

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 453 Group Insurance for Public Employees

SPONSOR(S): Stargel

TIED BILLS: **IDEN./SIM. BILLS:** SB 366

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) State Affairs Committee	14 Y, 0 N	Meadows	Hamby
2) Health & Human Services Committee			
3) Appropriations Committee			
4) Education Committee			

SUMMARY ANALYSIS

This bill establishes the School District Insurance Consortium (Consortium). Health, accident, and hospitalization insurance will be procured through the Consortium for school district officers, employees, and their dependents.

The Consortium will be managed by a nine-member board of directors with representation from school board members, superintendents, public school teachers or support personnel, and an individual with expertise in employee benefit systems. Members of the board of directors serve two-year terms. The board of directors is authorized to hire staff, contract for services, and request technical support from the Department of Management Services.

This bill requires competitive bid participation. Multiple providers are authorized and insurance coverage may be statewide or regionally-based. For regional coverage, the Consortium must include school districts of varying size.

An opt-out provision is available to any school district provided that the school board holds a properly noticed public meeting and finds that less expensive insurance is available elsewhere.

This bill clarifies that collective bargaining is required, and specifies included subjects, consistent with current law.

This bill takes effect July 1, 2012, with application to begin upon the latter of the date of July 1, 2013, or upon expiration or renewal of existing contracts, whichever occurs later.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Interlocal Agreements

Section 163.01, F.S., authorizes public agencies, including district school boards, to enter into interlocal agreements with one another for services and facilities. Such agreements may allow for one or more parties to provide services in exchange for payment or for a mutual exchange of services. Each party to an interlocal agreement must possess the authority to take the action called for in the agreement.¹

Health Insurance for School District Employees

Chapter 112, F.S., addresses various conditions of employment, including retirement and group insurance for local governmental units, defined to include school boards.² Local governmental units are authorized to contract with private companies for the provision of all types of insurance, including life, health, accident, hospitalization, legal expense, and annuity insurance.³ The local governmental unit is required to participate in the competitive bid process in procuring group insurance.⁴ If the local governmental unit intends to self-insure, approval by the Office of Insurance Regulation is required, with approval to be based upon the actuarial soundness of the plan.⁵ Currently, the 67 school districts purchase health, accident, and hospitalization insurance for officers, employees and dependents, as individual school districts.

Florida Law on Collective Bargaining

Chapter 447, F.S., addresses labor organizations. The district school board is considered the public employer for all employees of the district.⁶ A public employee is generally defined as a person employed by a public employer.⁷ Collective bargaining is required between the public employer and the bargaining agent of public employees in the following areas: wages, hours, and terms and conditions of employment.⁸

Educational Consortia

Regional consortium service organizations are authorized for small school districts pursuant to s. 1001.451, F.S. In that statutory arrangement, school districts with fewer than 20,000 un-weighted full-time equivalent students, the four university laboratory schools, and the Florida School for the Deaf and Blind are permitted to aggregate ten common administrative functions. At least three of the following functions must be included in that aggregation:⁹

- Exceptional student education;
- Teacher education centers;
- Environmental education;
- Federal grant procurement and coordination;
- Data processing;
- Health insurance;

¹ Section 163.01(4), F.S.

² Section 112.08(1), F.S.

³ Section 112.08(2)(a), F.S.

⁴ *Id.*

⁵ Section 112.08(2)(a) and (b), F.S.

⁶ Section 447.203(2), F.S.

⁷ Section 447.203(3), F.S.

⁸ Section 447.309(1), F.S.

⁹ Section 1001.451(1), F.S.

- Risk management insurance;
- Staff development;
- Purchasing; and
- Planning and accountability.

There are three regional consortia participating under s. 1001.451, F.S.: the North East Florida Educational Consortium (NEFEC); the Heartland Educational Consortium (HEC); and the Panhandle Area Education Consortium (PAEC).¹⁰

Effect of Proposed Changes

The bill requires school districts to enter into interlocal agreements to establish the School District Insurance Consortium (Consortium) for the provision of health, accident, and hospitalization insurance. A school board may opt out of the plan if, at a duly noticed public meeting, it determines that the purchase of insurance outside of the plan procured through the interlocal agreement is financially advantageous to the school district.

The Consortium is governed by a nine-member board of directors, with representation as follows:

- Three members who are elected school board members appointed by the Florida School Boards Association;
- Three members who are elected or appointed school superintendents appointed by the Florida Association of District School Superintendents;
- Two members who are public school teachers or support personnel appointed by the Florida Education Association; and
- One member who has experience in operating employee benefit systems.

Members of the board of directors serve two-year terms. The board of directors is authorized to hire staff or contract for staffing services. The Department of Management Services must provide technical services to the Consortium, as requested.

The bill makes participation in the competitive bid process mandatory for Consortium-purchased insurance, consistent with current law, on group insurance purchases by local governments. Insurance may be purchased for statewide or regional use, and if regional, the Consortium must include districts of different sizes. Multiple providers are authorized.

School districts are required to collectively bargain for all units of employees who will be provided insurance, consistent with current law.

The bill provides for an effect date of July 1, 2012, with application to begin upon the latter of the date of July 1, 2013, or upon expiration or renewal of existing insurance contracts. Therefore, this legislation would not alter the terms of existing contracts.

B. SECTION DIRECTORY:

Section 1 amends s. 112.08, F.S., by requiring school districts to procure group health insurance through a purchasing interlocal agreement.

Section 2 provides an effective date of July 1, 2012.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

¹⁰ Information provided on November 30, 2011, by Mr. Mark Eggers, Bureau Chief of School Business Services, Florida Department of Education.

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:

With a greater volume of participants in the insurance pool, better benefits may be offered, resulting in cost savings for claimants.

D. FISCAL COMMENTS:

The Department of Education indicated that “economies of scale through joint purchases of group insurance will likely result in a cost savings to school districts, with the amount indeterminate at this time.”¹¹

The requirement that the Department of Management Services provide technical services upon request may result in a fiscal impact, but at this time that impact is indeterminate.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not appear to require counties or municipalities to take an action requiring the expenditure of funds, reduce the authority that counties or municipalities have to raise revenue in the aggregate, nor reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

This bill provides no rule-making authority.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The bill specifies that a geographic group of districts shall include school districts of varying size. However, there are no definitions or guidelines provided for use in determining size categories.

The expiration date for existing contracts with bargaining units is unknown. If dates differ for contiguous school districts, it may be challenging in aligning contracts with the benefit plan year.

¹¹Agency Analysis of SB 366, Department of Education, October 31, 2011 (on file with the State Affairs Committee).

The “technical services” required by the Department of Management Services to the Consortium at the request of the board of directors request is not defined, consequently, the Department may be unable to budget for this service adequately.

The board of directors is authorized to employ staff or contract for staffing services. The bill is silent as to how the board will pay for such services.

The Department of Education expressed that it is uncertain if the competitive bid process required in the bill is intended to invoke the provisions of State Board of Education Rule 6A-1.012, F.A.C., or if it establishes a separate process, that would operate outside of the procedure that currently governs school district purchasing requirements.¹²

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

None.

¹² *Id.*