

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

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

Prepared By: The Professional Staff of the Governmental Operations Committee

BILL: CS/SB 1034

INTRODUCER: Governmental Operations Committee and Senator Lawson

SUBJECT: State Group Insurance Program

DATE: March 7, 2008                      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Wilson	Wilson	GO	Fav/CS
2.			GA	
3.				
4.				
5.				
6.				

**Please see Section VIII. for Additional Information:**

- |                              |                                     |   |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>            | Technical amendments were recommended   |
|                              | <input type="checkbox"/>            | Amendments were recommended             |
|                              | <input type="checkbox"/>            | Significant amendments were recommended |

**I. Summary:**

The bill repeals a provision precluding state contributions toward premiums for state group insurance coverage paid by retirees and surviving spouses.

This bill amends section 110.123, Florida Statutes.

**II. Present Situation:**

Public officers and employees of State of Florida agencies are entitled to participate in a number of benefit programs as part of their total compensation. For retirement income purposes they may select between a defined benefit, or percent of final pay, and a defined contribution, or equity, pension plan in the Florida Retirement System, itself a multi-employer pension plan.

The chief non-pension benefits are health and life insurance. Officers and employees can choose among a self-insured universal access, preferred provider indemnity plan administered by Blue Cross and Blue Shield of Florida or from one of several different managed care organizations providing location-specific coverage. Each of these choices permits selection of different

dependent coverage levels along with the option of participating in a high deductible health investor plan in which the employer makes a cash payment to a separate tax-sheltered account.

Life insurance coverage is provided through Minnesota Life Insurance Company. Active employees receive a base amount of coverage as a function of their salary and may purchase additional increments at their option over prescribed intervals. Coverage amounts above \$50,000 have an equivalent premium calculated which is reported as non-cash, taxable income to the Internal Revenue Service.

Employee premiums are pre-tax sheltered thus reducing the equivalent out-of-pocket expenses for the selected coverage.

There are a number of other agency-specific insurance arrangements, such as supplemental dental, automobile, long-term care and pre-paid legal, that are not incorporated into the master state insurance package. Generally, these are provided through payroll deduction but they may be post-tax in nature.

Section 112.363, F.S., provides a monthly stipend equal to \$5 per year of service, not to exceed \$150, as a health insurance subsidy for employee retirees from the Florida Retirement System who can document a health insurance premium paid at retirement. For those continuing one of the named state group insurance coverages the financial effect of the subsidy payment is to reduce the premium. For those choosing other coverage the subsidy constitutes taxable income.

Florida law provides equal premiums for active and retired employees but also requires that inactive employees pay the full premium cost of the coverage selected without any cost sharing by their former employer. Active employees have a premium exposure of 25 percent or less depending upon their personnel classification, marital status and dependent coverage. The below table displays the premiums in effect for the current plan year:

Health Insurance Premium Rate Table, Effective June 2008<sup>1</sup>

Category and Coverage Type	PPO/HMO Standard, Total	PPO/HMO HIHP, Total
Full Time		
Single	\$ 449.46	\$ 414.26
Family	\$ 1,015.98	\$ 900.28
Spouse	\$ 1,015.98	\$ 900.28
COBRA		
Single	\$ 458.25	\$ 380.05
Family	\$ 1,036.30	\$ 833.29
"Early" retirees		
Single	\$ 449.26	\$ 372.60
Family	\$ 1,015.98	\$ 816.95
Medicare		
One eligible	\$ 238.54	\$ 179.80
One over/under	\$ 687.80	\$ 594.06
Both eligible	\$ 477.08	\$ 359.60

<sup>1</sup> Office of Economic and Demographic Research, The Florida Legislature, *Self-Insurance Estimating Conference*, February 28, 2008, Exhibit XI, p. 13. Amounts are monthly premiums paid by employer and employee or retiree.

**III. Effect of Proposed Changes:**

The bill amends s. 110.123(4), F.S., to eliminate the prohibition against the Legislature providing a cost-sharing arrangement in the payment of insurance premiums by retired state employees or their surviving spouses.

**IV. Constitutional Issues:****A. Municipality/County Mandates Restrictions:**

The present state group insurance plan is nominally a multi-employer plan which permits designated local governments to participate pursuant to the authority contained in s. 110.1228, F.S. As is discussed below, there are other financial effects which may effect both the direction and magnitude of impact. For these reasons, the insertion of an important state interest clause is recommended.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

Affected retirees will benefit if the Legislature provides any additional financial contribution. The nature of this contribution may be a reduction in premium or the extension of some form of cash equivalent payment. Depending upon the method chosen and the age of the participant, the payment may constitute additional income to the participant which could affect the amount of permitted income in retirement before loss of Social Security benefits.

**C. Government Sector Impact:**

Any payment will come from the state, or local government, treasury in some form. The present health insurance subsidy is funded by an assessment of 1.11 percent on the employers' payroll in addition to other employer payroll costs. A \$1 per month increase in the health insurance subsidy will add 22 basis points, or .22 percent, to the employer's payroll costs, and raise it to 1.33 percent, if that is the method of assistance enacted. A

previous attempt by the Legislature to subsidize the life insurance premium, discussed below, cost \$10.5 million.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

Section 110.123, F.S., provides a statement of the base benefits to be included in the state group insurance program. As a matter of custom, Section 8 of the General Appropriations Act, or separate bills enacted to implement that act, prescribe the coverages in effect and the premiums charged for each fiscal year. Because the insurance plan year is a calendar year and the budget year is a twelve month period extending from July through the following June, the insurance year spans two budget years.

The Legislature appropriated the sum of \$10.5 million in the FY 2007 General Appropriations Act to subsidize the cost of life insurance premiums paid by state retirees. Excess balances in that trust fund had been depleted in previous years as the premium charged was below actual cost. The Governor vetoed this appropriation citing the conflict between the appropriation and the provision in general law, amended in this bill, which precludes differential premiums charged active and retired employees for the same coverage.

**VIII. Additional Information:**

- A. **Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Governmental Operations on March 6, 2008:**

The Committee Substitute adds an important state interest clause since the state group health insurance plan permits membership of designated small units of government.

- B. **Amendments:**

None.