

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 1205 State Group Insurance Program

**SPONSOR(S):** Fetterhoff

**TIED BILLS:** **IDEN./SIM. BILLS:** SB 1456

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Finance & Facilities Subcommittee	17 Y, 0 N	Guzzo	Lloyd
2) Appropriations Committee			
3) Health & Human Services Committee			

**SUMMARY ANALYSIS**

The State Group Insurance Program (SGI Program) is administered by the Division of State Group Insurance within the Department of Management Services (DMS). The SGI Program provides all state employees the option of enrolling in a health insurance plan, including either a preferred provider organization (PPO) or a health maintenance organization (HMO).

Pursuant to rule 60P-1.003, F.A.C., DMS contracts with HMOs to provide services in one or more of the 67 HMO service areas, which are delineated to match the boundaries of the 67 counties in Florida. Each county has one HMO. Having such small boundaries provides a challenge to ensure continuity of member health care services, and it may also limit the Department’s negotiating ability when procuring contracts.

To address this issue, in 2019, the legislature required DMS to adopt a rule to establish HMO regions throughout the state, which must be ratified by the legislature prior to becoming effective. DMS contracted with Mercer Health Consulting to assist in developing the regions by performing a referral pattern analysis of claims data. Based upon the outcome of the referral pattern analysis, DMS published rules creating nine regions. Each region consists of multiple counties.

DMS submitted the rule to the legislature for ratification in December of 2021.

HB 1205 ratifies the rules to create nine HMO regions across the state.

The bill has no fiscal impact on state or local government.

The bill is effective upon becoming a law.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### **Background**

##### State Group Insurance Program

The State Group Insurance Program (SGI Program) is created by s. 110.123, F.S., and is administered by the Division of State Group Insurance (DSGI) within the Department of Management Services (DMS). The SGI Program is an optional benefit for all state employees including all state agencies, state universities, the court system, and the Legislature, and includes health, life, dental, vision, disability, and other supplemental insurance benefits.

##### *Health Plan Options*

The SGI Program offers four health insurance plans to state employees: the standard preferred provider organization (PPO) plan; the standard health maintenance organization (HMO) plan; the high deductible PPO plan; and the high deductible HMO plan.

The standard PPO plan is administered by Florida Blue and is offered under a state wide contract. This plan provides in and out-of-network provider services and requires participants to meet a deductible and pay coinsurance or copayments. It also allows participants to self-refer to a large network of specialists.<sup>1</sup> The Health Investor PPO plan is the statewide high deductible PPO plan with an integrated health savings account (HSA),<sup>2</sup> and it is also administered by Florida Blue.

The standard HMO plan is administered by Aetna, AvMed, Capital Health Plan, and UnitedHealthcare.<sup>3</sup> Only one of these providers is offered in each county in Florida. HMOs cover only in-network services, except in emergency situations. An employee participating in an HMO is required to pay copayments for services provided in the HMO's network of providers, and is usually required to visit their primary care provider for referral to a specialist. The Health Investor HMO plan is a high deductible plan with an integrated HSA, and are administered by the same HMOs as the standard HMO plan.

##### *HMO Service Areas*

Section 110.123(3)(h), F.S., gives DMS the discretion to award its HMO contracts on a regional or statewide basis but does not require them to do so. DMS has chosen to award HMO contracts on a county-by-county basis, with one HMO per county.

The figure below illustrates the counties in which the contracted HMOs currently provide coverage.<sup>4</sup>

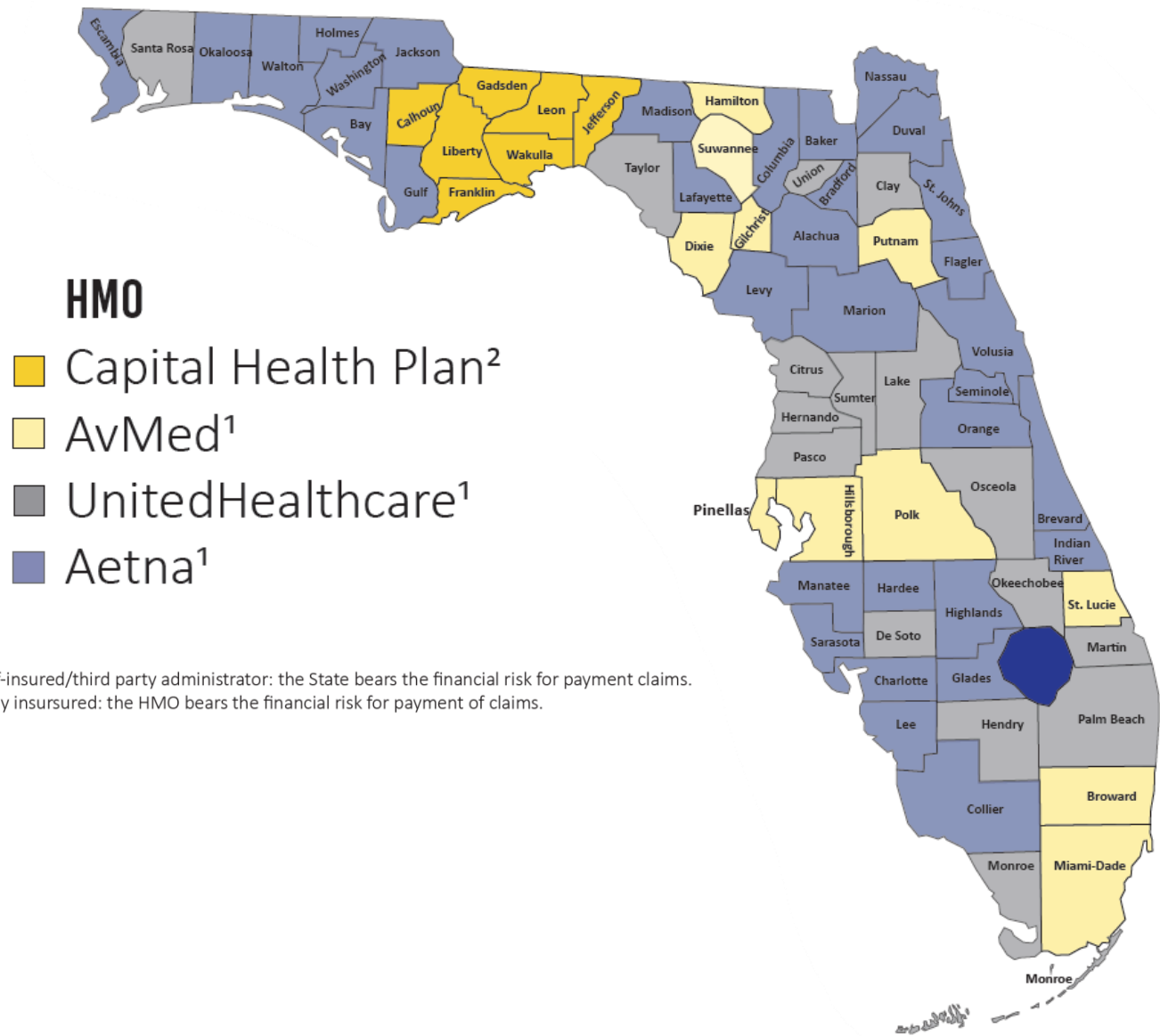
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<sup>1</sup> Department of Management Services, *2022 State Group Insurance Benefits Guide*, available at [https://www.mybenefits.myflorida.com/content/download/153727/1021124/2022\\_Benefits\\_Guide\\_09242021\\_FINAL.pdf](https://www.mybenefits.myflorida.com/content/download/153727/1021124/2022_Benefits_Guide_09242021_FINAL.pdf) (last visited January 17, 2022).

<sup>2</sup> An HSA is a tax-advantaged account available to employees who enroll in a high deductible health plan. Participants are not required to pay taxes on any money deposited into an HSA, and are not required to pay taxes when they use money from the account to pay for eligible healthcare expenses like deductibles and coinsurance. Participants receive the state's monthly deposit of \$41.66 for single coverage and \$83.33 for family coverage (\$500 and \$1,000 annually, respectively). Unused funds roll over each year, and participants can take their HSA with them when they leave state employment.

<sup>3</sup> *Id.*

<sup>4</sup> DMS, *supra* note 1, at 22.



## HMO

- Capital Health Plan<sup>2</sup>
- AvMed<sup>1</sup>
- UnitedHealthcare<sup>1</sup>
- Aetna<sup>1</sup>

<sup>1</sup>Self-insured/third party administrator: the State bears the financial risk for payment claims.

<sup>2</sup>Fully insured: the HMO bears the financial risk for payment of claims.

Having such small boundaries provides a challenge to ensure continuity of member health care services, and it may also limit the Department's negotiating ability when procuring contracts.<sup>5</sup> To address this issue, in 2019, the legislature required DMS to adopt a rule to establish HMO regions throughout the state, which must be ratified by the legislature prior to becoming effective.<sup>6</sup> DMS submitted the rule to the legislature for ratification in December of 2021.<sup>7</sup>

DMS contracted with Mercer Health Consulting to assist in developing the regions by performing a referral pattern analysis of claims data.<sup>8</sup> Mercer performed the analysis in the following manner:

- Claims and eligibility files were processed, adding relevant eligibility fields to the claims, based on their incurred date;

<sup>5</sup> Department of Management Services, Agency Analysis of 2022 House Bill 1205, (January 7, 2022).

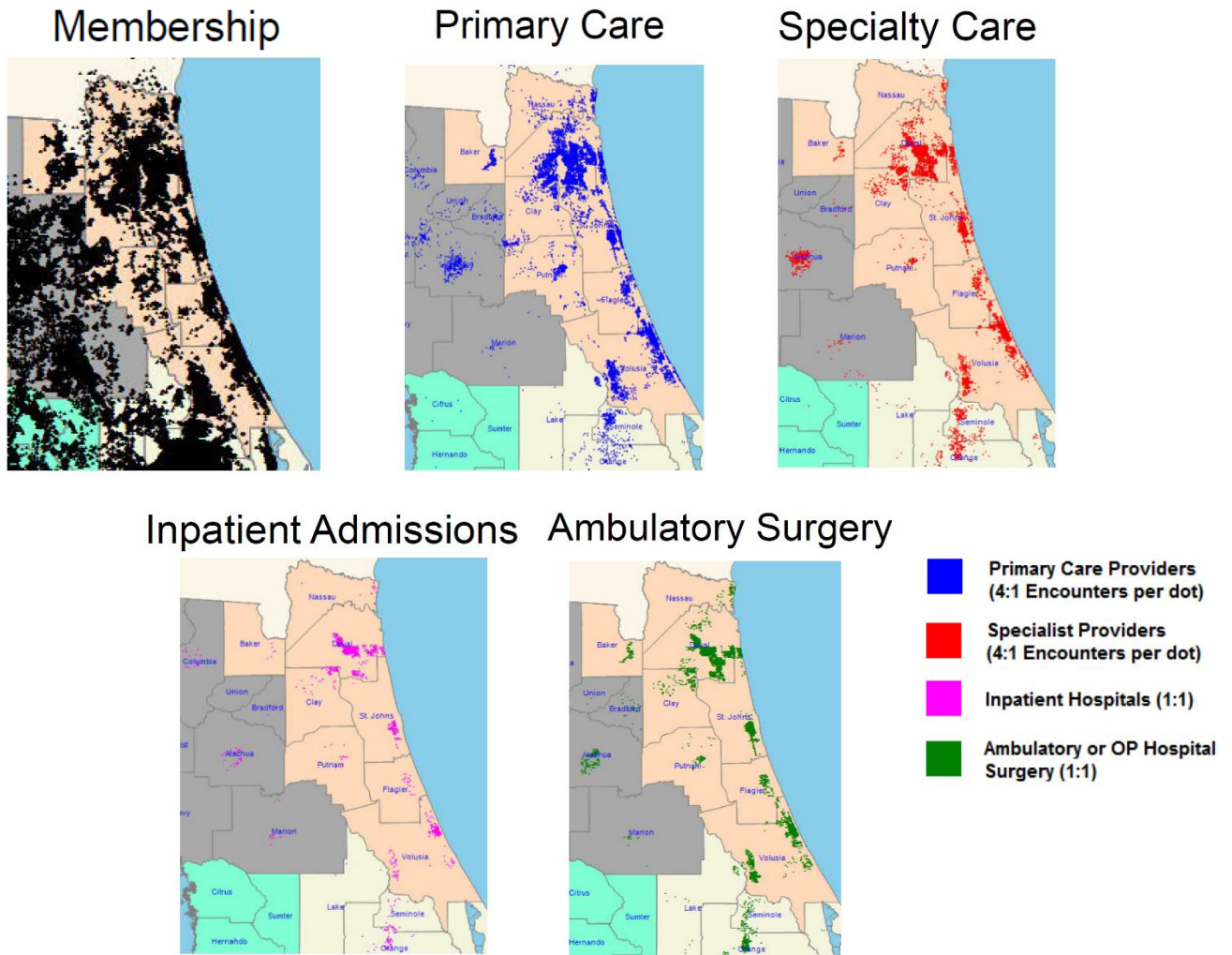
<sup>6</sup> Ch. 2019-100, Laws of Fla.

