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DATE: March 25, 1999

HOUSE OF REPRESENTATIVES
COMMITTEE ON
HEALTH CARE SERVICES
ANALYSIS

BILL #: HB 1631

RELATING TO: Health Insurance

SPONSOR(S): Rep. Farkas & others

COMPANION BILL(S): SB 1556 (i)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) HEALTH CARE SERVICES
(2) INSURANCE
(3) GOVERNMENTAL OPERATIONS
(4) HEALTH & HUMAN SERVICES APPROPRIATIONS
(5)

I. SUMMARY:

HB 1631 creates the Health Alliance for Small Business (Alliance), a nonprofit corporation, governed by a board composed of the chairs or designated representatives of the existing boards of the eight Community Health Purchasing Alliances (CHPAs). Each of the CHPA boards is redesignated as a regional board of the Alliance. Legislative intent indicates that the purpose of the Alliance is to more effectively pool groups of individuals employed by small employers (with 1 to 50 employees) and their dependents, into larger groups in order to facilitate a program of affordable group health insurance coverage.

The state board of the Alliance is authorized to negotiate with one or more health insurers or health maintenance organizations (HMOs) to offer health plans to alliance members in one or more regions, under terms and conditions as agreed to between the board, as group policyholder, and the insurer. The board and the insurer may negotiate health plan selection, benefit design, premium rates, and other terms of coverage, subject to the Florida Insurance Code. Authorized health insurers and HMOs may participate and would no longer be approved as an “accountable health partnership” as currently required under the CHPA law. Instead of offering separate policies to employers and employees from all approved plans, as required for CHPAs, the Alliance would be issued a master policy from carriers selected by the board as offering the most competitive products and prices, to which employees would be added as they enroll. The bill specifies the powers of the state board and regional boards of the Alliance.

The role of the Agency for Health Care Administration is limited to conducting an annual review of the performance of the Alliance and to assisting the Alliance in developing, collecting, and analyzing market information that would support the purchasing decisions of the state Alliance. The bill also requires approval by AHCA if the board of the Alliance decides to revise the number and geographical boundaries of Alliance districts.

The bill is effective upon becoming a law.

The bill has no direct fiscal impact on state or local government.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Community Health Purchasing Alliances

The Florida Legislature enacted small-group market reforms in a series of steps from 1992 to 1994. In 1993, the Florida Legislature established Community Health Purchasing Alliances, or CHPAs, as state-chartered, nonprofit private organizations, intended to pool purchasers of health care together in organizations that broker health plans at the lowest price and enable consumers to make informed selections of health plans (chapter 93-129, L.O.F.; ss. 408.70-408.706, F.S.). CHPAs make available health insurance plans to small employers, as that term is defined in s. 627.6699, F.S., who has 1 to 50 employees, including sole proprietors and self-employed individuals.

The Agency for Health Care Administration is responsible for implementation and oversight of the statewide system of CHPAs, including technical and legal assistance, liaison functions, and designation and re-designation of Accountable Health Partnerships. In order for insurance plans to be offered through the CHPA, the plans have to qualify as Accountable Health Partnerships (AHPs), which must be formed by an insurer or health maintenance organization (HMO) authorized by the Department of Insurance. The law also authorizes CHPAs to provide coverage to Medicaid recipients and state employees, but that authority has never been exercised, as the Legislature has never taken the steps needed to fully implement this aspect of the law.

The law created 11 CHPAs, one for each of AHCA's 11 health service planning districts. There are now eight individual CHPAs, due to merger of certain districts (CHPA districts 1, 2 and 3 merged into a single district and CHPA district 4 and 7 merged into a single district). Each CHPA operates under the direction of an appointed 17-member board of directors. The original law that provided for appointment of members by designated public officials was repealed (due to a Sunset provision and failure of the Legislature to reenact). This allows the boards, as nonprofit associations, to provide for appointment of board members in their articles of incorporation and bylaws. At this time, all of the CHPA boards' articles and bylaws continue to provide for appointment of members in the manner that was statutorily directed. The Boards appoint Executive Directors who serve as the CHPAs' chief operating officers. In addition to the director, each CHPA employs from one to three full-time staff and all but one contract with a third-party administrator.

CHPAs act as clearinghouses for health insurance plans that qualify as Accountable Health Partnerships (AHPs). CHPAs choose AHPs via requests for proposals. CHPAs offer several benefit plans (Plus Plan, Standard Plan, Basic Plan, and Flex Plan), with a wide variety of deductibles and coinsurance levels. Within these plans an individual can choose different types of coverage - Health Maintenance Organizations (HMOs) and Preferred Provider Organizations (PPOs), each offering a variety of plan features. All CHPA plans are sold through authorized insurance agents.

As of February 1999, 86,766 persons (including employees and their dependents) were insured through CHPAs, which represents 22,033 small employer groups, and 43,877 employees. This represents a drop from the 94,090 persons who were insured through CHPAs in December 1998. A number of insurers and HMOs have discontinued their participation as AHPs in some or all of the CHPA districts.

The legislative Office of Program Policy Analysis and Government Accountability (OPPAGA) has issued reports on CHPAs and their activities. OPPAGA's report, *The Follow-Up Report on the Status of Community Health Purchasing Alliances in Florida*, (Report No. 98-14, October 1998), states that the CHPAs' continue to have a small impact in reducing the number of uninsured Floridians. Limitations cited in the report included:

- CHPAs inability to negotiate or select health plans that offer the most competitive products and prices; and

- CHPAs dependence on agents designated by health plans to sell CHPA products, and to further improve access to affordable health care coverage.

The above-cited OPPAGA report recommended that the Legislature should consider the following policy options:

- Allow CHPAs to negotiate with competing health plans and select those that offer the most competitive products and prices.
- Reduce AHCA's responsibilities to minimal oversight and coordination among CHPAs.
- Enable CHPAs to appoint their agents.
- Require the Agency for Health Care Administration to make consumer guides available to CHPA members by December 1999.

Quoting from another OPPAGA Report, *Agency for Health Care Administration - Community Health Purchasing Alliances,* (No. 5013, updated 12/18/98), there are several issues presently confronting the program and CHPAs, including funding, evaluation, eligibility, and viability:

- **Funding**. Now that CHPAs are established and have achieved financial self-sufficiency, there is little need to continue funding them from state sources. In its 1997-98 Legislative Budget Request, the Agency for Health Care Administration requested eliminating $525,000 of funding for the CHPAs. As of June 30, 1996, seven of the eight CHPAs had accumulated enough cash reserves to fund their operations for at least six months without any additional revenue, and four of the eight CHPAs had enough cash reserves to operate for at least a year without any additional revenue. However, in 1997-98 CHPAs received up to $100,000 to be used to fund operational and administrative costs of the CHPA in Districts 1, 2, 3, and 4. During the same fiscal year, the Legislature authorized 13 positions within AHCA (costing $754,587) to provide further support to CHPAs.

Recently, the Robert Wood Johnson Foundation awarded a grant to AHCA based on a state initiative to fund health care reform. The total amount awarded to the agency was $1,460,253. CHPA was provided $265,000 to improve automatic billing and enrolling systems (CD-ROM and via Internet technology) plus other funding such as advertising. The grant runs through January 31, 1999.

- **Evaluation**. The Agency for Health Care Administration cannot provide CHPA members and their employees with information about the Accountable Health Partnerships, such as prices, utilization, patient outcomes, quality, and patient satisfaction. As of July 1998, the Agency for Health Care Administration had not developed Accountable Health Partnership comparison sheets, as mandated by s. 408.704 (4)(5)(b), F.S. The agency hopes to have a comparison sheet available to CHPAs and their members sometime in the future.
- **Eligibility**. The 1997 Legislature passed Senate Bill 358. The law extends CHPA eligibility for 1 year to businesses that grow to more than 50 but not more than 75 employees. This revision permits small businesses that are growing to obtain other insurance and businesses that fluctuate in size to remain within the CHPA. Also, the same legislation relieves any member of the board of directors of a CHPA, CHPA employees, and its agents, from liability for any action taken by the board in the performance of its powers and duties listed under ss. 408.70-408.705, F.S.
- **Viability**. Several CHPAs have merged since the initiation of the program. The Agency for Health Care Administration originally created 11 CHPAs, one for each of AHCA's 11 health service planning districts, . . . As of January 1996, CHPA Districts 1 and 2 merged into the new District 1. In September of 1996, districts 1 and 3 merged into a single CHPA. In July 1996, CHPA Districts 4 and 7 merged into a single district. Currently, there are eight individual CHPAs. However, for budget purposes and reporting, AHCA continues to describe Community Health Purchasing Alliances as 11 CHPA areas.

Employee Health Care Access Act

In 1992, the Employee Health Care Access Act was enacted to require insurers in the small group market to guarantee the issuance of coverage to any small employer that applies for coverage, regardless of the health condition of the employees. This law is codified in s. 627.6699, F.S. In 1993, this act was expanded to cover sole proprietors and self-employed individuals. The current law requires guaranteed-issuance of coverage to all small employers, regardless of health condition. It

also requires that rates be based on a "modified community rating" basis, which prohibits insurers from basing rates on the health condition or claims experience of any person insured under a small group policy. Rates for a small employer policy may be based only on the following five factors: age, gender, geographic location, tobacco usage, and family composition (size). Subsection (6) of this section stipulates that small employer carriers may not modify the rate for a small employer for 12 months from the initial issue date or renewal date unless the composition of the group changes or benefits are changed. In addition, carriers participating in the CHPA program in accordance with ss. 408.700-408.707, F.S., are authorized to apply a different community rate to business written in that program.

B. EFFECT OF PROPOSED CHANGES:

HB 1631 would create the Health Alliance for Small Business (Alliance), a nonprofit corporation, governed by a board composed of the chairs or designated representatives of the existing boards of the eight Community Health Purchasing Alliances (CHPAs). Each of the CHPA boards will be redesignated as a regional board of the Alliance. Legislative intent indicates that the purpose of the Alliance would be to more effectively pool groups of individuals employed by small employers (with 1 to 50 employees) and their dependents, into larger groups in order to facilitate a program of affordable group health insurance coverage.

The state board of the Alliance would be authorized to negotiate with one or more health insurers or health maintenance organizations (HMOs) to offer health plans to alliance members in one or more regions, under terms and conditions as agreed to between the board, as group policyholder, and the insurer. The board and the insurer may negotiate health plan selection, benefit design, premium rates, and other terms of coverage, subject to the Florida Insurance Code. Authorized health insurers and HMOs could participate and would no longer be approved as an "accountable health partnership" as currently required under the CHPA law. Instead of offering separate policies to employers and employees from all approved plans, as required for CHPAs, the Alliance would be issued a master policy from carriers selected by the board as offering the most competitive products and prices, to which employees would be added as they enroll. The bill would specify the powers of the state board and regional boards of the Alliance.

The role of the Agency for Health Care Administration would be limited to conducting an annual review of the performance of the Alliance and to assisting the Alliance in developing, collecting, and analyzing market information that would support the purchasing decisions of the state Alliance. The bill would also require approval by AHCA if the board of the Alliance decides to revise the number and geographical boundaries of Alliance districts.

C. APPLICATION OF PRINCIPLES:

1. <u>Less Government:</u>

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes. Community health purchasing alliances are re-constituted as the Health Alliance for Small Business with specific responsibility at a regional and state level.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

See a.(2) above.

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

N/A

b. Does the bill require or authorize an increase in any fees?

N/A

c. Does the bill reduce total taxes, both rates and revenues?

N/A

d. Does the bill reduce total fees, both rates and revenues?

N/A

e. Does the bill authorize any fee or tax increase by any local government?

N/A

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Sections 408.70, 408.701, 408.702, 408.703, 408.704, 408.7041, 408.7042, 408.7045, 408.7055, 408.706 and 627.6699, F.S.

E. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends s. 408.70, F.S., relating to community health purchasing, to replace the legislative intent that is provided for Community Health Purchasing Alliances (CHPAs) with new legislative intent for creation of the Health Alliance for Small Business or Alliance. The purpose and intent is simplified to state that it is the intent of the Legislature that a nonprofit corporation, to be known as the Health Alliance for Small Business, be organized for the purpose of pooling groups of individuals employed by small employers and the dependents of such employees into larger groups in order to facilitate the purchase of affordable group health insurance.

