



C.L. "BUTCH" OTTER  
GOVERNOR

March 24, 2017

The Honorable Brad Little  
President  
Idaho Senate  
State Capitol  
Boise, ID 83702

Dear Mr. President,

I hereby advise you that I have returned without my approval, disapproved and vetoed, the following Senate Bill, to wit:

**S1046**

within the time limited by law, the same having arrived in the Office of the Governor at the hour of 10:53 a.m. on March 20, 2017.

This well-intended legislation is fraught with complications and shortcomings – some clear and others more subtle – that compel me to reject it.

If approved, this bill would lead to greater net out-of-pocket health-care costs to plan participants, despite the \$500 annual State contribution to those individuals' health savings accounts (HSAs). That could come as a surprise to employees who decide to leave regular State health insurance coverage plan believing that they would save money under this high-deductible alternative.

The new plan also would be subject to all the requirements of the soon-to-be repealed Affordable Care Act, yet this legislation applies no fiscal impact to that policy consideration. What's more, implementing this legislation would pose administrative challenges that range from reprogramming of Controller's Office payroll and accounting systems to the timing of State deposits in the HSA accounts that the bill proposes to be in place on July 1 of this year.

Other considerations of concern include the absence of any provisions for determining a reduced contribution for part-time employees, differing contributions for self-only or family coverage, or employees hired mid-year.

The Honorable Brad Little

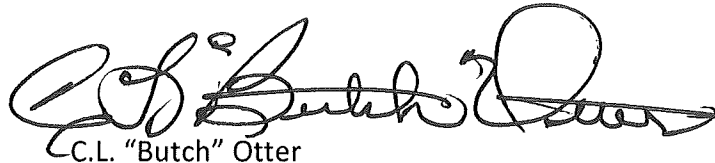
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This legislation was patterned on a plan adopted by the State of Indiana. However, the facts on the ground in Indiana do not translate seamlessly to those in Idaho or to the administration of our State government. What's more, while Indiana's experience has helped control State spending on health care, it also resulted in higher out-of-pocket expenditures for its employees.

Nevertheless, this is a valuable contribution to the growing portfolio of constructive ideas that should be vetted, refined and further considered. I would encourage the Legislative Interim Committee on State Employee Group Insurance and Benefits to make the substance of Senate Bill 1046 part of its discussion this summer as it develops recommendations for changes to Idaho laws, rules and policies to promote a more competitive environment and greater personal responsibility while easing regulatory burdens and reducing the costs of health care and coverage.

As Always – Idaho, "Esto Perpetua"

A handwritten signature in black ink, appearing to read "C.L. Butch Otter". The signature is stylized and cursive, with a large initial "C" and "O".

C.L. "Butch" Otter  
Governor of Idaho