

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 71

Small Business Health Care Insurance Assistance

**SPONSOR(S):** Hukill

**TIED BILLS:**

**IDEN./SIM. BILLS:** SB 190

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Committee on Health Innovation</u>	<u>8 Y, 0 N</u>	<u>Quinn-Gato</u>	<u>Calamas</u>
2) <u>Healthcare Council</u>	<u></u>	<u></u>	<u></u>
3) <u>Policy &amp; Budget Council</u>	<u></u>	<u></u>	<u></u>
4) <u></u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

**SUMMARY ANALYSIS**

The bill creates a two-year pilot program in Pasco and Volusia Counties to be called “The Small Business Health Care Insurance Assistance Pilot Program.” The program is designed to provide a financial incentive for small businesses to offer comprehensive, major medical health insurance to their employees. The pilot program would offer companies with more than one, but fewer than six, employees a one-time payment of \$1,000 per employee covered to help pay the premiums. Employers are required to pay at least 50 percent but less than 100 percent of the cost of coverage, and employees are required to contribute the remaining cost.

The Agency for Health Care Administration’s obligation to make payments to employers is contingent upon voluntary funding by local governmental entities and matching state funds equal to the aggregate amounts provided by local governmental entities within each county. The legislation has a non-recurring general revenue impact of \$3,893,721 in Fiscal Year 2009-2010.

The effective date of the bill is July 1, 2008.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

**Promote Personal Responsibility**—The bill incentivizes small businesses and individual employees each to pay a portion of the cost of employee health insurance coverage rather than being uninsured and relying on safety net mechanisms.

**Empower Families**—The bill increases the opportunity for small-business employees to receive the health insurance benefits for their families.

#### B. EFFECT OF PROPOSED CHANGES:

##### CURRENT SITUATION

There are 2,582 small businesses in Pasco County that employ 2-5 employees, and 3,979 small businesses in Volusia County that employ 2-5 employees.<sup>1</sup> The total number of employees employed by small businesses in Pasco County is 7,799, while the total number in Volusia County is 12,081.<sup>2</sup>

##### Overview of the Uninsured

As of 2004, approximately 19.2 percent of Floridians under the age of 65 were uninsured, while an estimated 18 percent of Floridians under the age of 65 in Pasco County and 16 percent of Floridians under the age of 65 in Volusia County were uninsured.<sup>3</sup>

The 2004 Florida Health Insurance Study<sup>4</sup> (FHIS 2004) evaluated levels of insurance coverage based on both employment status of the individual, and on the size of the firm. The study revealed that obstacles to employer-provided health insurance are greatest for the smallest firms, with the rate of uninsured employees at firms having less than five employees being 36.3 percent, versus 35.2 percent for employees at firms with five to nine employees, 31.8 percent of employees at firms with 10 to 24 employees, 22.7 percent at firms with 25 to 49 employees, and 16 percent at firms with 50 to 99 employees.<sup>5</sup>

Among uninsured employed adults, the reasons for lacking coverage vary. A majority (69.2 percent) report that the employer does not offer insurance. For 13.6 percent, the employer offers insurance but the employee is ineligible for coverage; for 12.7 percent, the employer offers insurance but the cost sharing for the employee is too high; and for 4.5 percent the employer offers insurance, but the employee declined coverage for other reasons.<sup>6</sup>

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<sup>1</sup> Numbers obtained from the Office of Labor Market Statistics, Florida Agency for Workforce Innovation, on January 16, 2008.

<sup>2</sup> *Id.*

<sup>3</sup> Agency for Health Care Administration; 2004 Florida Health Insurance Study; available at: [http://ahca.myflorida.com/Medicaid/quality\\_management/mrp/Projects/fhis2004/](http://ahca.myflorida.com/Medicaid/quality_management/mrp/Projects/fhis2004/); viewed January 16, 2008.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

## Cost of Insurance

The average cost of health insurance in the United States has increased by 87 percent since 2000.<sup>7</sup> In 2006, premiums for family coverage increased 7.7 percent nationally.<sup>8</sup> This is less than the 9.2 percent increase for 2005, but exceeds the overall inflation rate, which was 3.5 percent, and the increase in workers' earnings, which was 3.8 percent.<sup>9</sup>

The average premium cost of single coverage for covered workers in 2006 is on average \$354 per month or \$4,242 per year, while the average cost of family coverage is \$957 per month or \$11,480 a year.<sup>10</sup> Premiums further vary based on the type of policy workers are covered under. Preferred Provider Organizations plans have the highest enrollment and face higher average premiums for both single and family coverage than Health Maintenance Organization, Point of Service, and High Deductible Health Plans with Savings Options plans.<sup>11</sup>

## EFFECT OF PROPOSED CHANGES

According to the sponsor, House Bill 71 is the product of recommendations by a Citizen Advisory Committee that was commissioned by the sponsor in December 2005. The advisory committee discussed various ideas for legislation to provide support and incentives to small businesses for offering health insurance coverage to their employees.<sup>12</sup>

## Structure of the Pilot Program

House Bill 71 creates the Small Business Health Care Insurance Assistance Pilot Program as a two-year pilot program in Pasco and Volusia Counties. The program is designed to encourage small businesses with more than one and fewer than six employees to provide full coverage of "comprehensive major medical health insurance" for employees. "Comprehensive major medical health insurance" is not defined in the bill or elsewhere in statute. The bill cross-references s. 627.6699, F.S., the "Employee Healthcare Access Act," which, among other things, promotes the availability of health insurance coverage to small employers and provides for the development and availability of a "standard health benefit plan," a "basic health benefit plan," and a "high deductible plan that meets the requirements of a health savings account plan as defined by federal law or a health reimbursement arrangement as authorized by the Internal Revenue Service" to be offered to small employers. However, the bill does not directly indicate whether the "comprehensive major medical health insurance" contemplated in the bill includes the types of plans provided for in s. 627.6699, F.S.

The program will offer a one-time "rebate" of \$1,000 per employee covered while requiring both employers and employees to contribute to the cost of the policies.<sup>13</sup> Employers must pay at least 50

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<sup>7</sup> Henry J. Kaiser Family Foundation; "Employer Health Benefits 2006 Annual Survey;" available at: <http://www.kff.org/insurance/7527/>; viewed January 16, 2008.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Id.* The figure for single coverage includes both the employer and employee contributions.

<sup>11</sup> *Id.*

<sup>12</sup> Information available at: <http://www.myhometownnews.net/index.php?id=3517>; viewed January 15, 2008. See also, <http://www.myhometownnews.net/index.php?id=3717>, <http://www.myhometownnews.net/index.php?id=7735>, and <http://www.myhometownnews.net/index.php?id=11937>; viewed January 15, 2008.

<sup>13</sup> The bill specifies employees are to be counted based on the employer's Florida Unemployment Compensation Tax Form 6.

percent, but less than 100 percent, of the cost of coverage, and employees are required to pay the remaining cost.

The bill specifies that a business is eligible for the financial incentive if, at the time of applying, the business had provided and paid for such coverage for 12 consecutive months, but had not previously provided such coverage for at least six months prior to the 12-month period. Businesses may only receive the payment once. Payment will be made only if funding is voluntarily provided by local governmental entities and the state provides matching funds equal to the aggregate amounts provided by local governmental entities within each county.

The pilot program is to be administered by the Agency for Health Care Administration (“AHCA”). Applicants must apply for the payment through the agency. The bill requires AHCA to adopt rules necessary to administer and ensure accountability of the pilot program, and to enforce compliance with the requirements of the program.<sup>14</sup> The bill also authorizes AHCA to audit businesses applying for payments to ensure compliance with eligibility requirements.

C. SECTION DIRECTORY:

**Section 1.** Creates law, provides legislative intent, and authorizes a two-year pilot program in Pasco and Volusia Counties called The Small Business Health Care Insurance Assistance Pilot Program.

**Section 2.** Provides an effective date of July 1, 2008.

**II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

	<u>2008-09</u>	<u>2009-10</u>
Local Matching Funds	\$ 0	\$3,608,220

2. Expenditures:

	<u>2008-09</u>	<u>2009-10</u>
AHCA (7.0 OPS Positions)	\$ 0	\$285,501
Small Business Health Insurance Rebates	<u>\$ 0</u>	<u>\$7,216,440</u>
Total Expenditures	\$ 0	\$7,501,941
General Revenue Fund	\$ 0	\$3,893,721*
Local Matching Funds	\$ 0	\$3,608,220

\*All state General Revenue Funding would be non-recurring.

<sup>14</sup> The bill directs AHCA to adopt rules pursuant to ss. 120.536(1) and 120.54, F.S.  
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**DATE:** 1/23/2008

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

	<u>2008-09</u>	<u>2009-10</u>
Local Matching Funds	\$ 0	\$3,608,220

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Eligible small businesses, that is, those with 2 to 5 employees, may apply for payment from the state of \$1,000 per employee to help pay annual health insurance premiums for their respective employees. The bill specifies the eligibility requirements and application process for the payment.

D. FISCAL COMMENTS:

Based on the data provided by the Florida Agency for Work Force Innovation, 2,582 small businesses in Pasco County employ a total of 7,799 employees, of which approximately 36.3% or 2,831 employees may be uninsured. In Volusia County there are approximately 3,979 small businesses employing a total of 12,081 employees, of which approximately 4,385 (36.3%) may be uninsured. Therefore, approximately 7,216 individuals may be eligible for the rebate if the employer meets the conditions specified in this bill, for a total rebate of \$7,216,440. Local governmental entities may provide 50% or \$3,608,220 in local matching funds.

The proposed legislation requires the Agency to review and approve applications from employers, verify the information submitted by the employers, develop rules to implement the program, set up a payment system, and perform audits as needed. The total number of applications submitted and to be reviewed by the Agency is not known. Assuming that about one-third of all small employers in each county apply to the Agency, the Agency would have to review 2,187 applications. The review of these applications should be performed by professional staff with experience in insurance coverage and auditing. The Agency would require seven additional OPS positions with associated expenses to implement this bill.

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None

B. RULE-MAKING AUTHORITY:

The bill grants rulemaking authority to AHCA to administer the Small Business Health Care Insurance Assistance Program.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

D. STATEMENT OF THE SPONSOR

No statement submitted.

**IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES**

On January 22, 2008 the Health Innovation Committee adopted one strike-all amendment to the bill. This amendment:

- Provides legislative intent, which is to encourage small businesses to provide health care coverage to their employees.
- Creates a two-year pilot program called the Small Business Health Care Insurance Assistance Program in Pasco and Volusia Counties.
- The program establishes a financial incentive of \$1000 for businesses employing two to five employees to provide health coverage for its employees.
- Employers that participate in the program must provide coverage through traditional insurance, HMO plans, prepaid limited health service plans, prepaid health clinic plans, or health flex plans licensed under Florida law.
- To qualify, businesses must begin providing such coverage for its employees on or after July 1, 2008, provide such coverage for 12 consecutive months thereafter, must not have provided coverage at least 6 months prior to the effective date of the bill, and both the business and the employees must share in the cost of the premiums.
- Businesses apply through the Agency for Health Care Administration, which is charged with administering the program.
- The Agency is provided with both rulemaking and auditing authority to ensure accountability and compliance with program requirements.
- The incentive is funded through voluntary contributions from local governmental entities in Pasco and Volusia Counties and state matching funds equal to the aggregate amount provided by local governmental entities.
- Available funds are provided to qualified small businesses on a first come, first serve basis through the conclusion of the 2-year pilot or until available funding is used up, whichever is first.
- The Agency is required to establish a pre-approval process in order to allow small businesses intending to participate in the program to hold their place in line for funding.

The bill was reported favorably with one strike-all amendment.