

STORAGE NAME: h0647.hcs

DATE: February 3, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
HEALTH CARE SERVICES
TRUST FUND CREATION ANALYSIS**

BILL #: HB 647

RELATING TO: Florida Health Endowment Trust Fund

SPONSOR(S): Representatives C. Green, Jones, and others

TIED BILL(S): HB 645

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

- (1) HEALTH CARE SERVICES
 - (2) INSURANCE
 - (3) FINANCE & TAXATION
 - (4) HEALTH & HUMAN SERVICES APPROPRIATIONS
 - (5)
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I. SUMMARY:

HB 647 creates the Florida Health Endowment Trust Fund within the State Board of Administration for the purpose of funding the Florida Health Endowment Association (FHEA). (A tied bill, HB 645, 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 prevent them from obtaining coverage in the standard 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 from insurers. 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.

The bill requires the state to agree to meet the obligations of the FHEA board to participants in the FHEA if moneys in the Trust Fund fail to offset the obligations of the board. The bill requires the Legislature to appropriate to the Trust Fund the amount necessary to meet the obligations of the board to the participants in the plan.

Article III, section 19(f)(1) of the Florida Constitution requires a three-fifths (3/5) vote of the membership of each house for the creation of a trust fund. Paragraph (2) of the same subsection (f) provides that a trust fund so created must terminate not more than four years after the effective date of the act authorizing the creation of the trust fund.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

1. MAJOR STATUTES THAT CONTROL THE TRUST FUND:

Article III, section 19(f)(1), of the Florida Constitution, requires a trust fund of the State of Florida be created by a separate bill for that purpose only. The bill must be approved by a three-fifths (3/5) vote of the membership of both houses of the Legislature.

Paragraph (2) of the same subsection (f) provides that a trust fund so created must terminate not more than four years after the effective date of the act authorizing the creation of the trust fund.

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.

2. BRIEF DESCRIPTION OF THE FUND'S USES OR PURPOSES:

Under a tied bill, HB 645, the Florida Health Endowment Association is created to replace the Florida Comprehensive Health Association which currently provides health care coverage for 855 individuals. Since 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. It is estimated that the assessments to cover the "losses" for the FCHA for fiscal year 1999 are \$4.6 million. Losses for fiscal year 2000 are expected to be similar to the previous year. These assessments will no longer be required after the creation of the Florida Health Endowment Trust Fund.

3. MAJOR SOURCES OF REVENUE FOR THE FUND:

HB 645 contains an appropriation of \$50 million from the General Revenue Fund. HB 645 will take effect on July 1, 2000 contingent upon the sum of \$50 million being appropriated to the Florida Health Endowment Trust Fund.

B. EFFECT OF PROPOSED CHANGES:

HB 647 will create the Florida Health Endowment Trust Fund within the State Board of Administration. The bill will provide for sources of funds for the trust fund, as well as the annual carry-forward of such funds. The bill provides for a conditional effective date.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

This bill does not have a direct fiscal impact, however the tied bill, HB 645, appropriates \$50 million from the General Revenue Fund to the Florida Health Endowment Trust Fund created by this bill.

IV. COMMENTS:

Section 2 of the bill makes passage of this bill contingent on the passage of the tied substantive bill with no reference to a specific bill number. The actual companion, HB 645, should be specified.

The bill does not meet the constitutional requirement relating to repeal of a trust fund four years subsequent to the creation of the trust fund. This oversight should be addressed. Any substantive changes to the tied bill, HB 645, that would impact sources of trust fund revenue

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would need to be reflected in this bill, such as the provision relating to voluntary contributions from insurers.

V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VI. SIGNATURES:

COMMITTEE ON:

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