

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 7021 PCB GAP 10-01 Government-Sponsored Health Insurance

**SPONSOR(S):** Governmental Affairs Policy Committee and Holder

**TIED BILLS:** **IDEN./SIM. BILLS:**

	<b>REFERENCE</b>	<b>ACTION</b>	<b>ANALYST</b>	<b>STAFF DIRECTOR</b>
Orig. Comm.:	Governmental Affairs Policy Committee	8 Y, 3 N	Haug	Williamson
1)	Economic Development & Community Affairs Policy Council	9 Y, 4 N	Haug	Tinker
2)	_____	_____	_____	_____
3)	_____	_____	_____	_____
4)	_____	_____	_____	_____
5)	_____	_____	_____	_____

**SUMMARY ANALYSIS**

Current law establishes the Florida Employee Long-Term-Care Plan Act. The purpose of the Act is to implement a self-funded, voluntary, long-term-care plan for public employees and their families in order to reduce the rapid rate of increase in state expenditures and to meet the long-term-care needs of the public. It directs the departments of Elderly Affairs and Management Services to jointly design a plan to provide long-term-care coverage and review vendor submissions by February 23, 1999. Proposals were received; however, none met the scoring requirements. Thus, all of the proposals were disqualified and rejected.

The Act also creates a Florida Employee Long-Term-Care Plan Board of Directors (Board). The Board is composed of nine members serving two-year terms and must be appointed after May 1, 1999. All appointments to the Board were not made, nor did the Board ever meet.

The bill repeals s. 110.1227, F.S., establishing the Florida Employee Long-Term-Care Plan Act. The statutory deadline for receiving vendor submissions for the plan has passed and the Board was never fully appointed, nor did it meet. Thus, the statute appears outdated and has not been implemented.

Current law directs the Department of Management Services (DMS) to solicit competitive bids from state-licensed insurance companies to provide and administer a fully insured Medicare supplement policy for all eligible retirees of state and local public employers. DMS has not pursued such solicitation due to the availability of other options at the federal level. As such, this bill repeals ss. 110.1234 and 112.0804, F.S., thereby removing the directive.

Current law also directs DMS to initiate and supervise a group insurance program providing death and disability benefits for active members of the Florida Highway Patrol Auxiliary, with coverage beginning by July 1, 1978. It appears this program was never implemented and the deadline has expired. As such, the bill repeals s. 112.08(5), F.S., thereby removing the expired directive.

Under current law, the board of directors of the nonprofit corporation authorized to operate Florida's correctional work program is authorized to apply for participation in the state group health insurance and prescription drug coverage programs. Participation, however, is contingent upon a favorable letter ruling from the Internal Revenue Service (IRS). DMS was directed to request from the IRS, by October 1, 2001, a written determination letter and a favorable private letter ruling stating the State Group Self-Insurance Program still was a facially qualified plan if the corporation participated.

It appears DMS did not make the IRS request and, as such, the section never took effect. Thus, this bill repeals s. 946.525, F.S., as the deadline has passed with no action by DMS.

There is no fiscal impact associated with the repeal of these sections.

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

**STORAGE NAME:** h7021a.EDCA.doc

**DATE:** 3/3/2010

## HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### **FLORIDA EMPLOYEE LONG-TERM-CARE PLAN ACT**

###### Background

Section 110.1227, F.S., establishes the Florida Employee Long-Term-Care Plan Act (Act). The purpose of the Act is to implement a self-funded,<sup>1</sup> voluntary, long-term-care plan for public employees and their families in order to reduce the rapid rate of increase in state expenditures and to meet the long-term-care needs of the public.<sup>2</sup> The intent is to provide a plan by which public employees can purchase long-term-care insurance by means of payroll deduction.<sup>3</sup>

The Act directs the departments of Elderly Affairs and Management Services to jointly design a plan to provide long-term-care coverage for eligible participants.<sup>4</sup> The departments must implement the plan through a procurement process that requires vendor submissions by February 23, 1999.<sup>5</sup>

Proposals for long-term-care plans from 10 vendors included four self-funded and nine fully insured plans. The maximum possible score for each of the six criteria was 100 points. As provided for by the Invitation to Negotiate, if a proposal failed to achieve an acceptable score on any one of the six criteria, that proposal could be eliminated from further consideration. At the time the evaluation criteria were established, the acceptable score was 70 points on at least three of the six criteria. All of the proposals failed to meet the scoring requirements; therefore, all of the proposals were disqualified and rejected.

The Act also creates a Florida Employee Long-Term-Care Plan Board of Directors (Board).<sup>6</sup> The Board is composed of nine members serving two-year terms and must be appointed after May 1, 1999. All appointments to the Board were not made, nor did the Board ever meet.

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<sup>1</sup> For purposes of the Act, "self-funded" means "that plan benefits and costs are funded from contributions made by or on behalf of participants and trust fund investment revenue." Section 110.1227(2)(b), F.S.

<sup>2</sup> Section 110.1227(1), F.S.

<sup>3</sup> Section 110.1227(1)(a), F.S.

<sup>4</sup> Eligible plan participants must include "active and retired officers and employees of all branches and agencies of state and their spouses, children, stepchildren, parents, and parents-in-law; and, upon the affirmative vote of the governing body of any county or municipality in this state, the active and retired officers and employees of any such county or municipality and their spouses, children, stepchildren, parents, and parents-in-law; and the surviving spouses, children, stepchildren, parents, and parents-in-law of such deceased officers and employees, whether active or retired at the time of death. Section 110.1227(1)(b), F.S.

<sup>5</sup> Section 110.1227(1)(d), F.S.

### Effect of the Bill

The bill repeals s. 110.1227, F.S., establishing the Florida Employee Long-Term-Care Plan Act. The statutory deadline for receiving vendor submissions for the plan has passed and the Board was never fully appointed, nor did it meet. Thus, the statute appears outdated and has not been implemented.

## **HEALTH INSURANCE FOR RETIREES UNDER THE FLORIDA RETIREMENT SYSTEM**

### Background

Sections 110.1234 and 112.0804, F.S., direct the Department of Management Services (DMS) to solicit competitive bids from state-licensed insurance companies to provide and administer a fully insured Medicare supplement policy for all eligible retirees<sup>7</sup> of state and local public employers. It also directs DMS to solicit competitive bids for health insurance coverage for all public employees who retired from a state or local public employer who are not covered by Medicare. The policy is optional and retiree paid and it must meet the provisions of the Alonzo Mourning Access to Care Act.<sup>8</sup>

DMS has not pursued such solicitation due to the availability of options at the federal level. There exist already 12 standardized Medicare supplement plans that are off-the-shelf products approved by Health Care Financing Administration (now the Centers for Medicare & Medicaid Services) and approved for sale by the Department of Financial Services. These products are widely available to all Medicare-eligible citizens, and do not have to be purchased under a group contract.<sup>9</sup>

### Effect of the Bill

This bill repeals ss. 110.1234 and 112.0804, F.S., thereby removing the directive as DMS has not pursued such solicitation. Repeal of the provisions does not reduce nor detract from any value already available in the open insurance market. Further, for those not Medicare-eligible, there is a conversion privilege in existing insurance contracts that allows covered persons to convert to an individual insurance policy.

The bill also removes cross-references to these sections.

## **GROUP INSURANCE PROGRAM FOR THE FLORIDA HIGHWAY PATROL AUXILIARY**

### Background

Section 112.08(5), F.S., directs DMS to initiate and supervise a group insurance program providing death and disability benefits for active members of the Florida Highway Patrol Auxiliary, with coverage beginning by July 1, 1978. According to law, the program would be purchased from state funds appropriated for that purpose. Subsection (5) further requires DMS, in cooperation with the Office of Insurance Regulation, to prepare specifications necessary to implement the program. DMS must receive bids and award the contract in accordance with general law.

### Effect of the Bill

There is no available information to suggest this program was initiated, nor have state funds ever been appropriated for the program. Further, the deadline for coverage to start has expired. As such, the bill repeals s. 112.08(5), F.S., thereby removing the expired directive.

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<sup>6</sup> Section 110.1227(6), F.S.

<sup>7</sup> For purposes of those sections, “eligible retiree” means “any public employee who retired from a state or local public employer who is covered by Medicare, Parts A and B.” Sections 110.1234(1) and 112.0804(1), F.S.

<sup>8</sup> Sections 627.671 – 627.675, F.S., comprise the Alonzo Mourning Access to Care Act.

<sup>9</sup> See Centers for Medicare & Medicaid Services 2009 Brochure *Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare*.

## **PARTICIPATION BY THE CORPORATION IN STATE GROUP HEALTH INSURANCE AND PRESCRIPTION DRUG PROGRAMS**

### Background

Section 946.525, F.S., authorizes the board of directors of the nonprofit corporation authorized to operate Florida's correctional work program,<sup>10</sup> currently PRIDE, to apply for participation in the state group health insurance<sup>11</sup> and prescription drug coverage programs.<sup>12</sup> The board of directors must submit an application along with a \$500 nonrefundable fee to DMS. The section provides additional prerequisites that must be met by the corporation (PRIDE) prior to seeking participation in the state programs.

Section 946.525, F.S., however, never took effect because implementation was contingent upon a favorable letter ruling from the Internal Revenue Service (IRS). Section 15 of chapter 2001-242, L.O.F., directed DMS to request from the IRS, by October 1, 2001, a written determination letter and a favorable private letter ruling stating the State Group Self-Insurance Program as amended by s. 946.525, F.S., was a facially qualified plan.

### Effect of the Bill

There is no evidence that DMS made the IRS request and, as such, the section never took effect. Thus, this bill repeals s. 946.525, F.S., as the deadline has passed with apparently no action by DMS.

## **B. SECTION DIRECTORY:**

**Section 1.** Repeals s. 110.1227, F.S., relating to Florida Employee Long-Term-Care Plan Act.

**Section 2.** Repeals s. 110.1234, F.S., relating to health insurance for retirees under the Florida Retirement System.

**Section 3.** Amends s. 112.08, F.S., repealing the authority of DMS to initiate and supervise a group insurance program for the Florida Highway Patrol Auxiliary.

**Section 4.** Repeals s. 112.0804, F.S., relating to health insurance for retirees under the Florida Retirement System.

**Section 5.** Repeals s. 946.525, F.S., relating to participation by PRIDE in the state group health insurance and prescription drug programs.

**Section 6.** Amends s. 1001.705, F.S., to remove a cross-reference.

**Section 7.** Amends s. 1001.706, F.S., to remove a cross-reference.

**Section 8.** Amends s. 1001.74, F.S., to remove a cross-reference.

**Section 9.** Provides an effective date of July 1, 2010.

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<sup>10</sup> For purposes of this section, "correctional work program" means "any program presently a part of the prison industries program operated by the department or any other correctional work program carried on at any state correctional facility presently or in the future, but the term does not include any program authorized by s. 945.091 or s. 946.40." Section 946.503(2), F.S. "Department" means the Department of Corrections. Section 946.503(3), F.S.

<sup>11</sup> The state group health insurance program is authorized in s. 110.123, F.S.

<sup>12</sup> The prescription drug coverage program is authorized by s. 110.12315, F.S.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

### D. FISCAL COMMENTS:

None.

## III. COMMENTS

### A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable because the bill does not appear to: require cities or counties to spend funds or take an action requiring the expenditure of funds; reduce the authority that cities or counties have to raise revenues in the aggregate; or reduce the percentage of a shared state tax or premium sales tax received by cities or counties.

2. Other:

None.

### B. RULE-MAKING AUTHORITY:

None.

### C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

## IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES

None.