

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 1802

SPONSOR: Banking and Insurance Committee and Senator Latvala

SUBJECT: Florida Health Endowment Trust Fund

DATE: April 5, 1999

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Emrich</u>	<u>Deffenbaugh</u>	<u>BI</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>HC</u>	_____
3.	_____	_____	<u>FP</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This committee substitute creates the Florida Health Endowment Trust Fund within the State Board of Administration for the purpose of funding the Florida Health Endowment Association (FHEA). Committee Substitute for Senate Bill 1800, a companion bill to Committee Substitute for Senate Bill 1802, creates the FHEA which is a nonprofit entity that provides insurance coverage to individuals whose health insurance has been involuntarily terminated or whose pre-existing medical conditions prevent them from obtaining coverage in the standard individual health insurance market.

The Florida Health Endowment Trust Fund, administered by the Board of the FHEA, consists of state appropriations, premiums paid from insurance contracts from the Florida Health Endowment Association, and voluntary contributions. Revenues received by the Trust Fund may be invested, and dividends and interest shall go toward the administration of the FHEA and payment of insurance benefits. The committee substitute allows for the creation of a contingency fund.

The committee substitute requires the state to agree to meet the obligations of the FHEA board to participants in the FHEA if moneys in the Trust Fund fail to offset the obligations of the board. It requires the Legislature to appropriate to the Trust Fund the amount necessary to meet the obligations of the board to the participants in the plan.

The committee substitute does not amend or create a specific statutory section.

II. Present Situation:

Under the companion bill (CS/SB 1800), the Florida Health Endowment Association is created to replace the Florida Comprehensive Health Association which currently provides health care coverage for approximately 900 individuals. In 1991, the FCHA was prohibited from issuing policies to new applicants.

As a condition of doing business in Florida, health insurers are required to pay assessments to fund the deficits of the FCHA. Companies subject to the assessment include all health insurance companies, health maintenance organizations, fraternal benefit societies, multiple employer welfare arrangements, and prepaid health clinics. Self-funded employers and governmental entities are not subject to the assessment. It is estimated that the assessments/losses for fiscal year 1998 for the FCHA are \$4.6 million.

III. Effect of Proposed Changes:

Section 1. This provision creates the “Florida Health Endowment Trust Fund” which is created within the State Board of Administration and shall consist of state appropriations, moneys acquired from governmental and private sources, premiums paid from insurance contracts from the Florida Health Endowment Association, and voluntary contributions. Funds invested in the Trust Fund may be invested pursuant to s. 215.47, F.S., and dividends and interest shall go toward the administration of the FHEA and payment of insurance benefits. It allows for the creation of a contingency fund and moneys within the Trust Fund are exempt from the investment requirements of s. 18.10, F.S.

The committee substitute provides that the state *shall agree* to meet the obligations of the FHEA board to participants in the FHEA if moneys in the Trust Fund fail to offset the obligations of the board. It requires the Legislature to appropriate to the Trust Fund the *amount necessary* to meet the obligations of the board to the participants in the plan.

It provides that the assets of the Trust Fund shall be maintained and invested for the purposes of the FHEA and may not be loaned for any other purpose.

Section 2. Provides that the act shall take effect on the effective date of Committee Substitute for Senate Bill 1800, but shall not take effect if such legislation does not become law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

Article III, s.19(f) of the State Constitution, effective November 1992, prohibits the creation of a trust fund by the state or any other public body without a three-fifths vote of the membership of each house of the Legislature in a separate committee substitute for that purpose only. Additionally, trust funds created after the November date terminate not more than four years after the effective date of the act authorizing the fund’s creation.

Pursuant to s. 215.3207, F.S., each trust fund must be created by language which specifies the name and purpose of the fund, the agency responsible for its administration, and the source of money to be credited to the fund. The committee substitute appears to comply with this provision.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

This bill does not have a direct fiscal impact, but the companion bill, CS/SB 1800 appropriates \$50 million from the General Revenue Fund to the Florida Health Endowment Trust Fund which is created by this bill.

B. Private Sector Impact:

Under the companion bill (CS/SB 1800), health insurers will have to pay assessments into the Florida Health Endowment Trust Fund (until January 1, 2003, when the provision is repealed) to fund the deficits of the Florida Comprehensive Health Association because the newly created Florida Health Endowment Association assumes all liabilities of the FCHA.

C. Government Sector Impact:

The Board of the Florida Health Endowment Association is authorized to administer the Trust Fund.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.