

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1393

Healthy Florida Small Employer Stop Loss Fund

SPONSOR(S): Farkas

TIED BILLS: HB 1391

IDEN./SIM. BILLS:

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Insurance Committee	15 Y, 0 N	Cooper	Cooper
2) State Administration Appropriations Committee			
3) Commerce Council			
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

Over 2.8 million Floridians under the age of 65 are estimated not to have health insurance. A majority of these individuals are employed, primarily by small businesses (less than 50 employees). The Legislature has recognized this problem and has created numerous programs over the past 15+ years to encourage small employers to make health insurance available to their employees.

The bill creates the Healthy Florida Small Employer Stop Loss Fund within the Office of Insurance Regulation. The fund is established for purposes of reimbursing small employer carriers, in accordance with the newly created s.627.6699 (17), F.S. to the extent that funds are available, for claims paid by such small employer carriers. The Chief Financial Officer is required to invest the money of the fund in the same manner as other state money may be invested, and any investment earnings of the fund shall be retained to the credit of the fund.

A tied bill, HB 1391, establishes the Healthy Florida Small Employer Health Insurance Program which will provide a new standardized health insurance subsidy plan for small businesses and sole proprietors. The program is a state subsidized reinsurance mechanism or a stop loss subsidy that reimburses health plans for 90% of claims paid between \$5,000 and \$75,000 on behalf of a member in a calendar year. The program is designed to provide affordable health insurance to the employees of small employers. This program is to be added to the current small group statute, s. 627.6699, F.S. In effect, the state will assume the role of reinsurer-implicitly subsidizing the premium by removing much of insurers' risk of high-cost claims.

The Office of Insurance Regulation has provided information indicating that the initial cost of the program shall be borne by an appropriation of \$10 million and that the office further expects authorization to apply for available Low Income Pool matching funds. However, neither of these provisions is currently in either bill.

The bill takes effect on July 1, 2006 and the fund is repealed July 1, 2010.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h1393a.IN.doc

DATE: 4/5/2006

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide Limited Government and Ensure Lower Taxes— The bill creates the Healthy Florida Small Employer Stop Loss Fund. The bill will help implement the Healthy Florida Small Employer Health Insurance Program which will provide a new standardized health insurance subsidy plan for small businesses and sole proprietors.

Safeguard Individual Liberty and Empower Families—To the degree that the bill, along with HB 1393, increases the options available to employers and employees for health insurance, personal freedom may be enhanced. The bill recognizes the difficulty for small-group employers to make health insurance benefits available to their employees. The measures in the bill attempt to increase the insurance options available to small-group employers.

B. EFFECT OF PROPOSED CHANGES:

The bill creates the Healthy Florida Small Employer Stop Loss Fund within the Office of Insurance Regulation. The fund is established for purposes of reimbursing small employer carriers, in accordance with the newly created s.627.6699 (17), F.S. to the extent that funds are available, for claims paid by such small employer carriers. The Chief Financial Officer is required to invest the money of the fund in the same manner as other state money may be invested, and any investment earnings of the fund shall be retained to the credit of the fund.

A tied bill, HB 1391, establishes the Healthy Florida Small Employer Health Insurance Program which will provide a new standardized health insurance subsidy plan for small businesses and sole proprietors. The program is a state subsidized reinsurance mechanism or a stop loss subsidy that reimburses health plans for 90% of claims paid between \$5,000 and \$75,000 on behalf of a member in a calendar year. The program is designed to provide affordable health insurance to the employees of small employers. This program is to be added to the current small group statute, s.627.6699 F.S. In essence, the state assumes the role of reinsurer -- implicitly subsidizing the premium by removing much of insurers' risk of high-cost claims.

C. SECTION DIRECTORY:

Section 1 creates s. 627.66991 F.S. relating to the Healthy Florida Small Employer Stop Loss Fund. The section is repealed July 1, 2010.

Section 2 provides an effective date of July 1, 2006.

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:
None.
2. Expenditures:
None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

According to the Office of Insurance Regulation, using current average monthly premium rates of small group carriers currently selling in Florida, it is anticipated that the stop-loss program funded by this bill will result in lowering individual monthly premiums by at least 38.8%.

D. FISCAL COMMENTS:

A tied bill, HB 1391, establishes the Healthy Florida Small Employer Health Insurance Program which will provide a new standardized health insurance subsidy plan for small businesses and sole proprietors. Details of the fund are delineated in both bills. The office has provided information indicating that the initial cost of the program shall be borne by an appropriation of \$10 million and that the office further expects authorization to apply for available Low Income Pool matching funds. However, neither of these provisions is currently in either bill.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provision does not apply because this bill does not: require counties or municipalities to spend funds or to take an action requiring the expenditure of funds; reduce the authority that municipalities or counties have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with counties or municipalities.

2. Other:
None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES