STORAGE NAME: h2351.gg
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HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
GENERAL GOVERNMENT APPROPRIATIONS
ANALYSIS

BILL #: HB 2351 (PCB IN 00-03)

RELATING TO: Mandated health coverages

SPONSOR(S): Committee on Insurance, Representative Bainter & others

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) INSURANCE YEAS 14 NAYS 0
(2) GENERAL GOVERNMENT APPROPRIATIONS
(3)
(4)
(5)

I. SUMMARY:

State laws frequently require private health insurance policies and health maintenance organization (HMO) contracts to include specific coverages for particular treatments, conditions, persons, or providers. These are commonly referred to as mandated health coverages.

In 1987, the Legislature enacted section 624.215, F.S., establishing a process for assessing the impact of mandated health coverages. These include both current and proposed mandated health coverages. Subsection (1) includes an express statement of legislative intent for a "systematic review of current ... mandated health coverages." Subsection (3) of this law specifies guidelines for these reviews. These include, among others, the impact of mandated health coverages on premium costs, the general availability of the particular insurance coverages, public demand for treatments or services, and the extent to which the coverages increase or decrease the cost of treatments or services.

The bill appropriates $200,000 from the Insurance Commissioner's Regulatory Trust Fund to the Office of Legislative Services for the purpose of implementing the legislative intent expressed in s. 624.215(1) for a systematic review of current mandated coverages. The review would consist of an assessment of the impact of current mandated coverages using the guidelines provided in s. 624.215(2).

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1.	Less Government	Yes [X]	No []	N/A []
2.	Lower Taxes	Yes []	No []	N/A [X]
3.	Individual Freedom	Yes [X]	No []	N/A []
4.	Personal Responsibility	Yes [X]	No []	N/A []
5.	Family Empowerment	Yes []	No []	N/A [X]

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Mandated Health Coverages Review Process

State laws frequently require private health insurance policies and health maintenance organization (HMO) contracts to include specific coverages for particular treatments, conditions, persons, or providers. These are commonly referred to as mandated health coverages. Mandated coverages affect plans covering an estimated 33 percent of all Floridians and 40 percent of insured Floridians. The nearly one-half of all Floridians who either are uninsured or covered under Medicare or Medicaid are not affected. Self-funded plans provided by employers also are similarly unaffected because the federal Employee Retirement Income Security Act of 1974 (ERISA) [29 U.S.C. s. 1001, et. seq.] generally preempts state regulation of these plans.

Recognizing that most mandated coverages contribute to the cost of health insurance yet acknowledging the social and health benefits of many of these mandates, the Legislature in 1987 enacted section 624.215, F.S., calling for a "systematic review of current and proposed" mandated coverages.

Section 624.215, F.S., enacted in 1987, sets forth a process for assessing the impact of mandated health coverages. Subsection (3) of this law specifies guidelines for the review. These include an assessment of the extent to which:

>the treatment or service is used by a significant portion of the population;
>the insurance coverage is generally available;
>any general lack of availability of coverage causes persons to forego necessary treatment;
>any general lack of availability of coverage results in unreasonable financial hardship;
>there is public demand for the treatment or service;
>the coverage is included in collective bargaining negotiations;
>cost increase or decrease result from the treatment or service;
>coverage will increase the appropriate uses of the treatment or service;
>the coverage will be a substitute for a more expensive treatment or service;
>the coverage will increase or decrease the administrative expenses of insurance companies and the premium and administrative expenses of policyholders; and,
>the coverage will impact the total cost of health care.

The Cost of Mandated Health Benefits

The Legislature has recognized in legislative intent in s. 624.215(1) that "most mandates contribute to the increasing cost of health insurance premiums." Insurers and HMOs contend mandated coverages increase costs by: 1) increasing utilization of health care services; 2) giving providers of certain benefits pricing leverage; and 3) by requiring them to include additional benefits.

By stating that "most" mandates increase costs, that same legislative intent recognizes that some mandates may not increase premium costs. These could be of at least two types: a preventative care mandate, such as mammogram screening or well-child care or a mandated treatment/provider substituting for a more expensive alternative. Certain mandated coverages may not necessarily reduce premium costs but may reduce the costs borne by the general public.

Calculating the cost of mandated health coverages can be difficult. Cost determinations are complicated by a lack of reported data, difficulty in calculating costs avoided, and failure to account for the cost of mandated coverages which would today be provided in the absence of a specific mandate.

Studies of the cost of mandated health coverages

Florida

Staff could not identify any comprehensive study of the cumulative cost of mandated health coverages in Florida.

Other States

Several states have calculated these costs. A 1996 U.S. General Accounting Office report on claims costs in 6 states cited studies as far back as 1988, revealing claims costs ranging from 5.4 percent in Iowa to 22 percent in Maryland. Costs vary based on the number and type of mandated benefits.

In Virginia, a state with extensive cost reporting requirements for insurers and HMOs, the average claim cost per group certificate for the 1997 reporting period was $263, accounting for 16.62 percent of total claims costs. The premium impact on group certificates for family coverage was 29.17 percent of overall average premium on a full cost (as opposed to marginal cost) basis. Virginia had 33 mandated benefits according to a 1998 BlueCross BlueShield report.[1]

In Maryland, mandates were priced on a full cost and marginal cost basis. On a full cost basis, the estimated annual cost per policy for a group insurance policy was $604. The marginal cost came in at $148. This represents 15.4 percent and 3.8 percent of the average premium per policy. Maryland has 47 mandated benefits according to a 1998 BlueCross BlueShield report.

Maine calculates the cost impact of proposed mandated health benefits and also determines the cumulative costs of mandated benefits. As part of a December 22, 1999,

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[1]BlueCross BlueShield Association. (1998). *State legislative health care and insurance issues: 1998 survey of plans.*

report, the Maine Bureau of Insurance estimated the cumulative premium impact of 19 currently mandated benefits on group policies covering more than 20 employees to be 7.54 percent for fee-for-service plans, and 7.12 percent for managed care plans. For comparison purposes, a 1998 BlueCross BlueShield report showing Florida with 44 mandated benefits shows Maine with 31.

C. EFFECT OF PROPOSED CHANGES:

The bill appropriates $200,000 from the Insurance Commissioner's Regulatory Trust Fund to the Office of Legislative Services for the purpose of implementing the legislative intent expressed in s. 624.215(1) for a "systematic review of current ... mandated coverages. The review would consist of an assessment of the impact of current mandated coverages using the guidelines provided in s. 624.215(2).

D. SECTION-BY-SECTION ANALYSIS:

N/A

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   N/A

2. Expenditures:

	FY 2000-01
Insurance Commissioner's Regulatory Trust Fund	$200,000

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   N/A

2. Expenditures:

   N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

N/A

D. FISCAL COMMENTS:

N/A

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

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

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

N/A

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON INSURANCE:

Prepared by:	Staff Director:
Stephen T. Hogge	Stephen T. Hogge

AS REVISED BY THE COMMITTEE ON GENERAL GOVERNMENT APPROPRIATIONS:

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