

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 404

SPONSOR: Banking and Insurance Committee, Senator Latvala and others

SUBJECT: Florida Health Endowment Trust Fund

DATE: February 22, 2000 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Johnson</u>	<u>Deffenbaugh</u>	<u>BI</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>HC</u>	_____
3.	_____	_____	<u>FP</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

The committee substitute creates the Florida Health Endowment Trust Fund within the State Board of Administration for the purpose of funding the Florida Health Endowment Association (FHEA). Senate Bill 402, a companion bill to Senate Bill 404, creates the FHEA which is a nonprofit entity that provides insurance coverage to individuals whose health insurance has been involuntarily terminated, or whose pre-existing medical conditions or financial situation prevent them from obtaining coverage in the standard individual health insurance market.

The Florida Health Endowment Trust Fund, administered by the Board of the FHEA, consists of state appropriations, premiums paid from insurance contracts from the Florida Health Endowment Association, and voluntary contributions. Revenues received by the Trust Fund may be invested, and dividends and interest shall go toward the administration of the FHEA and payment of insurance benefits. With the exception of administrative fees paid to the State Board of Administration, all earnings of the trust fund are required to be used for the administration of the association for the benefit of the participants. The bill allows for the creation of a contingency fund.

The committee substitute provides that the Trust Fund is exempt from the general government service charge of 7 percent that is generally assessed against all trust funds, unless the trust fund is specifically exempted from the service charge in s. 215.22, F.S.

This bill creates a yet unnumbered section of the Florida Statutes. This bill amends section 215.22, Florida Statutes.

II. Present Situation:

Under the companion bill (SB 402), the Florida Health Endowment Association is created to replace the Florida Comprehensive Health Association which currently provides health care

coverage for approximately 802 individuals. In 1991, the FCHA was prohibited from issuing policies to new applicants.

As a condition of doing business in Florida, health insurers are required to pay assessments to fund the deficits of the FCHA. Companies subject to the assessment include all health insurance companies, health maintenance organizations, fraternal benefit societies, multiple employer welfare arrangements, and prepaid health clinics. Self-funded employers and governmental entities are not subject to the assessment. The assessments/losses for fiscal year 1998 for the FCHA was \$4.9 million. The projected assessment for fiscal year 1999 is \$4,019,913.

III. Effect of Proposed Changes:

Section 1. This provision creates the “Florida Health Endowment Trust Fund” which is created within the State Board of Administration and shall consist of state appropriations, moneys acquired from governmental and private sources, premiums paid from insurance contracts from the Florida Health Endowment Association, and voluntary contributions. Funds invested in the Trust Fund may be invested pursuant to s. 215.47, F.S., and dividends and interest shall go toward the administration of the FHEA and payment of insurance benefits. It allows for the creation of a contingency fund and moneys within the Trust Fund are exempt from the investment requirements of s. 18.10, F.S.

The section also provides that the assets of the Trust Fund shall be maintained and invested for the purposes of the FHEA and may not be loaned for any other purpose. All earnings of the Trust Fund, except for administrative fees paid to the State Board of Administration are required to be used for the administration of the association for the benefit of the participants.

Section 2. This section provides that the Trust Fund is exempt from the general government service charge of 7 percent that is generally assessed against the income of all trust funds, unless the trust fund is specifically exempted from the service charge in s. 215.22, F.S.

Section 3. Provides that the act shall take effect on the effective date of Senate Bill 402, but shall not take effect if such legislation does not become law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

Article III, s.19(f) of the State Constitution, effective November 1992, prohibits the creation of a trust fund by the state or any other public body without a three-fifths vote of the

membership of each house of the Legislature in a separate committee substitute for that purpose only. Additionally, trust funds created after the November date terminate not more than 4 years after the effective date of the act authorizing the fund's creation.

Pursuant to s. 215.3207, F.S., each trust fund must be created by language which specifies the name and purpose of the fund, the agency responsible for its administration, and the source of money to be credited to the fund. The bill appears to comply with this provision.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Under the companion bill (SB 402), health insurers will continue to pay assessments into the Florida Health Endowment Trust Fund until January 1, 2001 (when the provision is repealed) to fund the deficits of the Florida Comprehensive Health Association since the newly created Florida Health Endowment Association assumes all liabilities of the FCHA.

C. Government Sector Impact:

The companion bill, CS/SB 402, establishing the Florida Health Endowment Association, appropriates \$50 million from the General Revenue Fund to the Florida Health Endowment Trust Fund which is created by this bill. All earnings of the Trust Fund, except for the administrative costs paid to the State Board of Administration, are required to be used by the association for the benefit of participants. In the event the earnings of the Trust Fund are not adequate to meet obligations of the association for the fiscal year, it is unclear whether the initial \$50 million transferred to the Trust Fund could be used to fund such deficits in a given year.

Revenues of the Trust Fund would be exempt from the annual 7 percent general government service charge generally deducted from all trust funds.

VI. Technical Deficiencies:

None.

VII. Related Issues:

The bill allows for the creation of a contingency fund within the Trust Fund; however, all monies (principal and interest) are deposited and maintained would be contained within one trust fund.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