Section 2. Amends s. 408.701, F.S., 1998 Supplement, relating to definitions, to amend the definitions currently provided for the statutes governing CHPAs, to provide definitions for the amended statutes governing the Health Alliance for Small Business. Definitions are added for "regional board" and "state board," as such boards are created and authorized in Section 3 of the bill. Current definitions are revised for the terms "Alliance" (referring to the newly created Health Alliance for Small Business, rather than a CHPA), "health insurer," and "health plan." Current definitions are deleted for the following terms: accountable health partnership, antitrust laws, associate alliance member, benefit standard, business health coalition, community health purchasing alliance, consumer, department, grievance procedure, health status, managed care, managed competition, medical outcome, provider network, purchaser, self-funded plan, utilization management, 24-hour coverage, agent, and primary care physician. The bill either does not use the terms that are deleted or the context and meaning of the terms are clear without a definition.

Section 3. Amends s. 408.702, F.S., to create the Health Alliance for Small Business ("Alliance"), and to delete the provisions creating and authorizing CHPAs. The bill creates the Alliance, required to be operated as a nonprofit corporation organized under chapter 617, F.S., and which is not a state agency. The Alliance must operate subject to the supervision and approval of a board of directors, referred to as the *board* or *state board*, composed of the chairman of each of the *regional boards*, or a member of a regional board designated by the chairman of that board.

The board of directors of each (of the eight) current CHPAs are redesignated as a regional board of the Health Alliance for Small Business. Regional boards must also be organized as non-profit corporations and are not state agencies. The regional board that replaces each CHPA is to assume the rights and obligations of each former CHPA, but only as necessary to fulfill the former CHPA's contractual obligations existing on the effective date of the act. Contractual obligations existing on such date are not impaired or otherwise affected by this section. (This is intended to allow small employers and their employees who are covered under existing policies issued through CHPAs to continue under these plans as contracts would allow as of the effective date of the act, and to enable the regional boards to continue to exercise such powers as necessary to fulfil related contractual obligations.)

The reference to creating a CHPA in each of the 11 AHCA health service planning districts is deleted and would not apply to the regional boards of the new Alliance. The eight current CHPAs are redesignated as regional boards of the Alliance and the number and geographical boundaries of Alliance districts (i.e., regional board districts) may be revised by the state board upon approval of AHCA based on a showing by the state board that the members of the Alliance would be better served. If the districts are revised, the members of new regional boards must be representative of the members of the affected regional boards in a method established by the state board which reasonably provides for proportionate representation of former board members.

Any health plan offered through the Alliance must be offered by a *health insurer*, defined in Section 2 to include authorized health insurance companies and health maintenance organizations. The bill deletes references to "accountable health partnerships" (AHPs) and separate approval of AHPs by AHCA.

All references and authority for the old CHPAs to provide health plans to state employees and Medicaid recipients (which has never been implemented) are deleted for the new Alliance.

Membership in the Alliance by a small employer and participation by health insurers are voluntary, as currently provided for CHPAs.

The bill authorizes the state board of the Alliance to:

- Negotiate with health insurers to offer health plans to Alliance members in one or more regions under terms and conditions as agreed to between the board, as group policyholder, and the health insurer, subject to the requirements of the Florida Insurance Code. (Since Alliance members are small employers, as defined in s. 627.6699, the requirements of that section will apply to Alliance policies, including guaranteed-issuance of coverage to all small employer applicants, regardless of health condition, and the requirement that premiums be established on a modified community rating basis, which prohibits rates based on the health condition of the persons insured. See Section 8 of the bill which further amends the small group rating provisions of this statute.)

- Establish minimum requirements of Alliance membership, consistent with the definition of "small employer" in s. 627.6699, F.S.
- Establish administrative and accounting procedures for the state and regional boards and require regional boards to submit program reports to the state board and AHCA.
- Receive and accept funds from any public or private source.
- Hire employees or contract with qualified, independent third parties for any service necessary to carry out the board's powers and duties.
- Perform any of the activities that may be performed by a regional board.

