

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 Committee on Governmental Oversight and Accountability

BILL: SB 364

INTRODUCER: Senator Grimsley

SUBJECT: State Group Health Insurance and Prescription Drug Programs

DATE: November 6, 2017

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Caldwell	Caldwell	GO	Pre-meeting
2.			AGG	
3.			AP	

I. Summary:

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 non-refundable fee, approval by the Department of Management Services, and acceptance of the same conditions that are imposed on small counties, small municipalities, and school board districts. Small counties, small municipalities, school board districts, and water management districts must pay for an actuarial analysis that establishes premiums.

The bill takes effect July 1, 2018.

II. Present Situation:

State Employee Health Insurance Program

Section 110.123, F.S., creates the State Employee Health Insurance Program that 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 state group insurance program is a state self-insured health insurance plan that includes the state group health insurance 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 Department of Management Services (DMS or department), the program offers two types of state group health

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.

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 department 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 department 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 department is responsible for the contract management and day-to-day management of the state employee health insurance 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 department 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-based wellness benefits⁵; and other benefits as may be required by the department. Additional services may be provided subject to the contract between the department and the HMO.⁶

The department 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

³ Section 110.123, (3)(c), F.S.

⁴ Section 110.123, (3)(g), F.S.

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.

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 Health Insurance Program is administered by the Department of Management Services 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 health 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 health insurance program or the prescription drug coverage 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 health insurance program and prescription drug coverage program, it must issue a request for proposals to provide health insurance and prescription drug coverage. 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 health insurance program and prescription drug coverage 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 health insurance program and prescription drug coverage program.¹⁰

⁸ Section 110.123(3)(h)2.e., F.S.

⁹ Section 110.1228(3), F.S.

¹⁰ Section 110.1228(4), F.S.

If the department determines that 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 3 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 1 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 2 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 this chapter.
- The small county, small municipality, or district school board shall furnish the department any information requested by the department which the department considers necessary to administer the state group health insurance program and the prescription drug coverage 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 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, department administrative costs, and third-party administrative costs and provide for adequate reserves and cash flow by contributing 3 months' premiums and costs in advance of the coverage effective date.¹²

Water management district group insurance

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.

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

¹² Section 110.1228(5)(j), 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 health insurance and the prescription drug coverage programs. 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 department in which the requesting party is considered by a distinct health insurance risk pool and as part of the state group health insurance program 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 health insurance program and the prescription drug coverage 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:

According to the South Florida Water Management District, the water management district employees may benefit from lower health insurance and prescription drug costs and possibly better health insurance and prescription drug program alternatives.¹³

¹³ Email attachment from Phil Flood, Regional Representative, Ft. Myers Service Center, November 3, 2017, on file in the office of the Senate Committee on Governmental Oversight and Accountability.

C. Government Sector Impact:

Water management districts' share of premium costs may be reduced.¹⁴ The water management districts are required to cover all costs associated with participation.¹⁵

VI. Technical Deficiencies:

According to the DMS:

[Section 110.1228(5)(j), F.S.] requires any entity participating in the Program and Prescription Drug Plan to pay premiums in an amount that covers all claims costs and administrative costs. Lines 132-138 of the bill require that the premiums be established by an actuarial analysis in which the entity "is considered both a distinct health insurance risk pool and as part of the state group health insurance program risk pool." It is unclear how the premium rate could be established by considering the entity as being both a distinct risk pool and as a part of the Program's risk pool; different risk pools would likely lead to differing premium rates.¹⁶

VII. Related Issues:

None.

VIII. Statutes Affected:

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

IX. Additional Information:**A. Committee Substitute – Statement of Changes:**

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

None.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

¹⁴ *Id.*

¹⁵ See Email attachment from Phil Flood, Regional Representative, Ft. Myers Service Center, November 3, 2017, on file in the office of the Senate Committee on Governmental Oversight and Accountability; 2018 Agency Legislative Bill Analysis from the Department of Management Services, October 31, 2017, on file in the office of the Senate Committee on Governmental Oversight and Accountability.

¹⁶ 2018 Agency Legislative Bill Analysis from the Department of Management Services, October 31, 2017, on file in the office of the Senate Committee on Governmental Oversight and Accountability.