

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

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

Prepared By: The Professional Staff of the Health Regulation Committee

BILL: CS/SB 1426

INTRODUCER: Committee on Banking and Insurance; and Senator Hays

SUBJECT: Repeal of Health Insurance Provisions

DATE: March 30, 2011      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Burgess	Burgess	BI	<b>Fav/CS</b>
2.	Brown	Stovall	HR	<b>Favorable</b>
3.			BC	
4.				
5.				
6.				

**Please see Section VIII. for Additional Information:**

- |                              |                                     |   |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>            | Technical amendments were recommended   |
|                              | <input type="checkbox"/>            | Amendments were recommended             |
|                              | <input type="checkbox"/>            | Significant amendments were recommended |

**I. Summary:**

The bill deletes s. 627.64872(6), F.S., which currently requires the Board of Directors of the Florida Health Insurance Plan (FHIP) to submit to the Governor, the President of the Senate and the Speaker of the House of Representatives, an annual report which is to include an independent actuarial study.

The bill deletes s. 627.6699(15)(1), F.S., which currently requires the Office of Insurance Regulation (OIR) to submit to the Governor, the President of the Senate and the Speaker of the House of Representatives, an annual report which summarizes the activities of the Small Employer Access Program (SEAP), including written and earned premiums, program enrollment, administrative expenses, and paid and incurred losses.

The bill provides an effective date of July 1, 2011.

This bill substantially amends the following sections of the Florida Statutes: 627.64872, 627.6699.

## II. Present Situation:

### Florida Health Insurance Plan

In 1983, the Florida Legislature created the Florida Comprehensive Health Association (FCHA) as a high-risk insurance pool to cover individuals who were unable to purchase health insurance from the open market due to pre-existing conditions. The program is financed through premiums from the participants and assessments on insurance companies, but has been closed to new enrollment since 1991.<sup>1</sup>

In 2004, the Florida Legislature created the FHIP,<sup>2</sup> which was intended to replace the FCHA as the state's high-risk insurance pool.<sup>3</sup> The benefits provided by the FHIP are the same as the standard and basic plans for small employers.<sup>4</sup> The FHIP must also provide an option for the purchase of alternative coverage, such as catastrophic coverage which includes a minimum level of primary care coverage, and a high deductible plan that meets all the requirements for a health savings account. Eligibility for the plan is limited to individuals who have received two notices of rejection for coverage from health insurers and individuals covered under the FCHA at the time the FHIP was created.<sup>5</sup>

The FHIP was created to be run by a nine person Board of Directors, chaired by the Director of the OIR. Five Board members would be appointed by the Governor and one member each would be appointed by the President of the Senate, the Speaker of the House of Representatives, and the Chief Financial Officer.<sup>6</sup> The Board is required to submit to the Governor, the President of the Senate, and the Speaker of the House of Representatives an annual report which is to include an independent actuarial study that must contain five elements specifically enumerated in s. 627.64872(6)(a)-(e), F.S.

According to the OIR, funds for the start-up of the FHIP have not been appropriated, and as a result, the FHIP is not in operation.<sup>7</sup> Therefore, the requirement that a report be provided that details, among other data, the number of people covered and projected to be covered, is moot.

### Small Employers Access Program

In 1992, the Florida Legislature enacted the Employee Health Care Access Act (EHCAA).<sup>8</sup> The purpose of the act was to promote the availability of health insurance coverage to small

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<sup>1</sup> See Department of Financial Services website: [myfloridacfo.com/consumers/InsuranceLibrary/Insurance/Residual\\_Markets/Residual\\_Markets - Florida Comprehensive Health Association. htm](http://myfloridacfo.com/consumers/InsuranceLibrary/Insurance/Residual_Markets/Residual_Markets_-_Florida_Comprehensive_Health_Association.htm); last visited March 12, 2011.

<sup>2</sup> Section 627.64872, F.S.

<sup>3</sup> See Department of Financial Services website: [http://www.myfloridacfo.com/consumers/InsuranceLibrary/Insurance/Residual\\_Markets/Residual\\_Markets - The Florida Health Insurance Plan.htm](http://www.myfloridacfo.com/consumers/InsuranceLibrary/Insurance/Residual_Markets/Residual_Markets_-_The_Florida_Health_Insurance_Plan.htm); last visited March 12, 2011.

<sup>4</sup> See s. 627.6699(12), F.S.

<sup>5</sup> Section 627.64872(9), F.S.

<sup>6</sup> Section 627.64872(3), F.S.

<sup>7</sup> Florida Office of Insurance Regulation Bill Analysis for SB 1426 (March 9, 2011).

<sup>8</sup> Ch. 92-33, s. 117, L.O.F.

employers, regardless of claims experience or their employees' health status.<sup>9</sup> In 2004, the SEAP was created within the EHCAA.<sup>10</sup> The purpose of the SEAP was to provide additional health insurance options for small businesses consisting of up to 25 employees, including any municipality, county, school district, hospital located in a rural community, and any nursing home employer.<sup>11</sup> The OIR is required to submit an annual report to the Governor, the President of the Senate, and the Speaker of the House of Representatives summarizing the activities of the program over the past year, including written and earned premiums, program enrollment, administrative expenses, and paid and incurred losses.<sup>12</sup>

According to OIR, the SEAP is not operational. The enacting legislation required a competitive bid for an insurer to administer the program. The OIR issued the required request for proposals in 2004, and no insurer submitted a bid. Therefore, the annual reporting requirement contained in the section is moot.<sup>13</sup>

### III. Effect of Proposed Changes:

**Section 1** repeals s. 627.64872(6), F.S., thereby eliminating the annual reporting requirement for the FHIP. The Board of Directors of the FHIP would no longer be required to submit an annual report to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

**Section 2** repeals s. 627.6699(15)(l), F.S., thereby eliminating the annual reporting requirement for the SEAP. The SEAP would no longer be required to submit an annual report to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

**Section 3** provides an effective date for the bill of July 1, 2011.

### IV. Constitutional Issues:

#### A. Municipality/County Mandates Restrictions:

The provisions of this bill have no impact on municipalities and the counties under the requirements of Article VII, Section 18 of the Florida Constitution.

#### B. Public Records/Open Meetings Issues:

The provisions of the bill have no impact on public records or open meetings issues under the requirements of Article I, Section 24(a) and (b) of the Florida Constitution.

#### C. Trust Funds Restrictions:

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Article III, Subsection 19(f) of the Florida Constitution.

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<sup>9</sup> Section 627.6699(2), F.S.

<sup>10</sup> Ch. 2004-297, s. 24, L.O.F.

<sup>11</sup> Section 627.6699(15)(b), F.S.

<sup>12</sup> Section 627.6699(15)(l), F.S.

<sup>13</sup> Florida Office of Insurance Regulation Bill Analysis for SB 1426 (March 9, 2011).

**V. Fiscal Impact Statement:**

## A. Tax/Fee Issues:

None.

## B. Private Sector Impact:

None

## C. Government Sector Impact:

None

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:**

## A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Senate Banking and Insurance Committee on 3/16/2011:**

The original bill would have removed only one of the five specified elements that are required to be contained in the annual report submitted by the Board of Directors of the FHIP. The original bill would have continued to obligate the Board to submit the remaining four elements in an annual report. The CS removes altogether the requirement that the Board submit an annual report.

## B. Amendments:

None.