<sup>7</sup> Letter from DMS Secretary Todd Inman to Senate President Wilton Simpson and House Speaker Chris Sprowls (December 10, 2021) (on file with Finance & Facilities Subcommittee staff).

<sup>8</sup> Matt Grapentine, Mercer, State of Florida HMO Region & Referral Patterns Review Final Report (2019) (on file with Finance & Facilities Subcommittee staff).

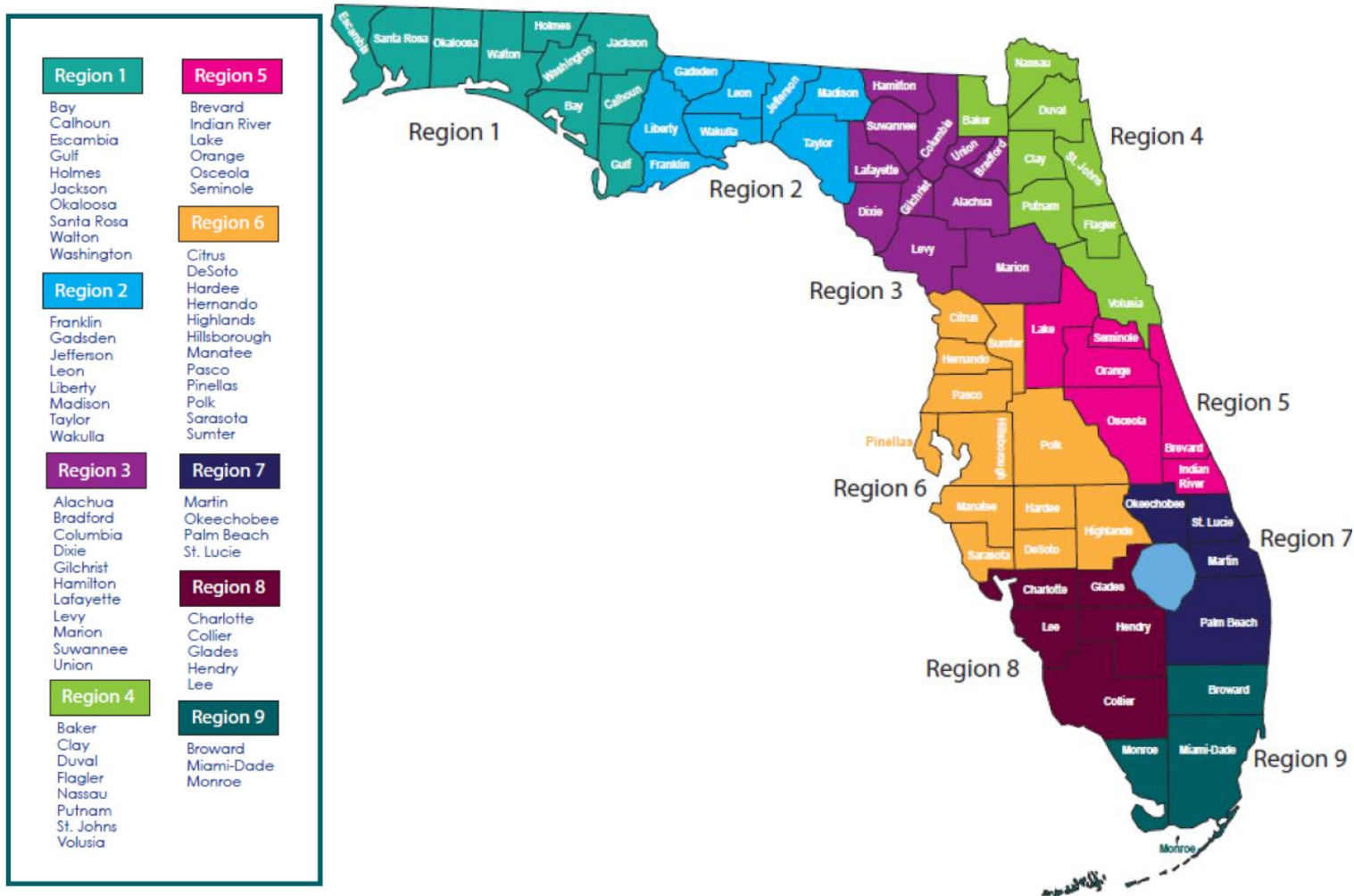
- Claims were analyzed based on the plan under which they were paid, or the plan that members were assigned;
- Plan types, regions, and various other derived fields were added during this process, to allow for consistency across reporting projects, as well as time periods;
- All geocoding and mapping was performed using the Quest Analytics platform. Distance calculations based on geocoded data were performed on various platforms, all of which were verified for accuracy; and
- Geocoding used in the mapping was ultimately based on the employee zip code and mapped at the employee level.

The following graphics illustrate the detailed analysis Mercer performed when recommending Region 4. The distribution of black dots show the membership residing in this part of the state. The illustrations for encounter data for Primary Care, Specialty Care, Inpatient Admissions and Ambulatory Surgery each show the distribution of care provided to the membership residing within the boundaries of the proposed region. A corresponding analysis was performed for each of the proposed regions.<sup>9</sup>



<sup>9</sup> Id.  
**STORAGE NAME:** h1205a.FFS  
**DATE:** 1/20/2022

Based upon the outcome of the referral pattern analysis,<sup>10</sup> DMS published rules creating nine regions.<sup>11</sup> Each region consists of multiple counties. The regions and their encompassing counties are illustrated in the figure below.<sup>12</sup>



### Effect of the Bill

HB 1205 ratifies DMS' rules to create nine HMO regions across the state to comply with the requirements of s. 110.123(3)(h)2.d., F.S., which requires DMS to adopt a rule to establish HMO regions throughout the state, which must be ratified by the legislature prior to becoming effective.

Specifically, the bill creates an unnumbered section of Florida Statute to ratify rules 60P-1.003, 60P-2.002, and 60P-2.003, F.A.C., solely to meet the condition for effectiveness imposed by s. 110.123(3)(h)2.d., F.S., and expressly limits ratification to the effectiveness of the rules. The bill directs

<sup>10</sup> The referral pattern analysis cited the following as a rationale for their recommendation: member concentrations are clearly delineated, with population centers remaining well within the regions; certain metroplex areas like Tampa/St. Petersburg and Miami-Dade are not defined quite so easily, as they are made up of significant rural and urban areas which must be considered; almost all of the members shown in Georgia live within 12 miles of the Georgia-Florida state border; within the rural areas shown, member habits and willingness to travel to access providers was considered; The only significant outliers identified during this process were small clusters of members in very rural areas (i.e., clusters interior of the state regions 6 & 8); and establishing the boundaries of the regions using other approaches (such as using zip codes) were considered, however, using counties offers significant administrative simplification;

<sup>11</sup> Rule 60P-1.003, F.A.C., Florida Administrative Register, Index of Administrative Rules Filed with the Secretary of State, vol. 47/240 (filed on December 8, 2021), available at [https://www.flrules.org/GatewayView\\_notice.asp?id=25361637](https://www.flrules.org/GatewayView_notice.asp?id=25361637) (last visited January 18, 2022), and rules 60P-2.002 and 60P-2.003, F.A.C., Florida Administrative Register, Index of Administrative Rules Filed with the Secretary of State, vol. 45/217 (filed on November 5, 2019), available at [https://www.flrules.org/GatewayView\\_notice.asp?id=22576379](https://www.flrules.org/GatewayView_notice.asp?id=22576379) (last visited January 18, 2022).

<sup>12</sup> Department of Management Services, *State Group Insurance Program Simultaneous Procurement Analysis* (2019) (one file with Finance & Facilities Subcommittee staff).

that the act shall not be codified in the Florida Statutes, but only noted in the historical comments to the rule by the Department of State.

The bill is effective upon becoming law.

**B. SECTION DIRECTORY:**

**Section 1:** Ratifies rules 60P-1.003, 60P-2.002, and 60P-2.003, F.A.C.

**Section 2:** Provides that the act goes into effect upon becoming law.

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

**A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues:

None.

2. Expenditures:

None.

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None.

2. Expenditures:

None.

**C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

None.

**D. FISCAL COMMENTS:**

None.

**III. COMMENTS**

**A. CONSTITUTIONAL ISSUES:**

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not appear to affect county or municipal governments.

2. Other:

None.

**B. RULE-MAKING AUTHORITY:**

The bill meets the statutory requirement for DMS to adopt rules to create HMO regions. No additional rulemaking authority is required.

**C. DRAFTING ISSUES OR OTHER COMMENTS:**

None.

#### IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES