

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Promote Personal Responsibility – The bill encourages small businesses and individual employees to each pay a portion of the cost of health insurance coverage.

Empower Families – The bill increases the opportunity for small business employees to receive the health benefits of medical insurance.

B. EFFECT OF PROPOSED CHANGES:

Background

HB 1265 is the product of recommendations by a diverse Citizen Advisory Committee that was commissioned by Representative Dorothy Hukill in December 2005 to workshop ideas for a bill that would provide support and incentives to small businesses to offer health care coverage to their employees.¹

Structure of the Pilot Program

HB 1265 creates the Small Business Health Care Insurance Assistance Pilot Program as a statewide pilot program for a period of two years. The program is designed to encourage small businesses with more than one and fewer than six employees to begin to provide full comprehensive major medical health insurance for employees for the first time. The program will offer a one-time rebate of \$1,000 per employee² covered; and requires that both employers and employees contribute to the cost of the policies. Employers must pay at least 50 percent, but less than 100 percent, of the cost of coverage, and employees are required to pay the remaining cost. Applicants for the rebate must demonstrate that they have provided such coverage for their employees for the first time. The bill handles this by stating that a business is eligible for the rebate 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 rebate once.

The pilot program is to be administered by the Agency for Health Care Administration (AHCA). Applicants must apply for the rebate through the agency. The agency shall adopt any rules³ necessary to administer and ensure accountability of the pilot program, and can enforce compliance with the requirements of the program. The agency may also conduct audits of any businesses applying for rebates.

The bill provides that the pilot program shall be funded by General Revenue at a cost of \$15 million.

The effective date of the bill is July 1, 2006.

PRESENT SITUATION

This bill addresses the ability of small businesses in Florida to provide health insurance coverage for employees. According to the Office of Labor Market Statistics, Agency for Workforce Innovation, there were 488,595, or 62.3 percent of businesses in Florida that employed between 1 and 4 workers at the

¹ <http://www.myhometownnews.net/index.php?id=3517>.

² Employees are counted based on the Florida unemployment compensation tax form 6.

³ Rules shall be adopted pursuant to ss. 120.536(1) and 120.54, F.S.

end of 2004.⁴ Businesses that are required to pay the most for health insurance are often the ones that can least afford it. Small businesses cannot dilute their risk by spreading it over large numbers of employees, so insurance providers compensate by charging small businesses higher per-employee rates.⁵ Proponents of the pilot program say that the bill will both assist small businesses in providing insurance coverage, and will save the state funds above the cost of the program by reducing the number of uninsured patients who utilize emergency room visits as their primary health care source.⁶

Overview of the Uninsured

More than 45 million Americans are uninsured, with nearly 60% of those employed by small businesses.⁷ Although the majority of Americans obtain insurance through their employer as a benefit, employment does not guarantee coverage. The uninsured are primarily working families with low and moderate incomes for whom coverage is not available in the workplace or is unaffordable. Medicare covers most citizens age 65 and older, while Medicaid and the State Children's Health Insurance Program (SCHIP) provide coverage for millions of low-income people. There remains a significant gap in coverage, in part because employer-sponsored health insurance is sensitive to changes in the general economy and in rising insurance premiums. Between the years 2000 and 2002, there was a nearly 10 percent growth in the number of uninsured Americans.⁸

Consequences of the Uninsured

There is a strong relationship between insurance coverage and access to medical services. Health insurance influences the amount and type of care that people are able to afford, and increases the ability of people to seek preventative care. Insurance coverage improves overall health and is estimated to reduce mortality rates by 10 to 15 percent. For example, according to Florida Cancer Registry data, the uninsured have a 70 percent greater chance of a late diagnosis, which significantly decreases the chances of a positive health outcome.⁹ The uninsured are more likely to be hospitalized for avoidable health problems and are more likely to be diagnosed in the late-stages of disease. Insurance also has an impact on the financial well-being of families: insurance helps reduce financial uncertainty associated with health care, and reduces vulnerability to unexpected out-of-pocket costs.

The problem of the uninsured impacts not just those individuals and families without coverage, but also has considerable externalities on employers and on the state. The cost of uncompensated care in the US totaled about \$36 billion in 2001, about 75-80 percent of which was paid for by federal and state dollars directly to hospitals. According to the Agency for Health Care Administration (AHCA), uncompensated care in Florida's hospitals totaled more than \$4.3 billion in 2001 and is growing at the rate of twelve to thirteen percent per year.¹⁰

The Uninsured in Florida

Approximately 22.2 percent Floridian adults and 12.1 percent of Floridian children were without health insurance in 2004. Employees of small-businesses appear to have an especially difficult time obtaining or affording health insurance. The 2004 Florida Health Insurance Study (FHIS 2004)¹¹ evaluated levels of insurance coverage based on both employment status of the individual, and on the firm size that the

⁴ No statistics were available for the bracket of 1-5 employees.

⁵http://www.microsoft.com/smallbusiness/resources/finance/business_insurance/best_and_worst_states_for_health_insurance_costs.mspix.

⁶ <http://www.myhometownnews.net/index.php?id=3517>

⁷http://www.microsoft.com/smallbusiness/resources/finance/business_insurance/best_and_worst_states_for_health_insurance_costs.mspix.

⁸ Kaiser Commission on Medicaid and the Uninsured. "The Uninsured: A Primer." December 2003. www.kff.org.

⁹ Florida Cancer Registry, http://www.doh.state.fl.us/Disease_Ctrl/epi/cancer/CancerIndex.htm.

¹⁰ Governor Bush announces creation of Governor's Task Force on Access to Affordable Health Insurance.

<http://www.flains.org/newfic/mediapublic/latebreakingnews/govhealth825.html>.

¹¹ 2004 Florida Health Insurance Study. <http://www.fdhc.state.fl.us/Medicaid/Research/Projects/fhis2004/index.shtml>.

employee works for. The study found that approximately 48.1% of the unemployed in Florida are also uninsured. Data further made clear that obstacles to employer-provided health insurance are greatest for the smallest firms. In companies with four or fewer employees, 36.3 percent of workers are uninsured; in companies with between five and nine employees, 35.2 percent of workers are uninsured; in companies with between ten and 24 employees, 31.8 percent are uninsured; and in companies with between 25 and 49 employees, 22.7 percent are uninsured. Rates of coverage do increase significantly for larger firms. These statistics are summarized in the table below:

Number of Employees	Percent Uninsured
1-4	36.3%
5-9	35.2
10-24	31.8
25-49	22.7
50-99	16
100-249	14
250-499	10.1
500-999	6.4
1000+	5.2

Among uninsured employed adults, the reasons for lacking coverage vary. A strong majority of 69 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 4.5 percent of uninsured employees declined for other reasons. Finally, 32 percent of exclusively self-employed workers are uninsured.

Costs of Insurance

Since 2000, the cost of health insurance in the United States has increased by 73 percent. In 2005, premiums for family coverage increased 9.2 percent nationally with comparable rates in Florida. This is the first year of single digit increases since 2000. The 9.2 percent increase exceeds the overall rate of inflation by nearly 6 percentage points and the increase in workers' earnings by over 6 percentage points. Covered workers in small firms experienced even greater premium increases of 9.8 percent.

The average cost of single coverage for covered workers in 2005 is \$335 per month or \$4,024 per year. This figure includes both the employer and employee contribution. The average cost of family coverage is \$10,880 a year, which exceeds the annual gross earnings of a minimum wage worker who is fully employed throughout the year. Premiums further vary based on the type of policy workers are covered under. PPO plans have the highest enrollment and face higher average premiums for both single and family coverage than HMO plans. The average premium for workers in PPO plans is \$4,150 for the individual and \$11,090 for the family, while the average premium for workers in HMO plans is \$3,767 for the individual and \$10,556 for the family.¹²

The Medical Expenditure Panel Survey (MEPS) is conducted annually by the federal Agency for Healthcare Research and Quality and evaluates the price of insurance coverage across the states. According to the 2000 Employer-Sponsored Health Insurance Data, Florida was rated the seventh most expensive state in the average insurance premiums that small businesses pay for family coverage.¹³

¹² Kaiser Foundation. "Employer Health Benefits 2005 Annual Survey." www.kff.org/insurance/7315/sections/ehbs05-sec-1-print.cfm

¹³ The Medical Expenditure Panel Survey (MEPS) conducted by the federal Agency for Healthcare Research and Quality, <http://www.meps.ahrq.gov/>.

Other Efforts to Help Small Businesses Provide Health Insurance

There are currently a number of national and state efforts to increase the capacity of small businesses to provide health coverage for employees. The US and Florida Chambers of Commerce are particularly in support of Health Savings Accounts (HSAs) and group association rates. The Chamber encourages expansion of the HSAs to make it easier for small businesses and individuals to receive coverage and lobbies for the passage of legislation establishing Association Health Plans, which allow small businesses to pool risk and access health coverage.¹⁴ Incentive plans in other states include pilot programs to allow small businesses to buy into the state employee's health care system at no cost to the state¹⁵; proposals to offer incentives for insurance companies to cut the cost of premiums in exchange for reductions in the premium tax they pay to the state; \$1,000 tax credit rewards to small businesses that offer health care; and proposals to reduce the number of coverage items mandated by state government in order to reduce the cost of coverage.¹⁶

C. SECTION DIRECTORY:

Section 1. Provides legislative intent and allocates funds from General Revenue; and creates a statewide pilot program to encourage small businesses to provide health insurance for their employees with a one time rebate of \$1,000 per employee.

Section 2. Provides an enacting date of July 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

See Fiscal Comments below.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

The bill appropriates \$15 million to fund the program from General Revenue.

¹⁴ US Chamber of Commerce, Priorities for 2005-2006. <http://www.uschamber.com/sb/default.htm?n=ln>.

¹⁵ http://www.kssmallbiz.com/articles/article_442.asp

¹⁶ <http://www.azcentral.com/health/news/articles/0120healthcare20.html>.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill delegates rule-making and administrative authority to the Agency for Health Care Administration (AHCA). The agency shall adopt rules pursuant to ss. 120.536(1) and 120.54, F.S.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The bill is unclear whether businesses can apply for the rebate only once, or receive the rebate only once. The language currently reads in paragraph (3)(a): "The business may apply only once for the rebate." If businesses are only allowed to "apply" one time, this would mean a business would be prevented from applying again if they are rejected for the refund on the first attempt. If the intention of the bill is to mean that a business may only "receive" the rebate once, the language should reflect this intent explicitly by stating: the business may receive the rebate one time only.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES