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: SB 958

SPONSOR: Senator King

SUBJECT: Prepaid Limited Health Service Organizations

DATE: February 29, 2000 REVISED: _____ _____ _____ _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Emrich	Deffenbaugh	BI	Favorable
2.	Carter	Wilson	HC	Favorable
3.				
4.				
5.				

I. Summary:

Senate Bill 958 eliminates the requirement for *exclusive* provider contracts in the law regulating the operation of prepaid limited health service organizations (PLHSOs) by modifying the definition of the term "prepaid limited health service organization" to allow for the provision of limited health services through a *panel* of providers. The bill requires PLHSOs to disclose to their subscribers any limitations on services being received from a nonpanel provider, and contains language that clarifies the intent to *not prohibit* PLHSOs from authorizing services from a *nonpanel* provider. This would mean that a PLHSO would be authorized to offer contracts (policies) that allow the subscriber (policyholder) to choose *any provider* for limited health services, which may be subject to a fee schedule or dollar limitation on specified services.

This bill amends the following sections of the Florida Statutes: 636.003 and 636.016.

II. Present Situation:

Prepaid Limited Health Service Organizations

Background

Chapter 636, F.S., created by chapter 93-148, *Laws of Florida*, provides for the Department of Insurance to license and regulate prepaid limited health service organizations (PLHSOs). These organizations are similar to health maintenance organizations (HMOs), but are limited to the provision of one of the following services: ambulance, dental care, vision care, mental health, substance abuse, chiropractic, podiatric care, and pharmaceutical. Prepaid limited health service organizations may not offer inpatient or surgical hospital services or emergency services, except as such services are incidental to a limited health service. Through a PLHSO, subscribers receive services from providers such as physicians, dentists, health facilities, or other persons or institutions which are licensed in Florida to deliver limited health services, as defined in subsection 636.003(7), F.S.

Prepaid limited health service organizations are required to provide each subscriber with a contract, certificate, membership card, or member handbook which must clearly state all of the services to which a subscriber is entitled under the contract and must include a clear and understandable statement regarding any limitations on the services or kinds of services to be provided. [*see* s. 636.016(2), F.S.] Under current law, a PLHSO contract, certificate of coverage, or application may not be delivered in Florida unless the forms and rates have been filed with the department by or on behalf of the PLHSO and have been approved by the department. To change contract terms or any documents that are made part of the contract and provided to subscribers, a PLHSO must file a notice of the change with the department at least 30 days prior to its effective date and provide at least 30 days' written notice to subscribers before implementing any approved change in rates. [*see* s. 636.018(1)(a), F.S.]

Exclusive Provider Panels

Pursuant to subsection 636.003(9), F.S., a PLHSO provides or arranges for the provision of a limited health service to enrollees through an *exclusive* panel of providers. Exclusive providers are providers of health care that have entered into a written agreement with the PLHSO to provide benefits to subscribers for alternative or reduced rates of payment. According to representatives with the Department of Insurance, six or seven years ago the department approved forms to allow a large dental care PLHSO to utilize nonpanel providers. However, since that time the department has expressed concerns about the legality of allowing this practice and has considered withdrawing its approval of the subject forms.

Financial Requirements

Present law expressly allocates financial liability to the PLHSO for services rendered to a PLHSO subscriber by a provider under contract with the PLHSO, and requires that such contracts state so explicitly. Under this provision, a physician, dentist, health care institution, or other provider is prohibited from collecting or attempting to collect money for services covered by a PLHSO from a subscriber in good standing, except for copayments or deductibles.
[*see* s. 636.035, F.S.] Each PLHSO must maintain minimum surplus requirements in an amount which is the greater of $150,000 or 10 percent of total liabilities. [*see* s. 636.045, F.S.] Furthermore, for solvency protection purposes, each PLHSO must deposit with the department cash or securities which are equal to the market value of $50,000. [*see* s. 636.046, F.S.] Assets, liabilities and investments of PLHSOs are governed by the provisions applicable to HMOs under s. 641.35, F.S.

Chapter 99-393, *Laws of Florida,* amending s. 641.31, F.S., was enacted authorizing an HMO to offer as a rider to a contract for comprehensive health services a point-of-service benefit whereby HMO subscribers could choose to receive services from a provider with whom the HMO does not have a contract (exclusive of a referral for such services), if certain solvency and other conditions were met. To offer a point-of-service rider, an HMO is required to meet the following requirements: (1) it must be licensed in Florida for at least 3 years; (2) have a minimum surplus of $5 million; and, (3) premiums paid in for the point-of-service riders must not exceed 15 percent of the HMO's total product premium. Subscribers in HMOs must pay a reasonable copayment per visit for services provided by a noncontract provider. Although Senate Bill 958 is similar to last year's HMO bill in that it allows PLHSOs to cover health care services by noncontract providers,

Department of Insurance officials do not believe it is necessary to require any specific, additional solvency conditions for PLHSOs offering such contracts. Under current law noted above, PLHSOs must already meet certain solvency requirements and, unlike HMOs, PLHSOs are much more limited in scope regarding the health services they provide. Additionally, the PLHSO contract may have a dollar limitation on specified services, which would limit its financial exposure.

III. Effect of Proposed Changes:

Section 1. Amends s. 636.003(9), F.S., defining the term "prepaid limited health service organization," to delete the word "exclusive" in reference to the panel of providers through which a PLHSO renders services to its subscribers. The effect of the change is to authorize PLHSOs to offer their services through *a panel of providers*, but not necessarily exclusively through those providers.

Section 2. Amends s. 636.016, F.S., providing requirements for PLHSO contracts, to amend subsection (2) to include among the list of limitations on services or kinds of services that such an organization is providing in the contract, certificate, membership card, or member handbook *limitations on services being received from a nonpanel provider*. Subsection (8) is amended with clarifying language that states that *nothing in this subsection is intended to otherwise prohibit the PLHSO from authorizing services from a nonpanel provider*.

Section 3. Provides that the bill shall take effect October 1, 2000.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The provisions of this bill have no impact on municipalities and the counties under the requirements of Article VII, Section 18 of the Florida Constitution.

B. Public Records/Open Meetings Issues:

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Article I, Subsections 24(a) and (b) of the Florida Constitution.

C. Trust Funds Restrictions:

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Article III, Subsection 19(f) of the Florida Constitution.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

This bill may increase the cost of premiums paid by PLHSO subscribers who choose to purchase contracts that cover limited health care services from nonpanel providers. It also may increase subscribers' out-of-pocket expenses for utilizing nonpanel providers because these providers may charge more for their services than panel providers. The bill will benefit nonpanel PLHSO health care providers who now can offer services to subscribers. The Department of Insurance does not believe it is necessary to require any specific, additional solvency conditions for PLHSOs offering such contracts.

C. Government Sector Impact:

The Department of Insurance will experience a nominal cost in approving forms and rates relative to PLHSO's which intend to offer health care services *via* nonpanel providers.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.