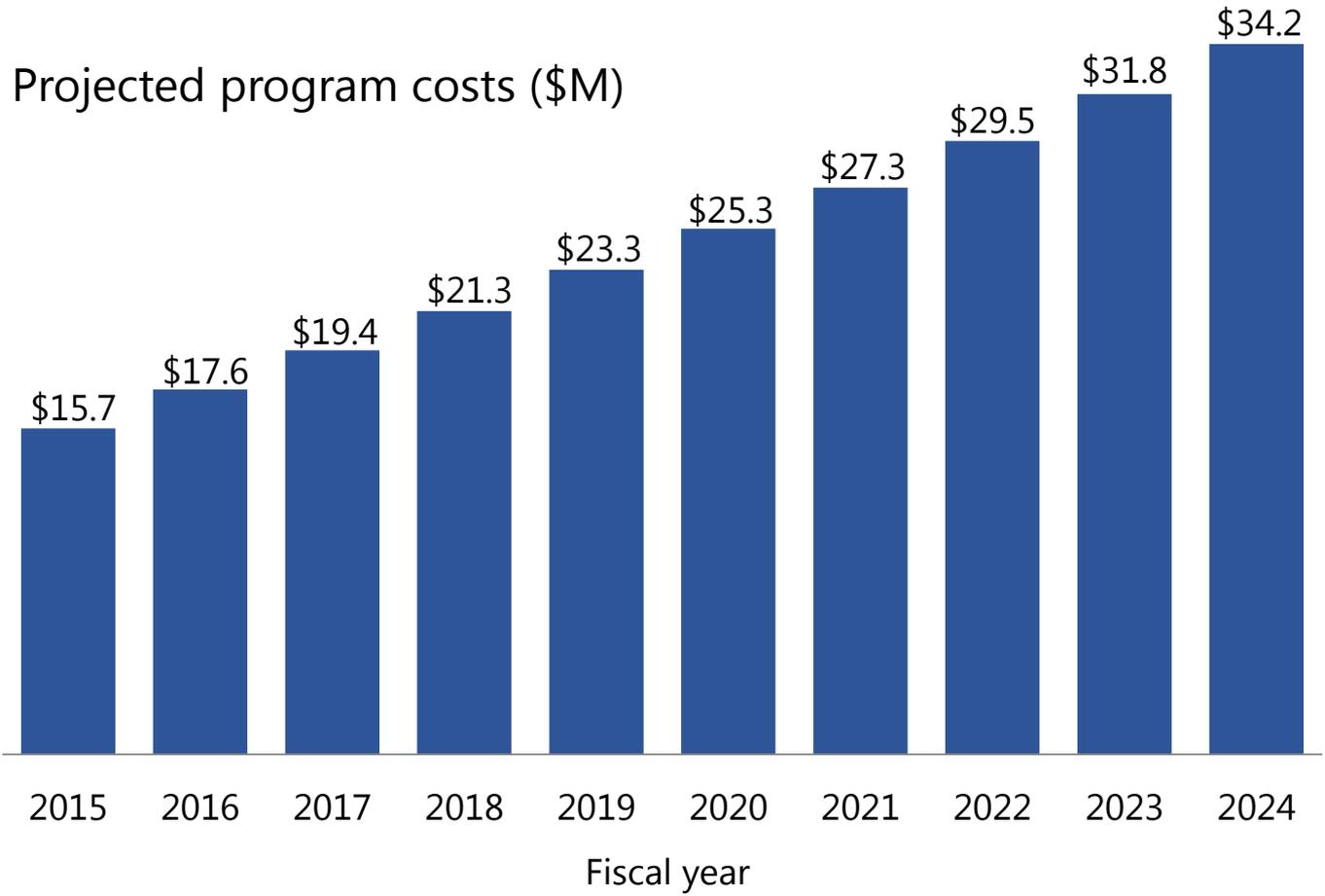


NOTE: Inflation adjusted FY 2013 dollars

Increase in Number of Disabled Beneficiaries Was Leading Driver of Cost Growth



Annual Statewide Cost Projected to Double Again Within 10 Years



Annual LODA Fund Cost and Premiums Projected to Increase Substantially Under Current Funding Policy

