

Subcommittee on Health and Human Services
Government Efficiency Task Force

37 Senate Office Building

May 31, 2012

2:00 p.m. – 4:00 p.m.

- 1) Call to Order
- 2) Roll Call
- 3) Recommendations on State Employee Health Insurance Procurement
- 4) Adjourn



Florida Government Efficiency Task Force

Subcommittee on Health and Human Services

Recommendation Analysis

Subject Matter: State Employee Health Insurance Procurement

Subcommittee Members: Bob Rohrlack (Chair), Frank Attkisson, Larry Cretul, Julie Fess, and Bob Stork

RECOMMENDATION SUMMARY

- Create a State Employee Health Insurance Advisory Council to provide recommendations on the State Employee Health Insurance Program (program). In conjunction with the Division of State Group Insurance (DSGI) within the Department of Management Services (DMS), the advisory council should engage in analysis and research regarding benefits, costs, and administration of the program. The advisory council should develop a long-term vision, alternative plan proposals, suggested statutory changes, and recommended employee and employer contribution rates, to be provided in an annual report to the Governor and Legislature.
- Advisory council members should include state employees or employee representatives, employers who have demonstrated innovation or cost savings in providing health care benefits to employees, and citizens employed by the private sector who are not affiliated with an insurance or health care provider.
- Health insurance procurement should remain under the authority of DMS and DSGI. The advisory council may provide recommendations on plan procurement to the Secretary of the Department of Management Services and Director of State Group Insurance.

FULL ISSUE(S) ANALYSIS

I. BACKGROUND

A. STATE EMPLOYEE HEALTH INSURANCE:

State Employee Health Insurance Program

The State Employee Health Insurance Program (program) is governed by the State Group Insurance Program Law provided in s. 110.123, F.S. The program is administered by the Division of State Group Insurance (DSGI or division) within the Department of Management Services (DMS or department).

The program is an optional benefit for all state employees, including state agencies, state universities, the court system and the Legislature. The program includes health, life, dental, vision, disability, and other supplemental insurance benefits.

As implemented by the department, the program offers four types of health plans: a standard statewide Preferred Provider Organization (PPO) Plan, a Health Investor PPO Plan, a standard Health Maintenance Organization (HMO) Plan, and a Health Investor HMO Plan.

The State Employees' PPO plan is a self-insured health plan administered by Blue Cross Blue Shield of Florida and available to employees across the state.¹ Each HMO is a self-administered, pre-paid health plan that provides health services to people who live or work within the HMO's service area. Six HMOs provide coverage in various geographic regions.²

The program also offers two high-deductible health plans with health savings accounts (HSA). The Health Investor PPO Plan is the statewide, high deductible health plan administered by Blue Cross Blue Shield of Florida. The Health Investor HMO Plan is a high deductible health plan in which the state has contracted with multiple state and regional HMOs.

Department of Management Services, Division of State Group Insurance

The Division of State Group Insurance is established within DMS pursuant to s. 110.123(3)(a), F.S. Statutory authority for the program is provided to DMS, which administers the provisions through the division. The department's statutory responsibilities with regard to the program are provided in s. 110.123, F.S., and include:

- Development of requests for proposals or invitations to negotiate for state employee health services;
- Determination of health care benefits to be provided; and
- Negotiation of contracts for health care and health care administrative services.³

While the department is directed to determine the benefits and contributions for the state group insurance program, all determinations are subject to prior approval by the Legislature.⁴

¹ 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.

² State contracted HMO plan providers are Aetna, AvMed, Capital Health Plan, Coventry Health Care of Florida, Florida Health Care Plans, and United Health Care. Department of Management Services, *State of Florida Employee and Retiree Benefits Guide*, September 2011. http://www.myflorida.com/mybenefits/pdf/BenefitsGuide_2012.pdf (last visited 03/20/2012).

³ Section 110.123(3)(c), F.S.

⁴ Section 110.123(5), F.S.

DMS is responsible for contract management of all health insurance contracts and day-to-day management of the state employee health insurance program, including employee eligibility and enrollment, premium collection, and payment to health care providers.⁵

DMS is directed to contract with an insurance carrier or carriers, or a professional administrator for the insurance program. If the department chooses to self-insure any of the plans within the state group insurance program, the department may contract with an insurance company or professional administrator.⁶ DMS is required to advertise for competitive proposals and award the contract based on consideration of benefits provided in relationship to cost.⁷ The department must follow good purchasing practices and applicable provisions established in Chapter 287, F.S., relating to procurement.⁸

General Appropriations Act

The state health insurance plans and benefits are provided annually in the General Appropriations Act (GAA).⁹ The GAA provides:

- Plan options to be offered by DSGI, including a standard plan, high deductible plan, health maintenance organization (HMO) standard plans, and HMO high deductible plans;
- Benefits provided under each of the plans;
- State and employee contributions to premiums;
- Premium payments for Medicare participants, COBRA participants, and early retirees; and
- Copayments, coinsurance, and other requirements for the prescription drug program.¹⁰

The GAA establishes benefits and contributions for the applicable fiscal year (July-June). The plan year is aligned with the calendar year, running from January to December.

The Legislature established the state self-insured plan effective May 1, 1978.¹¹ There has not been a major plan redesign since that time, and the plan has been reestablished annually in the GAA, with periodic incremental changes. In 1988, s. 110.123, F.S., was amended to require that HMO contracts be awarded based on competitive bids.¹² The minimum benefit package for HMO plans has since been reestablished annually in the GAA, with periodic incremental changes.

