Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

PUBLISHED: 2/2/2026 12:04 PM **REVISED**

Bill Number: HB659 **Patron:** Kent
Bill Title: State retiree health benefits program; reenrollment in program.

Bill Summary: Allows a state retiree who elects to participate in the state retiree health plan but later discontinues participation one opportunity to return to participation in the plan, provided that such return to participation occurs within five years after the date of such employee's retirement. Under current law, a state retiree who elects to participate in the state retiree health plan but later discontinues participation is barred from participating in the plan.

Budget Amendment Necessary: Yes **Items Impacted:** 74, 469, 483
Explanation: VRS would require a budget amendment. DHRM and Central Appropriations would need budget amendments for system related costs (DHRM) and potentially increased health insurance premiums (Central Appropriations), but those amounts are unknown at this time.

Fiscal Summary: The Virginia Retirement System indicates that the agency requires a budget amendment for work related to the bill. The Department of Human Resource Management may require additional appropriation for changes to the Cardinal Human Capital Management System. Additional appropriation may be needed by state agencies for increased health insurance premiums.

General Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
DHRM	Costs to update the Cardinal HCM system would be needed, but such amounts are unknown at this time.					
Central Appropriations	Costs to provide agencies with additional funding for increased health insurance premiums, but such amounts are unknown at this time.					
TOTAL						

Nongeneral Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
VRS	$0	$21,000	$0	$0	$0	$0
TOTAL	**$0**	**$21,000**	**$0**	**$0**	**$0**	**$0**

Fiscal Analysis: This legislation may have an impact on future premiums charged in the state employee health plan. State employee retirees will generally be an older population and it is assumed that such individuals may require more health care than the rest of the plan's member population. As health care expenses increase, the plan's premiums will need to increase. The state health plan offers options for both pre-65 non-Medicare retirees and post-65 Medicare retirees. Pre-65 non-Medicare retirees are actuarially included with the active state employee health plan, and their claim experience would impact premiums charged to current employees and state agencies. Retirees enrolled in the state employee health plan pay the full cost of premiums, but higher premiums will also be paid by active state employees and state agencies. It is unknown how many such retirees will opt to try and rejoin the state health plan and therefore the actual impact on premiums is unknown at this time. For post-65 Medicare retirees, the state health plan offers a Medicare supplement plan. This plan is paid for entirely by participating retirees and premiums are determined actuarially separately from the state employee health plan, and therefore these retirees would not create a general fund impact.

Expenses for the state employee health plan are paid out of the Health Insurance Fund (HIF), which is funded through premiums charged to state employees and their employing agencies. Agencies use general fund, nongeneral fund, or some combination of the two to make these premiums, depending on the fund sources available to the agency and from which source the employee is regularly paid. A portion of these costs, approximately 15 percent, would be paid by members of the state employee health plan, either through co-pays, co-insurance, or increased premiums. The remaining 85 percent would be charged to state agencies through higher premiums, which are currently paid 50 percent from the general fund and 50 percent from nongeneral fund sources. Increased health insurance premiums would require additional general fund appropriation be provided to state agencies.

The Virginia Retirement System (VRS) is not responsible for health insurance benefits and associated eligibility determinations, but is involved with deducting health insurance premiums from retiree pension benefits and handling the statutory health insurance credit. VRS indicates that the agency receives a significant call volume about retiree health insurance and expects that this change could increase that call volume. As a result, VRS estimates a $21,000 fiscal impact associated with updating the VRS website, the employer manual, and other publications as well as training.

Changes to the Cardinal Human Capital Management (HCM) system, which manages enrollment to the state employee health plan, may also be required to keep track of retired employees who are eligible to rejoin the plan. The cost of such changes is currently unknown.

Other: This fiscal impact statement has been updated to provide additional context and information about the different state health plan options available to retired state employees.