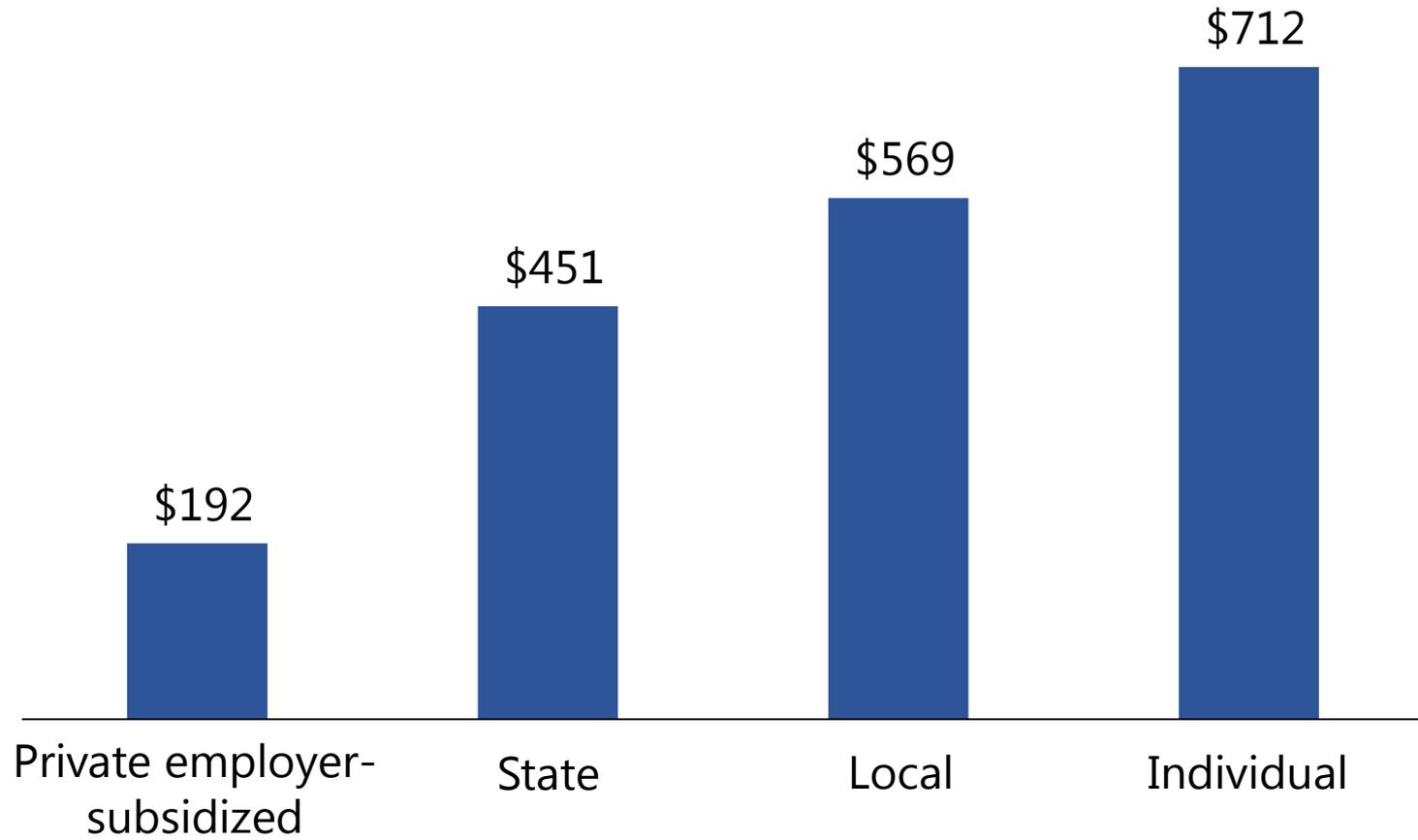
LODA Fund (\$M)	FY 2015	FY 2024
Projected cost	\$8.1	\$15.8
Total projected premiums	\$10.3	\$15.4
State agencies	\$6.4	\$9.6
Participating localities	\$3.9	\$5.7

NOTE: FY 2015 LODA Fund premiums include an additional contribution to pay back loan. Numbers may not add due to rounding.

Finding

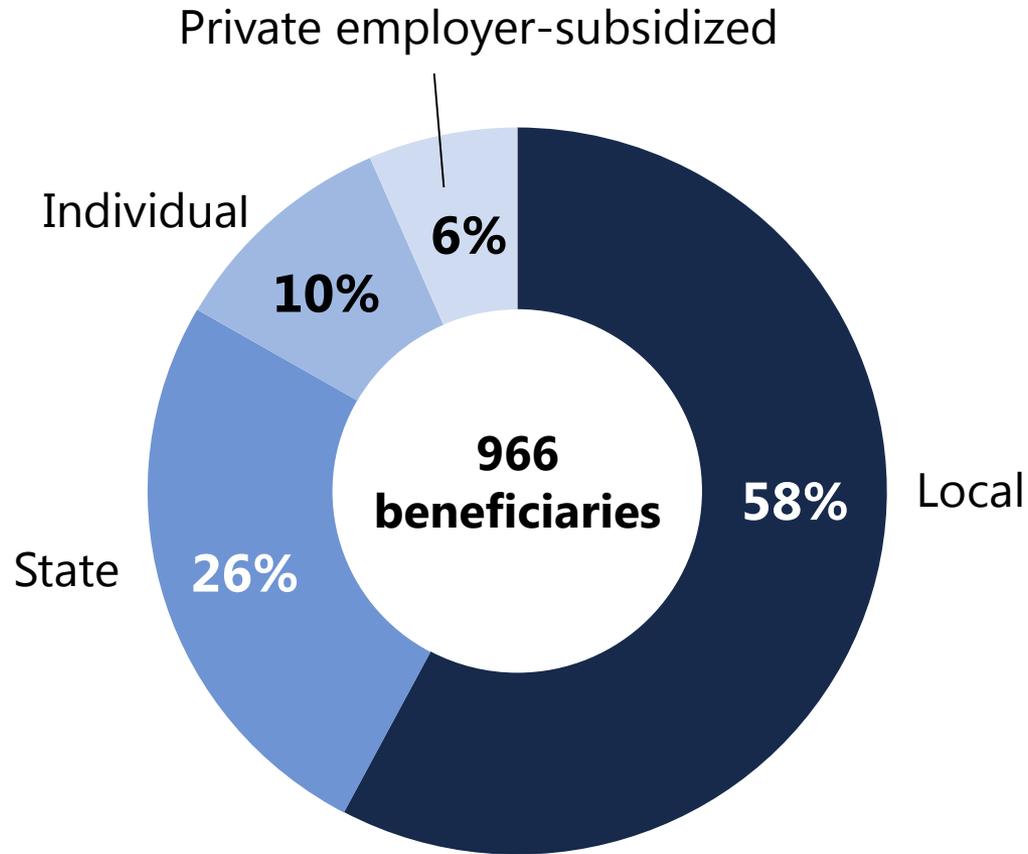
Line of Duty Act beneficiaries do not all use the least costly health insurance plan.

Individual Health Insurance Plans Are the Most Costly to Line of Duty Act



NOTE: Average monthly premium charged to LODA Fund for a 'Single' health plan (FY 2012).

Some Beneficiaries Are Enrolled in High Cost Individual Plans



Option

The General Assembly could consider requiring the state and localities to include Line of Duty Act eligibility as a qualifying event for health insurance enrollment.

Reduces benefits	Narrows eligibility criteria	% of beneficiaries affected	Projected 10-year cost savings (\$M)
No	No	4%	\$6.7 (3%)

Option

The General Assembly could consider requiring all LODA beneficiaries to enroll in a separate health insurance plan administered by DHRM.

Reduces benefits	Narrows eligibility criteria	% of beneficiaries affected	Projected 10-year cost savings (\$M)
No	No	100%	\$33.8 (14%)

More Beneficiaries May Be Able to Enroll in Private Employer-Subsidized Health Plans

- Least costly because LODA pays only employee portion of premiums
- Elimination of benefits when beneficiaries voluntarily switch plans creates a disincentive to enroll in employer plans
- 18% of beneficiaries may have access to employer-subsidized plans but only 6% are enrolled

Option

The General Assembly could consider requiring beneficiaries to use employer-subsidized health insurance plans when available and comparable.

Reduces benefits	Narrows eligibility criteria	% of beneficiaries affected	Projected 10-year cost savings (\$M)
No	No	9% – 18%	\$13.3 – \$26.7 (6% – 11%)

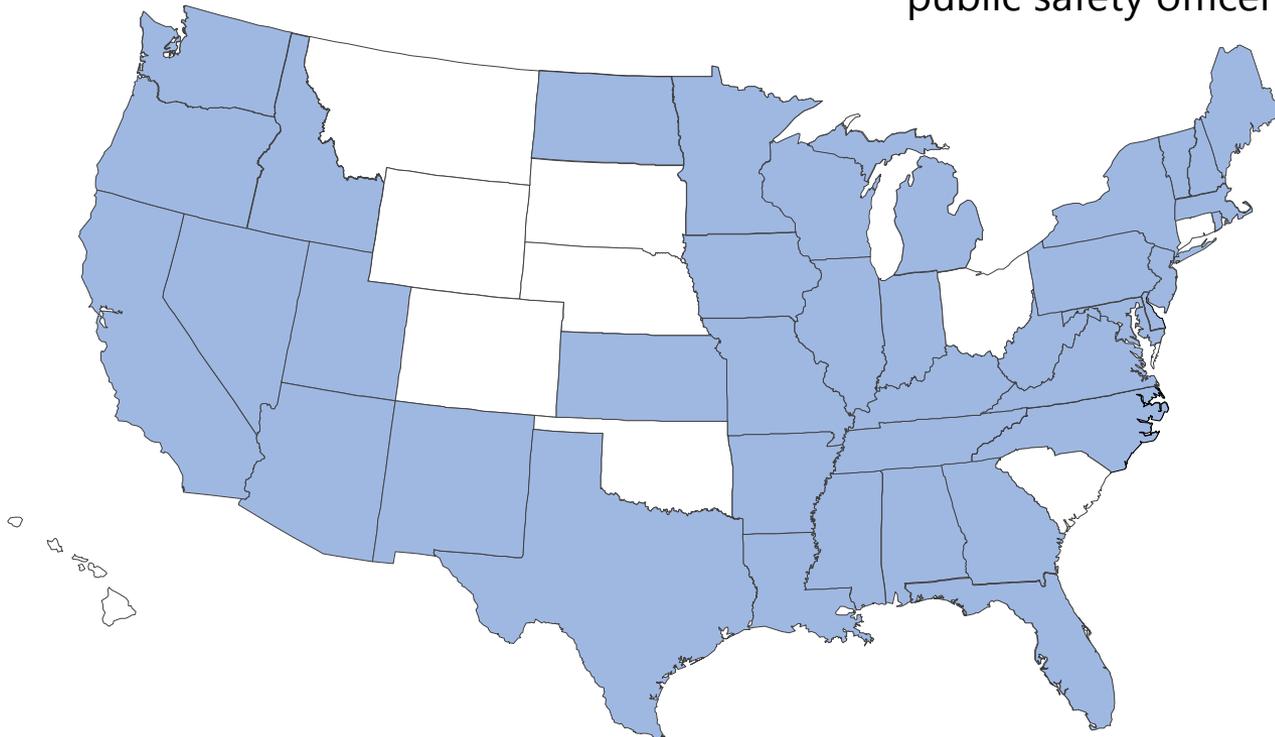
Finding

Eligibility criteria for the Line of Duty Act are more inclusive than for comparable programs, and beneficiaries continue to receive benefits under more circumstances.

Virginia Is in Minority of States Offering Death Benefits and Health Insurance Benefits



8 states provide both benefits to state and local public safety officers
public safety officers



Virginia's Eligibility Criteria Are Less Restrictive Than Criteria in Similar States

State	Covers:			Benefits continue if:			
	Death	Disability	Presumptive cause	Claimant recovers from disability	Claimant has access to other insurance	Spouse remarries	Reach age 65 (Medicare)
Virginia	✓	✓	✓	✓	✓	✓	✓
Florida	✓	✓	✓	✓	✓		✓
Washington	✓	✓	✓		✓	✓	
Illinois	✓	✓			✓		✓
Minnesota	✓	✓				✓	
Oregon	✓	✓		✓			
Delaware	✓				✓		
Texas	✓				✓		

Other Programs Eliminate Benefits When Beneficiaries Are Able to Work or Are Earning Income

Example: Public safety officer earned \$50,000 prior to disability

Benefits continue if claimant is:	SSDI	Workers' Compensation	VSDP	Disability Retirement	LODA
Able to work in an alternative occupation	↔	←	←	←	←
Earning less than pre-disability salary	↔	←	←	←	←
Earning more than pre-disability salary	↔	↔	↔	←	←
Able to work in a public safety occupation	↔	↔	↔	↔	←

Full benefits ←

Partial benefits ←

No benefits ↔

NOTE: VSDP criteria based on the "own occupation" standard, which occurs for first 24 months of benefits.

Options

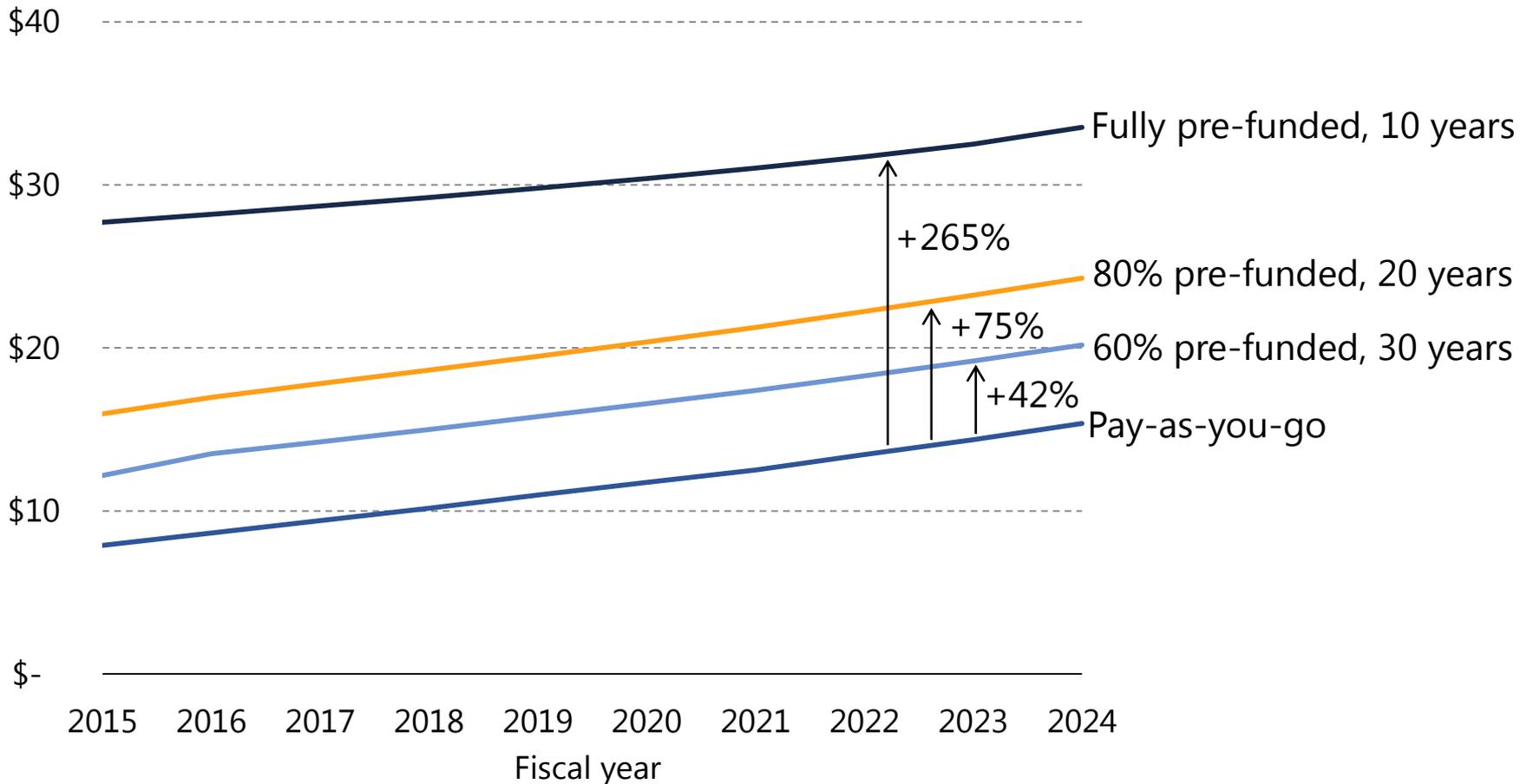
The General Assembly could consider narrowing the initial eligibility criteria by:

- redefining “line of duty” to include only public safety duties
- redefining “disabled person” to include only the most severe disabilities
- eliminating presumptive causes

Reduces benefits	Narrows eligibility criteria	% of beneficiaries affected	Projected 10-year cost savings (\$M)
No	Yes	Varies	\$10.4 per 10% fewer beneficiaries

Options to Pre-Fund Benefits Have Different Budgetary Impacts

Projected LODA Fund premiums (\$M)



Questions?

For more information...

<http://jlarc.virginia.gov>

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