

STORAGE NAME: h0707s1a.in

DATE: March 28, 2000

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
INSURANCE
ANALYSIS**

BILL #: CS/HB 707

RELATING TO: State Group Insurance Program

SPONSOR(S): Committee on Governmental Operations and Representative Trovillion

TIED BILL(S):

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

- (1) GOVERNMENTAL OPERATIONS YEAS 5 NAYS 0
 - (2) INSURANCE YEAS 14 NAYS 1
 - (3) GENERAL APPROPRIATIONS
 - (4)
 - (5)
-

I. SUMMARY:

All state officers, full-time state employees, and part-time state employees may participate in the state group insurance program. Participation is voluntary. Retired state officers and employees also may participate if, at the time of retirement, they elect to continue all or part of the coverage they had under the program at the time they retire. These coverages consist of the health insurance and life insurance programs.

This bill provides for a one-time 90-day open enrollment period 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 could elect to participate in the program with all or part of the coverage they had at the time they retired. Those retirees choosing to enroll would be required to make the full premium contribution in effect at the time they enroll in the state health insurance plan.

This bill also would permit those former state officers and employees vested in the Florida Retirement System but not yet receiving their state retirement benefits to participate in the state group health insurance plan at the time they begin receiving their state retirement benefits.

The Division of State Group Insurance within the Department of Management Services estimates that the bill could have a negative recurring negative fiscal impact of between \$8.6 million and \$13.6 million, based on certain enrollment assumptions.

This bill would take effect upon becoming a law.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

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

B. PRESENT SITUATION:

All state officers, full-time state employees, and part-time state employees may participate in the state group insurance program.¹ Participation is voluntary. Retired state officers and employees² also may participate if, at the time of retirement, they elect to continue all or part of the coverage they had under the program at the time they retire. These coverages consist of the health insurance and life insurance programs. A surviving spouse is permitted to continue coverage only under the state group health insurance plan or health maintenance organization plan.

According to the Division of State Group Insurance (DSGI) within the Department of Management Services, there are approximately 44,000 state retirees. Of these, 24,758 participate in the state group health program and 16,061 participate in the life insurance program.³ The DSGI estimates that there are as many as 19,242 retirees who did not elect to continue participation in the state group health insurance program at the time they retired and nearly 28,000 that did not elect to continue participation in the life insurance program.

Retirees that do participate in the state group insurance program must pay the full premium costs for coverage. The state does not pay a portion of the premium costs for these retirees, although many receive a retiree health insurance subsidy of \$5 for each year of creditable service up to a maximum of 30 years or \$150.

For retirees participating in the state group health insurance program and not receiving Medicare, the current monthly premium for individual coverage is \$223.82; for family coverage it is \$507.80. For retirees participating in the state group health insurance program and covered under Medicare, the current monthly premium for individual

¹ Section 110.123(3)(f), F.S.

² "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 health insurance program at the time of retirement, and who begins receiving retirement benefits immediately after retirement from state office or employment.

³ 11,448 participate in both the health and life programs, 13,310 participate in just the health program, and 4,613 participate in just the life insurance program.

coverage is \$119.03; for family coverage it is \$238.05 if both family members are covered under Medicare. and \$42.86 if only one is. For those on Medicare, the state group health plan acts as a supplemental source of coverage. Retirees exercising an option to join an HMO are subject to the current co-payments for physician office visits of \$10 and the prescription drugs co-payments of \$7 for generic drugs and \$20 for brand-name drugs. The current co-payments for generic and brand name mail-order drugs are the same \$7 and \$20, respectively. Retirees that continue their coverage will be eligible for a 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.

In the first redesign of benefits under the life insurance program since 1980, the state recently negotiated an increased death benefit for the same monthly premium. Prior to January 1, 2000, retirees continuing their life insurance coverage paid \$4.50 for a \$1,500 death benefit. Retirees now receive a \$10,000 death benefit for that same \$4.50 monthly premium. Additionally, those with a life expectancy of 24 months or less may receive an accelerated payment of the death benefit of 80 percent of the face value of the policy, or \$8,000. At death, beneficiaries could receive the remaining \$2,000 benefit.

The last open enrollment period for retirees mandated by the Legislature occurred in 1997. At that time, the Legislature directed the Department of Management Services to hold an open enrollment for those retirees wanting to obtain health insurance under the state program under the same premium payment conditions in effect for covered retirees, including eligibility for certain health insurance subsidy payments.⁴

C. EFFECT OF PROPOSED CHANGES:

This bill provides for a one-time 90-day open enrollment period 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 could elect to participate in the program with all or part of the coverage they had at the time they retired. Those retirees choosing to enroll would be required to make the full premium contribution in effect at the time they enroll in the state health insurance plan.

Under current law, these retired state officers and employees will be required to make the full premium contribution in effect at the time they enroll in the state health insurance plan.

This bill also would permit those former state officers and employees vested in the Florida Retirement System but not yet receiving their state retirement benefits to participate in the state group health insurance plan at the time they begin receiving their state retirement benefits.

D. SECTION-BY-SECTION ANALYSIS:

N/A

⁴ Section 110.12312, F.S.

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 the special 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 would be no additional cost to the State Employees' Group Health Insurance Trust Fund.

However, the 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. Actuaries for Prudential Life Insurance, the company under contract with the state to provide a life insurance product, estimate that the bill could have a recurring negative fiscal impact on the Life Insurance Program Trust Fund of between \$5 million to \$10 million annually. Therefore, the bill could have a total recurring negative fiscal impact of between \$8.6 million and \$13.6 million, based on certain enrollment assumptions. [See Fiscal Comments section of this analysis regarding assumptions used for participation rates.] Additionally, there would be a nonrecurring negative fiscal impact of approximately \$200,000 in administrative costs associated with the special open enrollment period.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Adding additional enrollees into these state insurance plans could translate into increased premium costs for enrollees.

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:

The estimated recurring negative fiscal impact of between \$8.6 million and \$13.6 million is based on certain assumptions about the degree of participation. The impact on the state group health insurance program assumes that 10 percent of those retirees eligible to enroll because of this bill will enroll; the life insurance impact of \$5 million assumes an enrollment rate of 25 percent and the \$10 million impact assumes a 100 percent enrollment rate.

If the bill were to result in the addition of a substantial new pool of enrollees in the life insurance plan, then all of the current rate and cost assumptions could be rendered unreliable, requiring the restatement of the benefit and/or increases in premium.

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:

At its committee meeting on March 14, 2000, the Committee on Governmental Operations amended HB 707, and then approved the bill as a committee substitute. The committee substitute differs from the original bill in that the committee substitute would permit those former state officers and employees vested in the Florida Retirement System but not yet receiving their state retirement benefits to participate in the state group health insurance plan at the time they begin receiving their state retirement benefits on the same basis as a retiree defined in s. 110.23(2)(g), F.S.

STORAGE NAME: h0707s1a.in

DATE: March 28, 2000

PAGE 6

VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL OPERATIONS:

Prepared by:

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Jimmy O. Helms

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