

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCB APC 15-05 State Group Insurance Program

SPONSOR(S): Appropriations Committee

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

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Appropriations Committee		Delaney	Leznoff

SUMMARY ANALYSIS

The State Group Insurance Program (program) administered by the Department of Management Services (DMS), is an optional benefit for state and university employees that includes health, life, dental, vision, disability, and other supplemental insurance benefits. The program covers state and university employees. The program offers employees a choice among a health maintenance organization (HMO) plan, preferred provider organization plan (PPO) plan, and HMO and PPO high-deductible health plans with a health savings account (HSA). The state makes a \$500 per year contribution to the HSA for participants with individual coverage and \$1,000 for those with family coverage. The employee may contribute to the HSA as well. Contributions to the HSA are not subject to federal income tax. There are currently an estimated 171,863 enrollees in the State Group Insurance Plan, of which 2,395 (1.39 percent) participate in a high deductible health plan.

Employees' premiums for the standard HMO and PPO plans are identical. However, employee premiums for the high-deductible plans are lower than for the regular plans. The benefit structure of the High Deductible Health Plans requires higher out of pocket expenditures by participants and encourages more employee involvement in their health care decisions.

The bill limits state and university employees hired after July 1, 2015 to participation in one of the high-deductible health plan options. In addition, it eliminates the employer contribution into the HSA for employees hired after July 1, 2016. However, employees may still make tax free contributions. The primary benefit differences between the regular plan and the high-deductible plan are larger deductibles and coinsurance, which results in higher cost sharing for the employee.

The bill does not have any impact on current employees.

The bill conforms statute to the funding decisions in the 2015-2016 General Appropriations Act (GAA).

The estimated fiscal impact of the bill is a positive \$42 million in recurring General Revenue and \$17.1 million in trust funds. The savings are realized through a reduction in premiums and appropriations outlined in the 2015-2016 GAA.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation:

Section 110.123, F.S creates the State Employee Health Insurance Program, as administered by the Division of State Group Insurance in the Department of Management Services. The program offers four types of health plan choices: a standard statewide Preferred Provider Organization (PPO) Plan, a High Deductible PPO Plan, a standard Health Maintenance Organization (HMO) Plan, and a High Deductible HMO Plan.

The PPO plan is the statewide, self-insured health plan administered by Blue Cross Blue Shield of Florida. The administrator is responsible for processing health claims, providing access to a Preferred Provider Care Network, and managing customer service, utilization review, and case management functions. There are an estimated 82,934 enrollees in the standard PPO Plan.¹

The standard HMO plan is an insurance arrangement in which the state has contracted with multiple regional HMOs. Two of the plans operate on a traditional fully insured model, while four operate on a self-insured model.² There are an estimated 86,534 enrollees in the standard HMO plan.³

The program offers two high-deductible plans with Health Savings Accounts. The Health Investor PPO plan is the statewide, high deductible health plan with an integrated health savings account. It is also administered by Blue Cross Blue Shield of Florida. The Health Investor HMO Plan is a high deductible plan with an integrated health savings account in which the state has contracted with participating HMOs. There are currently only 2,395 (1.39 percent) enrollees in a high deductible health plan.⁴

The following chart provides a comparison between the benefit structure of the standard and high deductible health plans:

Out-of-Pocket Cost		PPO	HMO	HDHPs
Annual Deductible	Individual	\$250	N/A	\$1,250
	Family	\$500	N/A	\$2,500
Coinsurance		N/A	N/A	20%
Annual Out-of Pocket Max.	Individual	\$2,500	\$1,500	\$3,000
	Family	\$5,000	\$3,000	\$6,000
Doctor Office Visit Co-pay		\$15	\$20	20%
Specialist Office Visit Co-pay		\$25	\$40	20%
Urgent Care Co-pay		\$20	\$25	20%
Hospital Stay Co-pay		\$250 then Coinsurance	\$250	20%
Emergency Co-pay		\$100	\$100	20%
Preventive Care		Limited	More Options	More Options
Prescription Drugs/Mail Order		Generic	\$7/\$14	30%
		Preferred	\$30/\$60	30%
		Non-Preferred	\$50/\$100	50%
Lifetime Maximum		Unlimited	Unlimited	Unlimited

¹ State Employees' Group Health Insurance Trust Fund Report on the Financial Outlook, adopted March 9, 2015.