The Legislature last modified benefits effective for plan year 2011.¹³ For 2011, the benefits provided in plan year 2010 were reestablished, with the exception that benefits be modified as necessary to conform to the provisions of the Florida Clinical Trial Compact, certain copayments for standard HMO plans and the standard PPO plan were modified, and mammograms were deemed preventative benefits under the standard PPO plan.¹⁴

⁵ Section 110.123(3)(c), F.S.

⁶ In a self-insured plan, the employer assumes the financial risk for providing health care benefits to its employees. Self-insured employers pay for claims as they are incurred. In a fully-insured plan, the employer pays a fixed premium to an insurance carrier, who assumes the financial risk for providing health care benefits.

⁷ Section 110.123(5)(c), F.S.

⁸ Section 110.123(3)(d)1., F.S.

⁹ Section 8, Ch. 2012-118, L.O.F.

¹⁰ *Id.*

¹¹ Information from DSGI on file with Government Efficiency Task Force staff.

¹² *Id.*

¹³ Section 8, Ch. 2010-152, L.O.F.

¹⁴ *Id.*

Change and Efficiency

The state employee health insurance plan has not had a major plan redesign in almost 35 years, and the HMO plan has likewise not had a major plan redesign in almost 25 years.¹⁵ Over this time, the insurance industry and insurance products have gone through many changes. The annual consideration of the plan in the GAA inhibits large-scale changes to plans, which require significant time for investigation, study, and implementation. Annual changes tend to be minor, such as changing the amount of copays or deductibles. Primarily small, incremental changes fail to capitalize on the improvements in available insurance plan options, which could provide better insurance coverage for state employees and may also achieve savings for the state. The state employee health insurance plans would also benefit from a consistent long-term vision that guides changes over several years.

The Subcommittee recommends creating a State Employee Health Insurance Advisory Council to provide recommendations on the State Employee Health Insurance Program. In conjunction with DSGI, the advisory council should engage in analysis and research regarding benefits, costs, and administration of the program. The advisory council should develop a long-term vision, alternative plan proposals, suggested statutory changes, and recommended employee and employer contribution rates, to be provided in an annual report to the Governor and Legislature.

The Subcommittee recommends the council include state employees or employee representatives, employers who have demonstrated innovation or cost savings in providing health care benefits to employees, employees, and citizens employed by the private sector who are not affiliated with an insurance or health care provider. The advisory council should seek input from vendors and industry representatives in the development of its recommendations.

Recent Procurements

DMS recently procured contracts for the HMO benefit plans and a pharmacy benefit manager (PBM).¹⁶ The department elected to use the Invitation to Negotiate (ITN) process established in s. 287.057, F.S. The ITN for the HMO procurement requested information to be used in developing positions on several questions, including:

- How can the Department most efficiently provide HMO medical and pharmacy benefits to program participants?
- Is a multiple vendor platform in the best interest of the state?
- Are statewide service areas preferable, where each HMO is required to provide access to enrollees in every county for which they have an AHCA approved network? Can more limited service areas result in lower costs? Which approach is cost-effective? Does the cost-effective approach provide high-value to enrollees? Which approach provides the overall best value?
- Are overlapping HMO service areas in the best interest of the state? Can single award service areas result in lower costs? Are there areas where more than one HMO should be offered due to the number of state employees in the area or any unique geographical characteristics of the area? Which approach provides the overall best value?
- Can the state achieve greater value from more limited provider networks? Is the tradeoff of access worth the savings?
- Is it more cost-effective to carve-in or carve-out pharmacy benefits from the HMO medical provider?

¹⁵ There has not been a major plan redesign since the state employee insurance plan was implemented May 1, 1978. In 1988, s. 110.123, F.S., was amended to require that HMO contracts be awarded based on competitive bids. Information from DSGI on file with Government Efficiency Task Force staff.

¹⁶ ITN No.: DMS 10/11-011, Health Maintenance Organization Employee Benefit Services, November 15, 2010, http://www.myflorida.com/apps/vbs/adoc/F4568_HMORFPWordWrap_Final.pdf (last accessed 05/14/2012); ITN No.: DMS 10/11-010, Pharmacy Benefits Plan Management Services, September 10, 2010, http://www.myflorida.com/apps/vbs/adoc/F475_PBMITNFINAL20100910.pdf (last accessed 05/14/2012).

- How can the Department ensure pricing remains competitive throughout the term of the contract?
- How can the Department best position the HMO contract(s) and the State Group Insurance Program to provide flexibility for future program changes (e.g., benefit design, moving to a defined contribution structure, transitioning to a consumer-driven model with HSAs and/or Health Reimbursement Accounts (HRAs), implementing employee and/or Participant wellness initiatives, establishing on- site clinics)?
- How can the Department best position the HMO and PBM contract(s) for the State of Florida to implement and benefit from cost-saving programs?
- What additional value propositions do vendors offer that are in the best interest of the state?¹⁷

Change and Efficiency

Recent procurements by DSGI demonstrate exploration of innovative options for health insurance. Utilizing both vendor and division expertise, DSGI has worked to improve insurance coverage in the program within the provisions of the GAA. DSGI has demonstrated success in controlling costs, including negotiating with providers to maintain insurance premiums at the same level for FY 2010-2011 and FY 2011-2012.

The Subcommittee recommends health insurance procurement remain under the authority of DMS and DSGI. The advisory council may provide recommendations on plan procurement to the Secretary of the Department of Management Services and Director of State Group Insurance. This will allow DSGI to level its expertise in health insurance and DMS expertise in procurement in obtaining the best value for state employees and the State of Florida.

¹⁷ ITN NO.: DMS 10/11-011, Health Maintenance Organization Employee Benefit Services, November 15, 2010, p. 9-10, http://www.myflorida.com/apps/vbs/adoc/F4568_HMORFPWordWrap_Final.pdf (last visited 05/29/2012).