

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: SPB 7022

INTRODUCER: Governmental Oversight and Accountability Committee

SUBJECT: State Group Health Insurance Program

DATE: January 14, 2022

REVISED: _____

ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1. <u>Limonés-Borja</u>	<u>McVaney</u>	_____	GO submitted as Comm. Bill/Fav

I. Summary:

SPB 7022 makes various changes to the State Group Insurance Program (SGI Program) administered by the Department of Management Services (DMS) to provide health insurance benefits to state employees. Specifically, the bill requires the DMS to provide an online education program relating to all health insurance plans offered under the SGI Program, and to contract with the State Board Administration to provide at least two hours of tax and financial education relating to retirement and health care planning to enrollees. The bill establishes a minimum monthly state contribution into a member's health savings account whose annual rate of pay is less than \$38,000. The bill expands the preventative care benefits for high deductible health plans offered in the SGI Program.

The impact on state revenues and expenditures is unknown at this time. The DMS will incur costs implementing the online education program and the tax and financial education programs. The State Employee Health Insurance Trust Fund will incur higher costs associated with higher contributions into the health savings accounts as well higher costs associated with the trust fund covering additional preventative care benefits for participants in the high deductible health plans. However, the purpose of the bill is to encourage higher participation in the high deductible health insurance plans which have historically experienced lower claims, potentially resulting in overall savings for the SGI Program.

The bill takes effect July 1, 2022.

II. Present Situation:

State Group Insurance Program

Overview

The State Group Insurance Program (SGI Program) is created by s. 110.123, F.S., and is administered by the Division of State Group Insurance (DSGI) within the Department of Management Services (DMS). The SGI Program is an optional benefit for all state employees

including all state agencies, state universities, the court system, and the Legislature. The SGI Program health, life, dental, vision, disability, and other supplemental insurance benefits.

State Health Insurance Plans

The SGI Program provides four options for employees and retirees to choose as their health plan:

- The standard Preferred Provider Organization (PPO) plan, administered by Florida Blue.
 - This plan allows enrollees to receive care from any doctor or health care provider, although when using the PPO the cost is lower.¹
 - In this plan enrollees have a deductible they must meet before the plan pays towards the cost of their healthcare services, except for most preventive care services.²
- The high deductible PPO plan, administered by Florida Blue.
 - This plan has a higher deductible, and once you meet the deductible enrollees pay coinsurance on the health care services they receive.³
 - This plan comes with a health savings account (HSA).
- The standard health maintenance organization (HMO) plans.⁴
 - This plan has no deductible, enrollees pay a copayment once they receive care from network providers.⁵
- The high deductible HMO plans.⁶
 - This plan has a higher deductible, and once you meet the deductible enrollees pay coinsurance on the health care services they receive.⁷

Pharmacy Benefit

The SGI Program also has a pharmacy benefit for members of the plan. The SGI Program covers all federal legend drugs (open formulary) for covered medical conditions, and employs very limited utilization review and clinical review for traditional or specialty prescription drugs. The DMS contracts with CVS/Caremark, a pharmacy benefits manager, to administer the Prescription Drug Plan.⁸

Health Savings Accounts

A health savings account (HSA) is an account associated with a high deductible health plan (HDHP) that allows the participant to use pretax dollars to pay a portion of the cost for eligible medical, prescription, dental or vision care services not covered by the insurance plan.⁹ To open

¹ myBenefits, Health Insurance Plans, https://www.mybenefits.myflorida.com/health/health_insurance_plans (last visited January 9, 2022).

² *Id.*

³ *Id.*

⁴ These are provided by Aetna, AvMed, Capital Health Plan, and UnitedHealthcare. One of these HMO plans is offered in each county in the State of Florida.

⁵ *See* Supra note 1.

⁶ *See* Supra note 4.

⁷ *Id.*

⁸ myBenefits, Prescription Drug Plan, https://www.mybenefits.myflorida.com/health/health_insurance_plans/prescription_drug_plan (last viewed January 6, 2022).

⁹ myBenefits, Health Savings Account, https://www.mybenefits.myflorida.com/health/savings_and_spending_accounts/health_savings_account (last viewed January 9, 2022).

up an HSA, an eligible employee must first enroll into a HDHP.¹⁰ Once enrolled online into a HDHP, People First will automatically open an HSA.¹¹ The state contributes pretax money into the employee's HSA each month to pay for eligible health expenses.¹² For fiscal year 2021-2022, the state contributes \$41.66 monthly for a member electing single coverage, and \$83.33 monthly for a member electing family coverage.¹³ Any unused funds in the HSA carry over each year. The funds in a member's HSA remain even after the member terminates employment with the state.¹⁴

Eligible Employees

The SGI Program is open to the following individuals:

- All state officers;
- All state employees paid from "salaries and benefits" appropriation categories, regardless of the number of hours worked;
- Retired state officers and state employees;
- Surviving spouses of deceased state officers and state employees;
- Certain terminated state officers and state employees; and
- Certain state employees paid from "other-personal-services" (OPS) appropriation categories.

For OPS employees hired after April 1, 2013, to be eligible to participate in the health insurance program, the employee must:¹⁵

- Be reasonably expected to work an average of at least 30 hours per week; and
- Have worked an average of at least 30 hours per week during the person's measurement period (which is 12 consecutive months¹⁶ of employment).

State Employee Health Insurance Program

Health Insurance Premiums and Revenues

The health insurance benefit for active employees has premium rates for single, spouse program,¹⁷ or family coverage regardless of plan selection. These premiums cover both medical and pharmacy claims. For Fiscal Year 2022-2023, the SGI Program revenue is estimated to be roughly \$2.9 billion.¹⁸ The state will contribute \$2.2 billion, active employees will contribute \$170 million, retirees and Consolidated Omnibus Budget Reconciliation Act (COBRA) participants will contribute \$240 million from premiums, and lastly there will be an additional \$260 million from other revenue.¹⁹

¹⁰ myBenefits, Savings and Spending Accounts, https://www.mybenefits.myflorida.com/health/savings_and_spending_accounts (last viewed January 9, 2022).

¹¹ *Id.*

¹² *Id.*

¹³ Section 110.123(12)(a)1., F.S.

¹⁴ *See Supra* note 9.

¹⁵ Section 110.123(2)(c)2., F.S.

¹⁶ Section 110.123(13)(d), F.S.

¹⁷ The Spouse Program provides discounted rates for family coverage when both spouses work for the state.

¹⁸ State Employee's Group Health Self-Insurance Trust Fund, Report on Financial Outlook, For the Fiscal Years Ending June 30, 2021 through June 30, 2026, <http://edr.state.fl.us/content/conferences/healthinsurance/HealthInsuranceOutlook.pdf> (last visited January 7, 2022).

¹⁹ *Id.*

State Employee Health Insurance (Medical Claims)

The DMS provides medical services to health plan members through a self-insured PPO, self-insured HMO plans, and a fully-insured HMO plan. Under current contracts, a single provider (Florida Blue) administers the statewide PPO plan.

Three providers (Aetna, AvMed, and United Health Care) administer the self-insured HMO plans providing services in 60 counties combined. Capital Health Plan is a fully-insured HMO plan providing services in 7 counties. The current HMO contracts were awarded on a county-by-county basis with service based on the county in which the member works or resides.

Based on information provided by the DSGI, the average costs per member for each plan are noted in the table below for Plan Year 2020.

Plan Year 2020	
Plan Type	Cost Per Member
Standard HMO (Self-Insured)	\$6,768.68
Standard HMO (Fully-Insured)*	\$6,618.85
Standard PPO (Self-Insured)	\$7,156.00
HDHP HMO (Self-Insured)	\$2,706.32
HDHP HMO (Fully-Insured)*	\$5,716.03
HDHP PPO (Self-Insured)	\$3,056.30

Enrollment

For FY 2020-21, the final enrollment reflected 175,046 subscribers and 187,244 dependents, totaling 362,290 covered lives.²⁰ Approximately 47.1% of subscribers were enrolled in PPO plans, 52.3% were enrolled in HMO plans, and 0.6% were enrolled in a Medicare Advantage Prescription Drug plan.²¹ Subscriber enrollment in individual coverage was 47.8%, and 52.2% were enrolled in family coverage, which had an average size of 3.05 members.²²

Expansion of Preventative Care Benefits

In 2019, President Trump issued Executive Order 13877, Improving Price & Quality Transparency in American Healthcare to Put Patients First.²³ The Executive Order requested the Treasury Department and the Internal Revenue Service (IRS) to issue guidance on how to expand the ability of patients to select HDHPs that can be used alongside HSAs, and that cover low-cost preventative care, before the deductible, that helps maintain the health status for individuals with chronic conditions. Following the Executive Order, the Treasury Department and the IRS issued Notice 2019-45.²⁴ Under section 223(c)(2)(A), a HDHP may not provide

²⁰ *Id.*

²¹ *Id.* at p. 1.

²² *Id.*

²³ See Executive Order 13877, <https://www.federalregister.gov/documents/2019/06/27/2019-13945/improving-price-and-quality-transparency-in-american-healthcare-to-put-patients-first>.

²⁴ See Internal Revenue Service Notice 2019-45, <https://www.irs.gov/pub/irs-drop/n-19-45.pdf>.

benefits for any year until the yearly minimum deductible is met, however section 223(c)(2)(C), allows HDHPs to provide preventative care benefits without the annual deductible being met.

The IRS and Treasury Department are aware of the cost barriers for care that have resulted in some individuals who are diagnosed with certain chronic conditions failing to see or utilize effective necessary care that would prevent the exacerbation of the chronic condition. In an effort to address this, the IRS and Treasury Department, in consultation with the Department of Health and Human Services, have determined that certain medical care services received and items purchased, including prescription drugs, for certain chronic conditions should be classified as preventative care for persons with those chronic conditions.

In determining that these particular medical services and items can be classified as preventative care with respect to an individual with the relevant chronic condition, the IRS and Treasury Department considered the following:

- The service or item is low cost;
- There is medical evidence supporting high cost efficiency of preventing exacerbation of the chronic condition or the development of a secondary condition; and
- There is clinical evidence proving a strong likelihood that preventing the exacerbation of the chronic condition or the development of a secondary condition avoids significantly higher cost treatments.

III. Effect of Proposed Changes:

Section 1 amends s. 110.123, F.S., to require the DMS to provide an online education program with impartial and balanced information regarding the plan choices in the state group insurance program. Section 1 requires the department to contract with the State Board Administration and its financial advisors to provide at least two hours per plan year of tax and financial education relating to retirement and health care planning, as an elective benefit at no cost to the enrollee.

Section 1 sets a minimum monthly employer contribution into the HSAs for members whose annual rate of pay is \$38,000 or less, beginning plan year 2023 and thereafter. The state's minimum monthly contribution from the trust fund into a member's HSA is \$55 for an employee with individual coverage and \$110 for an employee with family coverage.

Section 1 establishes new preventative care benefits to be covered by HDHPs in the SGI Program prior to the member meeting the yearly deductible. The following services and items²⁵ when prescribed to treat an individual diagnosed with listed chronic conditions will be covered as preventative care:

²⁵ *Id.*

Preventive Care for Specified Conditions	For Individuals Diagnosed with
Angiotensin Converting Enzyme (ACE) inhibitors	Congestive heart failure, diabetes, and/or coronary artery disease
Anti-resorptive therapy	Osteoporosis and/or osteopenia
Beta-blockers	Congestive heart failure and/or coronary artery disease
Blood pressure monitor	Hypertension
Inhaled corticosteroids	Asthma
Insulin and other glucose lowering agents	Diabetes
Retinopathy screening	Diabetes
Peak flow meter	Asthma
Glucometer	Diabetes
Hemoglobin A1c testing	Diabetes
International Normalized Ratio (INR) testing	Liver disease and/or bleeding disorders
Low-density Lipoprotein (LDL) testing	Heart disease
Selective Serotonin Reuptake Inhibitors (SSRIs)	Depression
Statins	Heart disease and/or diabetes

Section 2 provides that the bill takes effect July 1, 2022.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Not applicable. The bill does not require counties or municipalities to take 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.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None identified.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The fiscal impact on the government sector is unknown at this time. However, the DMS will incur costs implementing the online education program and the tax and financial education programs. The State Employee Health Insurance Trust Fund will incur higher costs associated with higher contributions into the HSAs as well as covering additional preventative care benefits for participants in the HDHPs. However, the purpose of the bill is to encourage higher participation in the HDHPs which have historically experienced lower claims, potentially resulting in overall savings for the SGI Program.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends section 110.123 of the Florida Statutes.

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.