

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 295 State Group Insurance Program
SPONSOR(S): Culp
TIED BILLS: None **IDEN./SIM. BILLS:** SB 822

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Governmental Operations Committee</u>	_____	<u>Williamson</u>	<u>Everhart</u>
2) <u>Health Care General Committee</u>	_____	_____	_____
3) <u>Fiscal Council</u>	_____	_____	_____
4) <u>State Administration Council</u>	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

The State of Florida sponsors a comprehensive array of workplace benefits for its employees. Chief among them are an employer-paid retirement system which permits selection from one of three pension plans, a deferred compensation plan, and health insurance.

The employee may select health insurance coverage from a number of approved provider organizations. A state-sponsored preferred provider organization provides universal access in all of Florida's counties. As an alternative, the employee may choose to enroll in one of several managed care plans offered by participating health maintenance organizations pre-approved by the Division of State Group Insurance in the Department of Management Services.

The 2004 General Appropriations Act authorized an additional health insurance option. State employees eligible for health insurance coverage due to prior United States military service may enroll with a TRICARE supplemental provider in lieu of other coverage. Because the General Appropriations Act is a self-repealing act of the Legislature, the authorization for TRICARE contained in the chapter law will expire on July 1, 2005.

The bill specifies that TRICARE is an approved product for inclusion in the state employee group health insurance program.

The bill could have a fiscal impact on state and local governments.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Safeguard individual liberty – The bill provides an additional type of health insurance option available under the state group health insurance program.

B. EFFECT OF PROPOSED CHANGES:

Background

The State of Florida sponsors a comprehensive array of workplace benefits for its employees. Chief among them are an employer-paid retirement system which permits selection from one of three pension plans, a deferred compensation plan, and health insurance.¹ An employee is automatically enrolled in the defined benefit plan upon commencement of employment. The defined contribution plan (Public Employee Optional Retirement Program) is available as an alternate choice.

The employee may select health insurance coverage from a number of approved provider organizations. A state-sponsored preferred provider organization provides universal access in all of Florida's 67 counties. As an alternative, the employee may choose to enroll in one of several managed care plans offered by participating health maintenance organizations (HMO) pre-approved by the Division of State Group Insurance in the Department of Management Services. This latter option is limited by geographic availability and not all counties are served.

The 2004 General Appropriations Act authorized an additional health insurance option.² State employees eligible for health insurance coverage due to prior United States military service may enroll with a TRICARE supplemental provider in lieu of other coverage. TRICARE is the health insurance program for eligible active and retired military personnel and their covered dependents established by the Department of Defense and authorized in Title 10 United States Code, Section 1097. It consists of a managed care plan (TRICARE Prime), a preferred provider plan (TRICARE Extra), and indemnity plan (TRICARE Standard). The latter was formerly known as CHAMPUS.³

Through January 2005, the Department of Management Services reports 87 enrollees selecting TRICARE individual coverage at \$60 a month and 454 enrollees were selecting family coverage (one or more) at \$160 month. The premiums are deducted from the employer's contribution.⁴

Because the General Appropriations Act is a self-repealing act of the Legislature, the authorization for TRICARE contained in the chapter law will expire on July 1, 2005.

Effect of Bill

The bill adds TRICARE to the types of health insurance options available under the state group health insurance program. The Division of State Group Insurance is permitted to procure and make available a TRICARE supplemental plan to participants of the state group insurance program who are entitled to receive TRICARE benefits.

¹ The defined benefit plan is governed by Part I of chapter 121, F.S.; the defined contribution, or Public Employee Optional Retirement Program, is governed by Part II of chapter 121, F.S. A third choice, the Senior Management Optional Annuity Program is authorized by s. 121.055, F.S. Deferred compensation programs are authorized by s. 112.215, F.S.

² Section 8, Chapter 2004-268, Laws of Florida.

³ Civilian Health and Medical Program of the Uniformed Services.

⁴ SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT, SB 822, February 23, 2005, at 2.

The bill makes editorial changes.

C. SECTION DIRECTORY:

Section 1 amends s. 110.123, F.S., relating to the state group insurance program.

Section 2 provides an effective date of "upon becoming a law."

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See FISCAL COMMENTS.

2. Expenditures:

See FISCAL COMMENTS.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See FISCAL COMMENTS.

2. Expenditures:

See FISCAL COMMENTS.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

For those enrollees who pay premiums, monthly state health insurance premiums for the 2005 plan (calendar) year are \$48.68 for single coverage and \$175.14 for family coverage. There is no clear advantage for exempt employees to select TRICARE since the public employer makes all premium contributions.

In terms of benefits, however, there is a distinct advantage to the federal product for the employee. TRICARE has unlimited lifetime benefit maximums and no restrictions on pre-existing conditions. Pharmacy costs are covered with nominal, but reimbursed, co-payments substantially below those in effect with the state preferred provider organization.

For active state employees selecting COBRA, Medicare, or retirees keeping insurance who are not yet Medicare eligible, the TRICARE alternative is quite advantageous as it reduces their personal premium burdens from \$378.54 to \$60 per month for individual plans and from \$841.98 to \$160 per month for family plans.⁵

When coupled with the health insurance subsidy payment of \$5 per month per year of service,⁶ a state employee with as few as twelve years of creditable state service may realize premium-free coverage with TRICARE enrollment.⁷

⁵ Telephone conversation with the Division of State Group Insurance, Department of Management Services, April 4, 2005.

⁶ Section 112.363, F.S.

⁷ SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT, SB 822, February 23, 2005, at 3.

D. FISCAL COMMENTS:

TRICARE is a decided benefit to the public employer since reduced contributions are required. This alleviates the employer from paying \$322.44 less \$60, and \$666.84 less \$160 per enrollee per month for single and family coverage, respectively. Because these net premiums are not obligated, the Division of State Group Insurance estimates a surplus among TRICARE enrollees of some \$1.5 million for January 1, 2005 through June 30, 2005, and \$2.7 million for fiscal year 2005 - 2006.⁸

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not: require counties or municipalities to spend funds or to take an action requiring the expenditure of funds; reduce the percentage of a state tax shared with counties or municipalities; or reduce the authority that municipalities have to raise revenue.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The bill uses the term "TRICARE" but does not further define it. There are 11 other corporations and partnerships registered with the Division of Corporations in the Department of State that use a variation of this term, many of which are in the health care business. An amendment specifically cross-referencing the provisions of the United States Code authorizing the program is recommended.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

Not applicable.

⁸ *Id.*, also telephone conversation with the Division of State Group Insurance, Department of Management Services, April 4, 2005.