

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 310

SPONSOR: Senator Forman

SUBJECT: Health Insurance

DATE: March 22, 1999

REVISED: 3/24/99 _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Schmeling</u>	<u>Maclure</u>	<u>CM</u>	<u>Fav/1 amendment</u>
2.	_____	_____	<u>HC</u>	_____
3.	_____	_____	<u>FP</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This bill creates the Premium Assistance Program within the Agency for Health Care Administration to assist small businesses with less than five employees in paying the cost of health insurance premiums for certain employees. This program is to be funded from moneys that the state receives in settlement of *State of Florida, et al., v. American Tobacco Company, et al.*

This bill creates yet unnumbered sections of the Florida Statutes.

II. Present Situation:

The most recent unemployment compensation data (first quarter 1998) shows that of 368,749 total private sector employing units¹ in Florida, 182,679, or almost 50 percent, employed one to four individuals. During this time, these employers employed 405,042 individuals, or 7.3 percent of all individuals employed. As of September 30, 1998, 246,000 employers, with 1 to 50 employees, were insured in the small group health insurance market.

Under s. 627.6699, F.S., small group carriers are required to offer a “standard” and “basic” policy to small employers. The “standard” policy is generally intended to be comparable to a major medical policy typically sold in the group market, with cost containment features intended to make the policy affordable. The “basic” policy places additional restrictions on the benefits and utilization of the policy, and may also impose additional cost containment measures. This section also specifies certain mandated benefits that apply to both the standard and basic policy.

¹ “Employing unit” means any individual or type of organization, including any partnership, association, trust, estate, joint-stock company, insurance company, or corporation, whether domestic or foreign; the receiver, trustee in bankruptcy, trustee, or successor of any of the foregoing; or the legal representative of a deceased person, which has or had in its employ one or more individuals performing services for it within this state (s. 443.036(20), F.S.).

On August 25, 1997, the tobacco industry agreed to a settlement of at least \$11.3 billion dollars from tobacco companies to Florida over the next 25 years for reimbursement of Medicaid expenses, punitive damages, and fraud. This settlement stemmed from the litigation of *State of Florida, et al., v. American Tobacco Company, et al.*, Civil Action No. 95-1466 AH (15th Cir. Ct.).

In 1993, the Florida Legislature established Community Health Purchasing Alliances (CHPAs) as state-chartered, nonprofit 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 (ch. 93-129, L.O.F.; ss. 408.70-408.706, F.S.). CHPAs make available health insurance plans² to small employers, as that term is defined in s. 627.6699, F.S., who have 1 to 50 employees, including sole proprietors and self-employed individuals. The average group size of employers participating in CHPAs is 2.08 employees.

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.

III. Effect of Proposed Changes:

This bill creates the Premium Assistance Program within the Agency for Health Care Administration (AHCA) to assist small businesses in purchasing health insurance coverage for their employees.

To be eligible for the Premium Assistance Program a small business must have four or fewer employees and must not have offered health insurance coverage to its employees or paid the health insurance premiums of its employees for the previous 6 months or longer. A small business is ineligible for the Premium Assistance Program if the business discontinues health insurance coverage for its employees in an attempt to qualify for the program.

The premium subsidy authorized by this section shall be provided for standard and basic health benefit plans, as defined in s. 627.6699, F.S. For single-parent or two-parent family contract coverage, a small business may receive a 75 percent subsidy of the cost of health insurance premiums for the first year, a 50 percent subsidy of the cost of health insurance premiums for the second year, and a 25 percent subsidy of the cost of health insurance premiums for the third year. A business is not required to maintain health insurance coverage after the subsidy ends. It is not immediately clear whether or not the subsidy applies only to that portion of the premium paid through employer contributions.

Moneys that the state receives in the settlement of the court action that was filed in the Fifteenth Judicial Circuit, Palm Beach County, and styled *State of Florida, et al., v. American Tobacco Company, et al.*, will be used to fund the Premium Assistance Program and will be

² 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 and Preferred Provider Organizations -- each offering a variety of plan features. All CHPA plans are sold through authorized insurance agents.

distributed by AHCA according to the estimated number of small businesses in each community health purchasing alliance (CHPA) district which do not offer health insurance for their employees. Funds must be distributed quarterly and monitored by AHCA. The subsidy distribution process in this bill is unclear. Among other possible scenarios, businesses could be required to obtain health insurance through the CHPA, and the CHPA could apply the subsidy to the premium owed by the business, or the subsidy could be in the form of a reimbursement paid by AHCA or the CHPA directly to the participating business.

This bill appropriates the sum of \$10 million to AHCA from the moneys that the state receives in the settlement of *State of Florida, et al., v. American Tobacco Company, et al.*, for the purpose of carrying out the provisions of this act during fiscal year 1999-2000.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

To be eligible for the subsidy, employers must provide health insurance coverage for their employees, but would benefit from the subsidy provided by the assistance program. Based on the average of current filed rates, the Agency for Health Care Administration estimates a cost of \$500 per month per employee for family coverage. Assuming a 50 percent employer contribution rate, the employer would have to pay \$250 per month per employee. With a 75 percent first-year subsidy for the employer's contribution, the program would pay \$187.50 and the employer would pay \$62.50. The first-year subsidy cost, for one employee, for family coverage, for one year, would be \$2,250; thus the \$10 million appropriation for 1999-2000 would subsidize 4,444 employees statewide.

C. Government Sector Impact:

Ten million dollars of the moneys that the state receives in the settlement of the legal action that was filed in the Fifteenth Judicial Circuit, Palm Beach County, and styled *State of Florida, et al., v. The American Tobacco Company, et al.*, will be expended for the purpose of carrying out the Premium Assistance Program for year 1999-2000.

The Agency for Health Care Administration indicates no fiscal impact to the agency as a result of this bill.

VI. Technical Deficiencies:

None.

VII. Related Issues:

The Agency for Health Care Administration (agency) suggests that to avoid the necessity of establishing new state positions to administer this program, the agency could authorize the CHPAs to operate the Premium Assistance Program. The CHPA enrollment forms could be modified to capture the required eligibility information relating to group size and prior insurance coverage. Premium billing and collection for the CHPA is done under contract, and the administrator could receive quarterly allotments of funds from the CHPA to be applied to the premium of approved groups, reflected in the employer billing statements, and clearly documented for audit purposes.

The agency also recommends that language should be added to the bill to permit advance funding on a quarterly basis to facilitate timely transmission of employer payments and the premium supplement to the health plans.

Senate Bill 1556, now in the Senate Banking and Insurance Committee, 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 CHPAs. Each of the CHPA boards is redesignated as regional boards of the alliance. The purpose of the alliance and the restructuring of the CHPAs is to more effectively pool groups of individuals employed by small employers and their dependents into larger groups in order to facilitate a program of affordable group health insurance coverage.

VIII. Amendments:

#1 by Commerce and Economic Opportunities:

Provides that benefit plans eligible for the subsidy must require an employer contribution of at least 50 percent. The amendment clarifies that the subsidy provided applies to that portion of the premium paid by the business. Furthermore, the process for distributing the subsidies is clarified, to require the Agency for Health Care Administration to reimburse a business for premiums paid under qualifying conditions.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
