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DATE: March 14, 2000

HOUSE OF REPRESENTATIVES
COMMITTEE ON
GOVERNMENTAL OPERATIONS
ANALYSIS

BILL #: HB 549

RELATING TO: Comprehensive Indemnity Dental Plan

SPONSOR(S): Representative Boyd and others

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

(1) GOVERNMENTAL OPERATIONS YEAS 6 NAYS 0
(2) GENERAL APPROPRIATIONS
(3)
(4)
(5)

I. SUMMARY:

Under s. 110.123(3)(g), F.S., the Department of Management Services is responsible for issuing requests for proposals for health insurance companies interested in participating in the state group insurance program. The Department of Management Services then negotiates contracts for the most cost effective and comprehensive coverage available. Currently, there is no provision in Florida law that limits the Department to a specific type of dental plan or that requires certain dental plans to be requested.

This bill amends s. 110.123(3)(g), F.S., by mandating that the Division of State Group Insurance issue a request for proposal for a comprehensive indemnity plan providing enrollees with an unrestricted choice of dentists.

This bill also requires that the state group insurance program offer a comprehensive indemnity plan with an unrestricted choice of dentist, and that if the program endorses any dental plan that there must then be an option of an endorsed indemnity plan also.

Proponents of this bill feel that there needs to be a guaranteed option for a dental plan that offers an unrestricted choice of dentist, i.e. an indemnity plan.

The Department of Management Services states that this bill will restrict their efforts to modify employee benefit plan designs so that the plans are based on changing national trends in benefits, markets, and costs.

This bill shall take effect upon becoming a law.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1.	Less Government	Yes []	No []	N/A [X]
2.	Lower Taxes	Yes []	No []	N/A [X]
3.	Individual Freedom	Yes [X]	No []	N/A []
4.	Personal Responsibility	Yes [X]	No []	N/A []
5.	Family Empowerment	Yes []	No []	N/A [X]

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Currently, under s. 110.123(3)(g), F.S., the Department of Management Services issues a request for proposals for health insurance providers interested in participating in the state group insurance program when it is time to renew the contracts. The Division of State Group Insurance issues a request for proposal for insurance providers interested in participating in the non-health-related components of the state group insurance plan. The Department then enters into contract negotiations with insurance providers submitting bids or negotiate a specially designed benefit package. The only requirement in the statute regarding the contracts is that the contracts provide state employees with the most cost-effective and comprehensive coverage available.

Currently, there is no provision in Florida law that limits the Department to a specific type of dental plan or that requires certain dental plans always be requested.

According to the Department of Management Services, the State Employee's Group Insurance Program currently offers seven different voluntary dental plans, including pre-paid, preferred provider, and indemnity plans. The Division of State Group Insurance endorses a single insurer that offers a pre-paid and a preferred provider plan according to benefits designed by the Division in consultation with nationally recognized employee benefit managers. According to the Department, the remaining five plans are offered by three insurers who are not endorsed by the Division.

The endorsed plans are chosen after the Division conducts an analysis of current benefit, market, and rate configurations for the purposes of creating a dental plan design that offers high quality services at affordable rates. As a result of the analysis, the current endorsed dental insurance company offers state employees the choice of a managed dental option (pre-paid), and a Preferred Provider Organization (PPO) dental option that includes access to out-of-network providers. The latter essentially gives the employee the choice of any dentist, however, if the dentist is out-of-network, the employee is choosing a higher cost option because the reimbursement rates are lower. If the employee chooses an in-network dentist, the dentist has contracted with the insurer to reduce their fees therefore creating the lower cost.

One of the types of dental plans available from the insurance industry is the indemnity dental plan. The indemnity plan pays the dentist on a traditional fee-for-service basis. A

monthly premium is paid to an insurance carrier, who directly reimburses the dentist for the services provided. Under indemnity plans, the insurance companies usually pay between 50 percent and 80 percent of the dentist's fee for covered services; the remaining 20 percent to 50 percent is paid by the patient. These plans often have a pre-determined deductible, a dollar amount which varies from plan to plan, that the patient must pay before the insurance carrier will begin paying for care. An example of a traditional indemnity plan is a dental plan where 100 percent of the "usual and customary" dentist's fees for preventative care are reimbursed (resulting in around 90 percent coverage), and a pre-determined deductible must be paid by the patient for basic and major services. Indemnity plans also feature the ability to choose your own dentist.

According to the Department of Management Services' analysis, because the endorsed PPO dental option currently offered includes access to out-of-network providers (the choice of any dentist), that plan equates to having an endorsed indemnity plan. The higher cost of using an out-of-network dentist is comparable to the higher cost inherent in an indemnity plan.

Proponents of having an endorsed indemnity plan as an option for state employees state that "a typical indemnity plan would pay a greater percentage of the usual and customary fee than the out-of-network component." They also feel that having an option for an indemnity plan that is not endorsed is not enough, that there should be a choice of an endorsed indemnity plan, complete with the quality controls placed in all endorsed plans. In addition, proponents feel that the choice should be guaranteed, to ensure that rural patients, without access to in-network PPO dentists, will have access to their local dentist without being penalized financially for being in a remote area.

C. EFFECT OF PROPOSED CHANGES:

This bill amends s. 110.123(3)(g)8a, F.S., by mandating that the Division of State Group Insurance issue a request for proposal for a comprehensive indemnity dental plan providing enrollees with an unrestricted choice of dentists. This bill also requires the state group insurance program to offer a comprehensive indemnity plan with an unrestricted choice of dentist, and that if the program endorses any dental plan then there must be an option of an endorsed indemnity plan also.

The Department of Management Services states that this bill will restrict their efforts to modify employee benefit plan designs so that they are based on changing national trends in benefits, markets, and costs. They also feel that DMS would not be able to endorse an indemnity plan as those types of dental plans generally conflict with the cost-effective goals of the endorsement process.

This bill will become effective upon becoming a law.

D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

N/A

2. Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

N/A

D. FISCAL COMMENTS:

N/A

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that counties or municipalities have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On March 14, 2000, the Committee on Governmental Operations heard this bill and adopted two amendments.

The two technical amendments were as follows: the first, on page 6, line 7 removed “which offers” and inserted “providing”; the second, on page 6 , line 29, removed “which provides” and inserted “ providing”.

The Committee on Governmental Operations reported the bill favorably as amended.

VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL OPERATIONS:

Prepared by:	Staff Director:
Jennifer D. Krell	Jimmy O. Helms