

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Prepared By: Governmental Oversight and Productivity Committee

BILL: SB 822

SPONSOR: Senator Crist

SUBJECT: State Group Insurance Program

DATE: February 15, 2005 REVISED: 02/23/05

|    | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION           |
|----|---------|----------------|-----------|------------------|
| 1. | Wilson  | Wilson         | GO        | Fav/2 amendments |
| 2. |         |                | BI        |                  |
| 3. |         |                | WM        |                  |
| 4. |         |                |           |                  |
| 5. |         |                |           |                  |
| 6. |         |                |           |                  |

## Please see last section for Summary of Amendments

- Technical amendments were recommended
- Amendments were recommended
- Significant amendments were recommended

### I. Summary:

The bill recognizes TRICARE, the health and medical health insurance program for dependent and retiree coverage of retired military personnel, as an approved component of the state employee group health insurance program.

This bill amends section 110.123 of the Florida Statutes.

### II. Present Situation:

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.<sup>1</sup> An employee is automatically enrolled in the defined benefit, or percent of final pay, pension plan upon commencement of employment. A defined contribution, or equity ownership plan, is available as an alternate choice.

<sup>1</sup> The defined benefit plan is governed by Part I of ch. 121, F.S.; the defined contribution, or Public Employee Optional Retirement Program, is governed by Part II of that same chapter. 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.

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.<sup>2</sup> 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.<sup>3</sup>

Through January 2005, the Department of Management Services reports 87 enrollees selecting 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.

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.

### III. Effect of Proposed Changes:

**Section 1.** The bill amends s. 110.123, F.S., to specify that TRICARE is an approved product for inclusion in the state employee group health insurance program.

**Section 2.** The bill takes effect upon becoming a law.

### IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

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<sup>2</sup> Section 8, Chapter 2004-268, Laws of Florida.

<sup>3</sup> Civilian Health and Medical Program of the Uniformed Services.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

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 a low of \$378.54 to \$841.98 per month, less respective premiums of \$60 and \$160.

When coupled with the health insurance subsidy payment of \$5 per month per year of service,<sup>4</sup> a state employee with as few as twelve years of creditable state service may realize premium-free coverage with TRICARE enrollment.

**C. Government Sector Impact:**

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 of these unobligated net premiums, the Division of State Group Insurance estimates an unobligated surplus among TRICARE enrollees of some \$1.5 million. This amount will be further refined in the forthcoming Health Insurance Estimating Conference scheduled for the third week of February 2005. This amount will annualize to some \$3 million on a state fiscal year basis.

**VI. Technical Deficiencies:**

The bill uses the term TRICARE but does not further define it. There are eleven other corporations and partnerships registered with the Department of State, Division of Corporations that use a variation of this term, many of which are in the health care business. An amendment

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<sup>4</sup> Section 112.363, F.S.

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specifically cross-referencing the provisions of the United States Code authorizing the program is recommended.

**VII. Related Issues:**

The TRICARE membership has an older age profile such that persons choosing this option make a positive selection bias to the state group plans. This actuarial experience will take some time to calculate but it, in principle, reduces the cost pressure on the state plans as its residual membership profile reduces the natural increase in claims frequency and intensity that accompany the aging process.

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

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## VIII. Summary of Amendments:

**Barcode 072072 by Governmental Oversight and Productivity:**

Provides a reference to the United States Code that authorizes the TRICARE program in federal law.

**Barcode 041606 by Governmental Oversight and Productivity:**

Provides continued eligibility for supplemental insurance vendors currently providing service in the event of a subsequent competitive procurement of supplemental insurance products by the Department of Management Services.

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