² The fully insured HMOs included Capital Health Plan and Florida Health Care Plan. The self-insured plans include Aetna, Avmed, Coventry Health Care of Florida, and United Health Care.

³ State Employees' Group Health Insurance Trust Fund Report on the Financial Outlook, adopted March 9, 2015.

⁴ Id.

A state employee participating in either Health Investor Plan is eligible to make and receive contributions into the employee's health savings account up to certain limits. The state contributes \$500 annually for employees with single coverage and \$1,000 annually for family coverage.⁵ The participant may use these funds to pay for certain qualified medical expenses.⁶ These contributions are funded as part of the employer paid premiums.

In a presentation to the House Health and Human Services Committee on January 16, 2014, Mercer Health and Benefits (Mercer) reported that the state has plans with lower premiums and higher benefits than industry benchmarks.⁷ In addition, Mercer noted that the state's very low enrollment in High Deductible Health Plans significant lagged behind national trends.⁸

Employer and Employee Premiums

The state program is considered employer-sponsored since the state contracts with providers and contributes a substantial amount on behalf of the employee toward the cost of the insurance premium. The employee pays a set monthly premium for either a single or family plan. The state pays the remainder of the premium.

The following chart shows the employer and employee monthly contributions towards health insurance premiums for fiscal year 2014-15.

Subscriber Category		Standard Plans			High Deductible Plans		
		Employer	Employee	Total	Employer	Employee	Total
Career Service	Individual	591.52	50.00	641.52	591.52	15.00	606.52
	Family	1,264.06	180.00	1,444.06	1,264.06	64.30	1,328.36
	Spouse	637.34	15.00	652.34	637.34	15.00	652.34
"Payalls"	Individual	637.34	8.33	645.67	637.34	8.34	645.68
	Family	1,429.06	30.00	1,459.06	1,429.06	30.00	1,459.06

The bill limits employees hired after July 1, 2015 to participation in one of the high-deductible health plan options. In addition, it eliminates the employer contribution for fiscal year 2015-2016 into the HSA for employees hired after July 1, 2016. However, employees may still make tax free contributions up to certain federal limits, typically the amount of the deductible. The primary benefit differences between the regular plan and the high-deductible plan are larger deductibles and coinsurance, which results in higher cost sharing for the employee and a corresponding reduction in cost to the state.

B. SECTION DIRECTORY:

Section 1: Amends s. 110.123 to limit participation of employees hired after July 1, 2015 to participate in a high deductible plan option. In addition, removes the state's contribution to associated employees' health savings accounts for those employees.

Section 2: Provides an effective date of July 1, 2015, unless PCB HCAS 15-2 (currently unnumbered in the PCB) is adopted in in the same session and becomes law, in which case this act shall not take effect.

⁵ Section 110.123(12)(a)1.

⁶ 26 U.S.C. s. 213(d).

⁷ *Market-based Framework for Health Plan Program Changes*, Mercer Health & Benefits, presentation to the Health and Human Services Committee on January 16, 2014, Slide 5

⁸ Mercer at slide 6.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues: None
2. Expenditures: The bill is estimated to save approximately \$42 million of recurring general revenue and \$19.1 million of recurring trust funds in fiscal year 2015-2016. See fiscal comments.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues: None
2. Expenditures: None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR: None

D. FISCAL COMMENTS: The savings created by the provisions of the bill are captured by a reduction in premiums from fiscal year 2014-2015 as provided in Section 8 proviso and are recognized in Line 1985A of PCB APC 15-1, the 2015-2016 General Appropriations Act. Additional costs savings realized as participation in the High Deductible Health Plans increases over time will be recognized in the State Group Health Insurance Estimating Conferences and premiums may be adjusted accordingly.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:
N/A
2. Other:

B. RULE-MAKING AUTHORITY:

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES