SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Banking and Insurance Committee

BILL: SB 2384

SPONSOR: Senator Peaden

SUBJECT: Florida Health Insurance Plan

DATE: April 20, 2005 REVISED: _____ _____ _____ _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Johnson	Deffenbaugh	BI	**Fav/1 amendment**
2.			HE	
3.				
4.				
5.				
6.				

Please see last section for Summary of Amendments

- [ ] Technical amendments were recommended
- [ ] Amendments were recommended
- [X] Significant amendments were recommended

I. Summary:

In 2004, the Legislature created the Florida Health Insurance Plan (FHIP) as the new high-risk pool to provide coverage to persons unable to obtain health insurance due to their health status. The plan is intended to replace the Florida Comprehensive Health Association (FCHA), which continues to provide coverage to persons who have remained in the plan since 1991, when new enrollment was terminated by the Legislature due to funding concerns. This act narrowed the definition of "health insurance" for determining the types of health insurance that would be subject to assessments for funding deficits of the FCHA on or after July 1, 2004, by providing that the term, "health insurance," was defined as a hospital or medical expenses incurred policy or health maintenance organization contract.

The bill reinstates the definition of "health insurance" prior to 2004, to include not only a hospital or medical expenses incurred policy or contract; but, also a minimum premium plan, stop-loss coverage, health maintenance organization contract, prepaid health clinic contract, multiple-employer welfare arrangement contract, or fraternal benefit society health benefits contract, whether sold as an individual or group policy or contract.

This bill substantially amends the following section of the Florida Statutes: 627.64872.

II. Present Situation:

Florida Health Insurance Plan

In 2004, the Legislature created the Florida Health Insurance Plan (FHIP) as the new high-risk pool to provide coverage to persons unable to obtain health insurance due to their health status. The plan is intended to replace the Florida Comprehensive Health Association, which continues to provide coverage to persons who have remained in the plan since 1991, when new enrollment was terminated by the Legislature due to funding concerns. However, the Legislature has not provided a funding source for the FHIP to begin new enrollment.

Nationally, high-risk pools have been used by states for more than 30 years. Although high-risk pools originally were designed to provide health benefits for the uninsurable population, over time, states have increasingly relied on the high-risk pool to guarantee coverage to eligible people entering the individual market from group coverage as required by HIPAA.[1] Twenty-six of the 29 state high-risk pools cover those eligible under HIPAA, but only Alabama operates its high-risk pool exclusively for those eligible under HIPAA. Federal regulations require all states to waive pre-existing condition exclusion periods for this class of enrollees.

To support the cost of the high-risk pools, many states assess health insurers, generally as a percentage of the insurer's total premiums collected in the state. Other states fund all or part of the pool directly from general revenue. In most states that assess insurance premiums to fund their high-risk pools, the state also grants a credit against an insurer's corporate tax liability for premium tax the insurer is assessed for the high risk pool. A few states earmark other monies, such as tobacco funds, to finance their high-risk pools exclusively or in addition to general revenues.

The 2004 act established the Florida Health Insurance Plan (FHIP) as the state's high-risk pool. The FHIP operates subject to the supervision and control of a nine-person board. The director of the Office of Insurance Regulation is the chairperson of the board. A majority of the members of the board must be individuals who are not representatives of insurers or health care providers. In December 2004, as required by law, the board provided to the Governor and Legislature an actuarial study regarding funding for FHIP and the impact of the FHIP on small employers. The 2004 law required the completion of the actuarial study, including cost projections, before the FHIP could begin enrolling members.

Funding for the FHIP is initially provided through premiums, initially capped at 300 percent of standard risk rate, subject to a sliding surcharge based on the insured's income. Any deficit incurred by the plan will be primarily funded from general revenue sources (not yet appropriated), including, but not limited to, a portion of the annual growth in existing net insurance premium taxes. Once the FHIP begins enrolling members, the Florida Comprehensive Health Association is statutorily repealed and all high-risk individuals actively enrolled in the Florida Comprehensive Health Association shall be enrolled in the FHIP.

[1] Federal Health Insurance Portability and Accountability Act of 1996.

For operating losses incurred on or after July 1, 2004, by persons enrolled in the FCHA, each insurer shall be annually assessed up to 1 percent of premiums. The act revised the definition of the term, "health insurance," for purposes of the assessment to mean any hospital or medical expenses incurred policy or health maintenance organization contract. Prior to the 2004 act, the definition of "health insurance," included any hospital and medical expenses incurred policy, minimum premium plan, stop-loss coverage, health maintenance organization contract, prepaid health clinic contract, multiple-employer welfare arrangement contract, or fraternal benefit society health benefits contract, whether sold as an individual or group policy or contract.

Individuals who are residents of Florida for at least 6 months are eligible for coverage if evidence is provided that:

- the person received notices of rejection or refusal to issue substantially similar insurance for health reasons from two or more health insurers; or
- the person is enrolled in the Florida Comprehensive Health Association, as of the date the FHIP is implemented.

Persons are not eligible for the plan if they are eligible for health insurance coverage that is substantially similar or more comprehensive, or eligible for Medicaid, Medicare, the state children's health insurance program, or any other federal, state, or local government program that provides health benefits.

III. Effect of Proposed Changes:

Section 1 amends s. 627.64872, F.S., to revise the definition of term, "health insurance," for purposes of determining assessments for funding deficits attributable to enrollees of the Florida Comprehensive Health Association on or after July 1, 2004. The bill reinstates the definition of "health insurance" for purposes of FCHA assessment that existed prior to the 2004 act. The current definition is expanded to include any hospital and medical expenses incurred policy, minimum premium plan, stop-loss coverage, health maintenance organization contract, prepaid health clinic contract, multiple-employer welfare arrangement contract, or fraternal benefit society health benefits contract, whether sold as an individual or group policy or contract. Currently, the provisions of the 2004 act limit the definition of health insurance to include any hospital or medical expenses incurred policy or health maintenance organization contract.

The current law provides that each insurer shall be assessed annually up to 1 percent of premiums for operating losses incurred on or after July 1, 2004, for persons enrolled in the FCHA.

Section 2 provides that this act will take effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Insurers writing a minimum premium plan, stop-loss coverage, health maintenance organization contract, prepaid health clinic contract, multiple-employer welfare arrangement contract, or fraternal benefit society health benefits contract, whether sold as an individual or group policy or contract, would now be subject to an assessment for funding deficits of the Florida Comprehensive Health Association on or after July 1, 2004. The fiscal impact is indeterminate.

Implementation of the bill would result in an expansion of the assessment base, thereby reducing the potential assessments for the limited number of insurers and health maintenance organizations that that are currently subject to this assessment.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

Barcode 305870 by Banking and Insurance:
The amendment clarifies that this assessment formula is applicable for funding any deficits related to the Florida Comprehensive Health Association on or after July 1, 2004.