The bill authorizes each of the regional boards of the Alliance to:

- Establish conditions of Alliance membership consistent with the minimum requirements established by the state board.
- Provide to Alliance members standardized information for comparing health plans offered through the Alliance.
- Offer health plans to Alliance members, subject to the terms and conditions agreed to by the state board and participating health insurers.
- Market and publicize the coverage and services offered by the Alliance.
- Collect premiums from Alliance members on behalf of participating insurers.
- Assist members in resolving disputes with health insurers, consistent with grievance procedures required by law.
- Set reasonable fees for Alliance membership, services offered by the Alliance, and late payment of premiums for which the Alliance is responsible.
- Receive and accept funds from any public or private source.
- Hire employees or contract with qualified, independent third parties for any service necessary to carry out the board's powers and duties.

Many of the powers of the existing CHPA boards are deleted.

Each regional board must annually report to the state board on the operations of the Alliance in that region and must provide for annual internal and independent audits. The Alliance, the state board, and regional boards may not engage in any activities for which an insurance agent's license is required by chapter 626, F.S., as currently prohibited for CHPAs.

The Office of the Auditor General is authorized to audit and inspect the operations and records of the Alliance.

Section 4. Amends s. 408.703, F.S., establishing eligibility requirements for small employer members of the Alliance. As currently provided for CHPAs, the state board must establish conditions of participation which include assurance that the group is a valid small employer and is not formed for the purpose of securing health benefit coverage, and must establish requirements for sole proprietors and self-employed individuals, including time in business and documentation or employment status. The bill deletes current requirements for CHPAs that small employers be required to contribute the same dollar amount for each employee, regardless of the plan chosen. It also deletes the current CHPA requirement that an employer offer at least two plans to its employees (or 3 if more than 30 employees). These would be negotiable issues for the Alliance board and insurers. The current law is retained that allows a small employer to continue coverage for one year after it expands to more than 50 and less than 75 employees.

Section 5. Amends s. 408.704, F.S., 1998 Supplement, providing powers and duties of AHCA. The bill deletes many of the powers of AHCA as currently provided for CHPAs. AHCA is to assist the Alliance in purchasing health insurance for its members and supervise its operation. As currently provided for CHPAs, AHCA must conduct an annual review of the performance of the Alliance to ensure compliance with the law. The Alliance must submit quarterly data to AHCA, including specified information. AHCA must assist the Alliance in developing, collecting, and analyzing market information that would support the purchasing decisions of the Alliance. (Also see Section 3 which requires approval by AHCA if the board of the Alliance decides to revise the number and geographical boundaries of Alliance districts. Also see Section 6, below.)

Section 6. Amends s. 408.7041, F.S., to make conforming changes to the current law that requires AHCA to actively supervise the Alliance to ensure that actions that affect market competition are not for private interests, but accomplish the legislative intent found in s. 408.70, F.S., so as to provide state and federal antitrust protection of the Alliance and state and regional board members.

Section 7. Amends s. 408.7045, F.S., relating to marketing requirements of the Alliance. The bill retains the current law for CHPAs that require the Alliance to use appropriate, efficient, and standardized means to notify members of the availability of sponsored health coverage and to make available marketing materials that accurately summarize the benefit plans that are offered and the rates, costs, and accreditation information relating to those plans. The bill deletes the current requirement for CHPAs that each small employer be offered plans from all accountable health partnerships available in the Alliance. It also deletes language that authorizes CHPAs to notify AHCA of any unfair marketing practices and for AHCA to notify the Department of Insurance. (This change will not prohibit the Alliance from notifying either agency of unfair marketing practices.)

Section 8. Amends s. 627.6699, F.S., 1998 Supplement, relating to the Employee Health Care Access Act. The bill makes three changes to the rates that may be charged for small group policies, which would apply to small group policies, including those sold to the Alliance. First, the bill provides an additional factor that may be utilized in establishing rates, similar to a current rule adopted by the Department of Insurance, which allows rates for a policy issued to a group association that reflect a premium credit for expense savings attributable to administrative activities being performed by the group association, if these savings are specifically documented in the carrier's rate filing and are approved by the department. Any such credit may not be based on any factor related to the health status of the group.

