

STORAGE NAME: h0297.fpr.doc

DATE: January 25, 2002

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
FISCAL POLICY AND RESOURCES
ANALYSIS**

BILL #: HB 297

RELATING TO: Florida Healthy Kids Corporation

SPONSOR(S): Representative Littlefield and Mahon

TIED BILL(S): None.

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

- (1) HEALTH REGULATION YEAS 7 NAYS 2
 - (2) FISCAL POLICY AND RESOURCES
 - (3) COUNCIL FOR HEALTHY COMMUNITIES
 - (4)
 - (5)
-

I. SUMMARY:

The Florida Healthy Kids Corporation was established in 1990 by the Florida Legislature as a public-private initiative to improve access to comprehensive health insurance for the state's uninsured children as set forth in section 624.91, F.S. (short title, "The Florida Healthy Kids Corporation Act.").

Florida Healthy Kids Corporation (FHKC) insures over 219,500 children. The prepaid nature of the insurance means that FHKC must expend in excess of \$20 million on the first of each month to cover the insurance premium costs. This expenditure is made prior to the receipt of state and federal funds. Federal funds are distributed on a reimbursement basis only. On average, it takes 20-30 days after the premiums have been paid for FHKC to receive reimbursement. When cash is not available to meet funding obligations, FHKC must draw off its line of credit.

FHKC's policy is to maintain a reserve fund equivalent to the amount needed to pay insurance premiums for a thirty-day notice period and to allow for a six-month dissolution of FHKC.

HB 297 allows the Florida Healthy Kids Corporation to maintain an operating fund equal to 25% of the estimated annual expenditures. This will minimize the need to exercise its line of credit and avoid costly interest charges. If FHKC is dissolved, the remaining cash balance of state funds shall be returned to the state.

The bill provides for an effective date of July 1, 2002.

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 checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input 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"/> |

B. PRESENT SITUATION:

The Florida Healthy Kids Corporation (FHKC) was established in 1990 by the Florida Legislature as a public-private initiative to improve access to comprehensive health insurance for the state's uninsured children. s. 624.91, F.S. The intent of the Legislature was that "...increased access to health care services could improve children's health and reduce the incidence and costs of childhood illness and disabilities among children in this state. Many children do not have comprehensive, affordable health care services. It is the intent of the Legislature that the Florida Healthy Kids Corporation provides comprehensive health insurance coverage to such children. The corporation is encouraged to cooperate with any existing health service programs funded by the public or the private sector and to work cooperatively with the Florida Partnership for School Readiness."

The Florida Healthy Kids Corporation helps thousands of uninsured children gain access to affordable, quality health care. FHKC acts as a fiduciary by aggregating local, state, federal and family funds to pay insurance premiums. There are 219,500 children covered by FHKC. These children enjoy a benefit structure with broad coverage from immunizations to transplants. This program is designed to provide affordable children's health insurance to middle class families, and to assist lower-income families with premium subsidies. Similar to a group health insurance, where eligibility to participate is based on employment, eligibility for the Healthy Kids program is based on the child's educational enrollment and family income.

FHKC is partially funded by an appropriation that is passed through the Agency for Health Care Administration (ACHA). Annually, the Agency contracts with FHKC and releases state and federal Title XXI funds to FHKC when needed.

The prepaid nature of insurance means that FHKC must expend in excess of \$20 million on the first of each month to cover insurance premium costs. This expenditure is made prior to the receipt of state and federal funds. Federal funds are distributed on a reimbursement basis only. On average, it takes 20-30 days after the premiums have been paid for FHKC to receive reimbursement. When cash is not available to meet funding obligations, FHKC must draw off its line of credit.

FHKC's policy is to maintain a reserve fund equivalent to the amount needed to continue premiums for enrollees for a thirty (30) day notice period and to allow for a six-month dissolution of FHKC.

The Agency for Health Care Administration and the Florida Healthy Kids Corporation recommend that the operating fund be maintained at an amount equal to 25% of the estimated annual expenditures to meet FHKC's fiscal management needs.

The proposed accounting method is similar to current practice.

C. EFFECT OF PROPOSED CHANGES:

HB 297 allows the Florida Healthy Kids Corporation to maintain an operating fund equal to 25% of the estimated annual expenditures. This eliminates the need for FHKC to draw off their costly line of credit.

This bill allows FHKC to continue this practice, while allowing the State to minimize the transference of unnecessary revenue that could be used elsewhere.

If the corporation is dissolved, the remaining cash balance of state funds shall be returned to the general revenue.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends section 409.818, F.S., to establish and manage an operating fund for the purposes of addressing FHKC's unique cash flow needs and to allow for the fiscal management of FHKC. FHKC may accumulate and maintain a cash balance of no more than 25 percent of annualized operating expenses at any given time in the operating fund. Upon the dissolution of FHKC, any remaining cash balances of state funds shall be returned to the state.

Section 2. Provides for an effective date of July 1, 2002.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. **Revenues:**

According to the Agency for Health Care Administration, there is no fiscal impact on state revenues.

2. **Expenditures:**

According to the Agency for Health Care Administration, there is no fiscal impact on state expenditures.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. **Revenues:**

None.

2. **Expenditures:**

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

According to ACHA, the Agency contracts with FHKC to deliver health care insurance to qualified children. The current contract allows equal quarterly advances, at the beginning of the quarter, for the state's share of FHKC appropriations while the federal share of expenditures is reimbursed each month based on invoices submitted by FHKC.

The current contract prohibits FHKC from accumulating a surplus of state funds and requires FHKC to reconcile advanced state funds to actual expenditures each quarter to determine if adjustments are needed to the next quarterly payment.

The effect of the proposed bill would take state moneys out of the state system and this funding would not be available for reversion or for other uses. Any surplus accumulated by FHKC must be non-federal funds since federal regulations restrict federal cash advances.

Using 25 % of state fiscal year 2001-2002 appropriations for FHKC of \$224,043,283 and expense of \$2,319,119, the amount of the operating fund could be \$56,590,601.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require a city or county to expend funds or to take any action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties 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:

None.

B. RULE-MAKING AUTHORITY:

None.

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C. OTHER COMMENTS:

The Committee on Health Regulation heard HB 297 on November 27, 2001. The bill passed favorably. Concerns were raised during debate that continuing the existence of a reserve fund may create a disincentive for FHKC to expand the enrollment base of insured children.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON HEALTH REGULATION:

Prepared by:

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AS REVISED BY THE COMMITTEE ON FISCAL POLICY AND RESOURCES:

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