

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 Appropriations Subcommittee on General Government

BILL: PCS/SB 364 (159170)

INTRODUCER: Appropriations Subcommittee on General Government; Senators Grimsley and Mayfield

SUBJECT: State Group Health Insurance and Prescription Drug Programs

DATE: December 11, 2017 **REVISED:** _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Caldwell</u>	<u>Caldwell</u>	<u>GO</u>	Favorable
2.	<u>Davis/McVaney</u>	<u>Betta</u>	<u>AGG</u>	Recommend: Fav/CS
3.	_____	_____	<u>AP</u>	_____

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

PCS/SB 364 authorizes a water management district to participate in the State Group Health Insurance Program and the Prescription Drug Coverage Program. Such participation requires an affirmative vote of the water management district's governing board. A water management district may participate upon payment of a \$500 non-refundable fee, approval by the Department of Management Services (DMS), and acceptance of the same conditions that are imposed on small counties, small municipalities, and school board districts. In addition, a water management district must pay for an actuarial analysis conducted by the DMS that establishes premiums.

The bill is expected to have no overall fiscal impact on the state because the new participating entity is required to bear the full costs or any savings resulting from its participation in the programs. The bill is expected to have an indeterminate fiscal impact on water management district expenditures.

The bill takes effect July 1, 2018.

II. Present Situation:

State Group Health Insurance Program

The State Group Insurance Program (Program) is created by s. 110.123, F.S., and the DMS through the Division of State Group Insurance (DSGI) administers the Program. The Program

offers a comprehensive package of health insurance benefits for state employees, which are provided in a cost-efficient and prudent manner, and allows state employees the option to choose benefit plans which best suit their individual needs. The Program is a state self-insured health insurance plan that includes the state group health insurance plan or plans, health maintenance organization plans, group life insurance plans, TRICARE supplemental insurance plans¹, group accidental death and dismemberment plans, group disability insurance plans, other group insurance plans or coverage choices, and other benefits.² As implemented by the DMS, the Program offers two types of state group health insurance plans from which an eligible employee may choose: a standard statewide Preferred Provider Organization (PPO) Plan or a standard Health Maintenance Organization (HMO) Plan.

The DMS is responsible for all aspects of the purchase of health care for state employees under the state group health insurance plan or plans, TRICARE supplemental insurance plans, and the health maintenance organization plans. These responsibilities include the development of requests for proposals or invitations to negotiate for state employee health services, the determination of health care benefits to be provided, and the negotiation of contracts for health care and health care administrative services. Before the negotiation of contracts for health care services, the DMS is required to develop, with respect to state collective bargaining issues, the health benefits and terms to be included in the state group health insurance program. The DMS is responsible for the contract management and day-to-day management of the Program, including, but not limited to, employee enrollment, premium collection, payment to health care providers, and other administrative functions related to the Program.³

Participation by individuals in the Program is available to all state officers, full-time state employees, and part-time state employees and is voluntary. Participation in the Program is also available to retired state officers and employees who elect at the time of retirement to continue coverage under the Program, but may elect to continue all or only part of the coverage they had at the time of retirement. A surviving spouse may elect to continue coverage only under a state group health insurance plan, a TRICARE supplemental insurance plan, or a health maintenance organization plan.⁴

The DMS is required to establish a schedule of minimum benefits for health maintenance organization coverage. The schedule must include physician services; inpatient and outpatient hospital services; emergency medical services, including out-of-area emergency coverage; diagnostic laboratory and diagnostic and therapeutic radiologic services; mental health, alcohol, and chemical dependency treatment services meeting the minimum requirements of state and federal law; skilled nursing facilities and services; prescription drugs; age-based and gender-

¹ The term "TRICARE supplemental insurance plan" means the Department of Defense Health Insurance Program for eligible members of the uniformed services authorized by 10 U.S.C. s. 1097.

² Section 110.123, (3)(b), F.S.

³ Section 110.123, (3)(c), F.S.

⁴ Section 110.123, (3)(g), F.S.

based wellness benefits⁵; and other benefits as may be required by the department. Additional services may be provided subject to the contract between the DMS and the HMO.⁶

The DMS is authorized to establish uniform deductibles, copayments, coverage tiers, or coinsurance schedules for all participating HMO plans.⁷

Each person participating in the State Group Insurance Program may be required to contribute towards a total state group health premium that may vary depending upon the plan, coverage level, and coverage tier selected by the enrollee and the level of state contribution authorized by the Legislature.⁸

Prescription Drug Program

The State Employee’s Prescription Drug Program is administered by the DMS and has a single pharmaceutical benefit manager. All prescriptions are filled using this vendor and its associated network of pharmacies. The costs of the pharmacy benefit are embedded in the overall premiums paid by the employer and employee as well as the copayments made at the time of purchase.

	Standard Plan		High Deductible Plan	
	Retail	Mail	Retail	Mail
Generic	\$7	\$14	30%	30%
Preferred Brand	\$30	\$60	30%	30%
Non Preferred Brand	\$50	\$100	50%	50%

Small Counties, Municipalities, and District School Boards Permissive Participation

Section 110.1228, F.S., authorizes small counties, small municipalities, and district school boards located in small counties to participate in the State Group Insurance Program and the Prescription Drug Program. To participate, a governing body or a district school board must submit an application along with a \$500 nonrefundable fee to the DMS. Any costs or savings to the State Group Insurance Program or the Prescription Drug Program resulting from such participation must be passed on to the local government participants and their employees. The costs or savings must be delineated based on the impact to the state, state officers and employees, and local government employers and their employees.⁹

Before a small county, small municipality, or district school board adopts an ordinance or resolution to participate in the State Group Insurance Program and Prescription Drug Program, it must issue a request for proposals to provide health insurance and prescription drug coverage.

⁵ The term “age-based and gender-based wellness benefits” includes aerobic exercise, education in alcohol and substance abuse prevention, blood cholesterol screening, health risk appraisals, blood pressure screening and education, nutrition education, program planning, safety belt education, smoking cessation, stress management, weight management, and women’s health education. *See* s. 110.123(3)(h)2.a., F.S.

⁶ Section 110.123(3)(h)2.a., F.S.

⁷ Section 110.123(3)(h)2.b., F.S.

⁸ Section 110.123(3)(h)2.e., F.S.

⁹ Section 110.1228(3), F.S.

The request for proposals are required to seek coverages equivalent to those offered currently by the small county, small municipality, or district school board and coverages equivalent to the State Group Insurance Program and Prescription Drug Program. The request for proposals must provide an opportunity for the receipt of competitive proposals from all interested parties without restriction. All responsive proposals must be reviewed and considered by the small county, small municipality, and district school board before the adoption of any ordinance or resolution for participation in the State Group Insurance Program and Prescription Drug Program.¹⁰

If the DMS determines a small county, small municipality, or district school board is eligible to enroll, the small county, small municipality, or district school board must agree to the following terms and conditions:

- The minimum enrollment or contractual period is three years.
- The small county, small municipality, or district school board must pay to the department an initial administrative fee of not less than \$2.61 per enrollee per month, or such other amount established annually to fully reimburse the department for its costs.
- Termination of participation of a small county, small municipality, or district school board requires written notice one year before the termination date.
- If participation is terminated, a small county, small municipality, or district school board may not reapply for participation for a period of two years.
- Small counties, small municipalities, and district school boards must reimburse the state for 100 percent of its costs, including administrative costs.
- If a small county, small municipality, or district school board employer fails to make the payments required by this section to fully reimburse the state, the Department of Revenue or the Department of Financial Services shall, upon the request of the DMS, deduct the amount owed by the employer from any funds not pledged to bond debt service satisfaction that are to be distributed by it to the small county, small municipality, or district school board. The amounts so deducted shall be transferred to the DMS for further distribution to the trust funds in accordance with ch. 110, F.S.
- The small county, small municipality, or district school board shall furnish the DMS any information requested by the DMS, which the DMS considers necessary to administer the State Group Insurance Program and the Prescription Drug Program.
- The small county, small municipality, or district school board shall adopt the state's eligibility rules.
- The small county, small municipality, or district school board may not participate in the state's cafeteria plan¹¹ that allows for pretax treatment of premium contributions. If pretax treatment is desirable for employees of these participating employers, each employee of a participating employer must execute a salary reduction agreement with that employer, and each participating employer is required to establish its own cafeteria plan.
- The small county, small municipality, or district school board is required to pay monthly premiums in amounts sufficient to cover claims costs, the DMS administrative costs, and third-party administrative costs and provide for adequate reserves and cash flow by contributing three months' premiums and costs in advance of the coverage effective date.¹²

¹⁰ Section 110.1228(4), F.S.

¹¹ See 26 U.S. Code, s. 125 (Internal Revenue Code).

¹² Section 110.1228(5)(j), F.S.

Water Management District Group Insurance

Florida's five water management districts include the Northwest Florida Water Management District, the Suwannee River Water Management District, the St. Johns River Water Management District, the Southwest Florida Water Management District, and the South Florida Water Management District. Section 373.605, F.S., provides that water management districts may provide group insurance for its employees, and the employees of another water management district, in the same manner and with the same provisions and limitations authorized for other public employees under ss. 112.08, 112.09, 112.10, 112.11, and 112.14, F.S.

III. Effect of Proposed Changes:

Section 1 amends s. 110.1228, F.S., to authorize a water management district to participate in the State Group Insurance Program and Prescription Drug Program. Such participation requires an affirmative vote of the governing board of a water management district. A water management district must comply with all requirements of the section. In addition, the premiums to be paid must be established by an actuarial analysis conducted by the DMS in which the requesting party is considered a distinct health insurance risk pool. The actuarial analysis must be paid for by the participating small county, small municipality, district school board, or water management district.

Section 2 amends s. 373.605, F.S., to allow a water management district to alternatively participate in the State Group Insurance Program and Prescription Drug Program after its governing board votes to do so affirmatively.

Section 3 provides an effective date of July 1, 2018.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The impact to private sector health care providers is indeterminate. The impact to water management district members who elect to participate in the State Group Insurance Program and Prescription Drug Program is indeterminate. The impacts on employees will depend upon the changes in the health insurance and prescription drug program benefits, employee/retiree paid premiums, and the out-of-pocket costs when a water management district transitions from its own plan to the State Group Insurance Program and Prescription Drug Program.

C. Government Sector Impact:

There should be no overall fiscal impact on the state since the costs incurred by the DMS are to be offset by payments from the participating water management districts. These costs include any costs to the State Group Health Insurance Program and the Prescription Drug Program resulting from participation by the water management districts.

The fiscal impact on water management districts is indeterminate. A participating water management district is required to pay a \$500 non-refundable application fee, administrative fees of not less than \$2.61 per enrollee per month, and all other costs associated with participation,¹³ including the cost of an actuarial analysis. However, it is most likely the water management district will choose to participate in the state-administered programs only when the overall costs of participation will be less than its current or anticipated costs of continuing its own current plans.

Participating water management districts will be required to remit the equivalent of three months' premiums and costs to the DMS in advance of the coverage effective date.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 110.1228 and 373.605.

¹³ See Department of Management Services, *2018 Agency Legislative Bill Analysis* (October 31, 2017), (on file with the Senate Committee on Governmental Oversight and Accountability).

IX. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

Recommended CS by Appropriations Subcommittee on General Government on December 7, 2017:

The committee substitute clarifies that the DMS is required to conduct an actuarial analysis to determine the premiums for the newly participating entity based only on its own risk pool (rather than being included in the state’s risk pool).

- B. **Amendments:**

None.