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HOUSE OF REPRESENTATIVES
COMMITTEE ON
GOVERNMENTAL OPERATIONS
ANALYSIS

BILL #: HB 707

RELATING TO: State Group Insurance Program

SPONSOR(S): Representative Trovillion

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) GOVERNMENTAL OPERATIONS
(2) INSURANCE
(3) GENERAL APPROPRIATIONS
(4)
(5)

I. SUMMARY:

This bill provides that there shall be a one-time period of 90 days, commencing on July 1, 2000, during which retired state officers and employees who did not elect at the time of retirement to continue coverage under the state group insurance program may elect to participate in the program with all or part of the coverage they had at the time of retirement.

Retired state officers and employees who take advantage of this open enrollment period will be required to pay the full premium contribution structure that is in effect at the time they enroll in the state health insurance plan. The current premium for Individual Coverage is $223.82 monthly. The current premium for Family Coverage is $507.80 monthly. Additionally, retirees who enroll will be subject to the current co-payments for health maintenance organizations (HMOs) physician office visits of $10 and the prescription drugs co-payments of $7 for generic drugs with a card and $20 for brand name drugs with a card. The current co-payments for generic and brand name mail-order drugs are the same $7 and $20 respectively.

Retired individuals who enroll during the open enrollment period will be eligible for the retiree health insurance subsidy equal to $5.00 per month for each year of creditable service up to a maximum of 30 years or $150.00.

To the extent that the claims experience is covered by the current premium structure, there will be no additional costs to the State Employees' Group Health Insurance Trust Fund. However, the Division of State Group Insurance estimates that this legislation will result in adverse selection against the system and the additional annualized cost could be in a range of $8.6 to $13.6 million. Please see Section III. Fiscal Analysis and Economic Impact Statement.

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 []	No []	N/A [x]
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:

“State group insurance program” or “programs” means the package of insurance plans offered to state officers and employees, retired state officers and employees, and surviving spouses of deceased state officers and employees pursuant to this section, including the state group health insurance plan, health maintenance organization (HMO) plans, and other plans required or authorized by s. 110.123, F.S.

“State group health insurance plan” or “state plan” means the state self-insured health insurance plan offered to state officers and employees, retired state officers and employees, and surviving spouses of deceased state officers and employees pursuant to this section.

“State-contracted HMO” means any health maintenance organization under contract with the Department of Management Services to participate in the state group insurance program.

“Retired state officer or employee” or “retiree” means any state officer or employee who retires under a state retirement system or a state optional annuity or retirement program or is placed on disability retirement, and who was insured under the state group insurance program at the time of retirement, and who begins receiving retirement benefits immediately after retirement from state office or employment.

Section 110.123(3)(f), F.S., provides that participation by individuals in the program shall be available to all state officers, full-time state employees, and part-time state employees; and such participation in the program or any plan thereof shall be voluntary. Participation in the program shall also be available to retired state officers and employees who elect at the time of retirement to continue coverage under the program, but they 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 the state group health insurance plan or a health maintenance organization plan. Section 110.123(4)(f), F.S., provides that state employees may participate in the state group health insurance plan at the time of receiving their state retirement benefits.

Sections 110.12312, and 110.1232, F.S., refer to prior open enrollment periods for retirees to obtain health insurance coverage under state-administered retirement systems for persons who retired before, on, or after specific dates specified in these sections.

C. EFFECT OF PROPOSED CHANGES:

There are a number of retired state employees, a group the Division of State Group Insurance(DSGI) estimates to be as large as 19,200, who did not elect to continue either health or life coverage at the time of their retirement. Some sub-set of this group is without these coverages and currently view themselves as being in need. Additionally, many retirees have taken note of the increase in the life insurance benefit for retirees and specifically want access to that benefit [N.B. On January 1, 2000, the benefit changed from a flat $1,500 to a flat $10,000].

The DSGI expects quite a few of these retirees to enroll in the health and/or life programs. This is a prediction more than an estimate, because DSGI has no real data upon which to base a solid estimate. Adding these enrollees into these plans translates into added costs for their respective trust funds, costs that will be borne by both taxpayers and enrollees through higher state contributions and premiums. The addition of a substantial new pool of enrollees in the life insurance plan could render all of the current rate and cost assumptions unreliable, requiring the restatement of the benefit and/or increases in premium.

As a matter of underwriting practice, DSGI points out that this approach is fraught with risk and potential costs. They have indicated that the correct way to deal with this problem would be to change the statutes to allow retirees to apply for reinstatement in the state program on a year round basis, subject to medical underwriting and a buy-in payment. The current excluded group would be allowed to re-enroll over a period of several years, with a different cohort allowed access each year using their initial retirement date, last name or other organizing principle. Allowing year round buy-in would prevent the formation of a large group of retirees without coverage, all potentially seeking to be added to the program whenever the Legislature decides to do so. It would therefore avoid subjecting the Trust Funds to a massive influx of risk on an unpredictable basis. The medical underwriting process would be necessary to help prevent adverse selection (i.e., enrollees signing up immediately after a serious diagnosis, rather than paying into the program on a routine basis). The buy-in payment would help enrollees “catch-up” with some portion of premiums avoided and maintain some margin of equity in the program.

Section 1. Amends s. 110.123(3)(f), F.S., providing that commencing on July 1, 2000, there shall be a one-time period of 90 days during which retired state officers and employees who did not elect at the time of retirement to continue coverage under the program (State Group Insurance Program) may elect to participate in the program with all or part of the coverage they had at the time of retirement.

Section 2. Provides an effective date of upon becoming a law.

D. SECTION-BY-SECTION ANALYSIS:

Please see Section II. C. above “Effect of Proposed Changes.”

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

To the extent that the claims experience of the retirees that take advantage of this open enrollment period is commingled with the claims experience of other members covered under s. 110.123, F.S., as expected, and to the extent that this claims experience is covered by the current premium contribution structure in force, there will be no additional cost to the State Employees' Group Health Insurance Trust Fund. However, DSGI believes this legislation will result in adverse selection against the system and will generate approximately $3.6 million in new Health Insurance Trust Fund expenditures, annually. DSGI's Prudential Life Insurance actuaries estimate that the cost of the bill related to life insurance will be between $5-10 million annually There will be, in addition, approximately $200,000 in one-time administrative costs associated with the Special Open Enrollment period itself. The cost estimate of the bill, therefore, is between $8.6 and $13.6 million a year, depending on the eventual participation rates.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Retirees allowed to enroll in the state group health insurance program during this open enrollment period will not be purchasing health insurance coverage from other private sector providers.

D. FISCAL COMMENTS:

None.

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 expend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority of counties or municipalities to raise revenue in the aggregate.

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

This bill does not reduce the amount 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:

VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL OPERATIONS:

Prepared by:	Staff Director:
Jimmy O. Helms	Jimmy O. Helms