The second change in the small group rating law is an exception to the prohibition against insurers modifying the rates for a small employer for 12 months from the initial issue date or renewal date, unless the composition of the group changes or benefits are changed. The bill allows an insurer to modify the rate one time prior to 12 months after the initial issue date for a small employer who enrolls under a previously issued group policy that has a common anniversary date for all employers. This is intended to allow for master policies to be issued to an association, such as the Alliance, that has a common anniversary date, but which allows small employers to enroll during the year. The insurer would be required to disclose in a clear and conspicuous manner the date of the first renewal and the fact that the premium may increase on that date. The insurer is also required to demonstrate to the Department of Insurance that efficiencies in administration are achieved and reflected in the rates.

The third change is to delete the current provision that allows small group carriers who participate in CHPAs to apply a different community rate to business written in that program. This allowance to separately pool the experience of CHPA enrollees, apart from the carrier's other small group business, can result in either better or worse experience and, therefore, lower or higher rates, than for the carrier's policies issued outside of CHPAs. While originally believed to be beneficial to CHPAs, more recent experience has resulted in higher rates being charged by some carriers for policies issued inside CHPAs. The bill does not allow such separate pooling for policies issued to the Alliance, so that the insurer would be required to pool all of its small group business for rating purposes, both inside and outside the Alliance.

Section 9. Repeals ss. 408.7042, 408.7055, and 408.706, F.S., relating to CHPAs. Currently, s. 408.7042, F.S., authorizes the purchase of health care for state employees and Medicaid recipients through CHPAs, which has never been implemented; s. 408.7055, F.S., requires AHCA to establish criteria for "practitioner advisory groups" that provide practitioner input into operational decisions to

accountable health partnerships, which have never been implemented; s. 408.706, F.S., establishes criteria for accountable health partnerships, which would no longer be approved by AHCA since all authorized health insurers and HMOs would be allowed to participate in the Alliance, subject to terms negotiated with the Alliance consistent with this act and the Florida Insurance Code.

Section 10. Provides for the act to take effect upon becoming a law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

The bill does not provide for any appropriations or other state funding to the Alliance, but it does allow the Alliance to receive funds from any source, including public funding.

The Agency for Health Care Administration states that the bill would have no effect on their fiscal needs. However, the bill provides for a reduced oversight role by AHCA over the Alliance, as compared to the broader oversight role it currently has over CHPAs, so it would appear that some reduction in funding for AHCA would be justified. Currently, 10 employees (FTEs) are assigned by AHCA to overseeing CHPAs, at a total annual cost of $563,589.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Participation by insurers and small employers in CHPAs is declining, making it unlikely that all CHPAs will continue to be viable entities unless changes to the law are made. Small employers are still able to obtain coverage on a guaranteed-issue, modified community-rated basis outside of CHPAs, but most employers are experiencing significant rate increases. These rate increases are occurring country-wide and are particularly great for small employers, reportedly going from

an average in 1998 of about 14 or 15 percent to the high-teens, running as high as 30 to 50 percent. (*Businesses' Health Premiums are Rising*, The Wall Street Journal*,* Nov. 17, 1998.)

The bill is intended to more effectively pool groups of individuals employed by small employers (with 1 to 50 employees) and their dependents, into larger groups in order to facilitate a program of affordable group health insurance coverage.

3. Effects on Competition, Private Enterprise and Employment Markets:

The bill does not appear to provide any specific legal advantage to the Alliance, as compared to other association groups, such as a local Chamber of Commerce association, but the bill is expected to provide an effective method of providing affordable group health insurance to small employers due to the following factors: the state-sanctioned, public non-profit nature of the Alliance, the potential bargaining power generated by small employer participation, the allowance for one master policy to be issued to the Alliance which may negotiate on behalf of its members, administrative cost savings that may be provided by the Alliance, and the expertise of existing CHPA boards.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

The bill does not require counties or municipalities to spend funds or take action requiring expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The bill does not reduce the ability of counties and municipalities to raise revenue.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

The bill does not reduce state tax shared with counties and municipalities.

V. COMMENTS:

There appear to be two technical problems with the bill as filed:

On page 18, line 30 the reference to “community health purchasing alliances” should be changed to “the alliance.”

On page 19, line 17, the cross-reference to “ss. 408.70-408.706" should be changed to “ss. 408.70-408.7045.”

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON HEALTH CARE SERVICES:

Prepared by:

Phil E. Williams

Staff Director:

Phil E. Williams