

# The State of Florida Employee Health Plan And CHPAs

BCBSF does not believe that placing the State Employee health plan in regional Community Health Purchasing Alliances (CHPAs) is in the best interests of the state or its employees. The basis for BCBSF's position is as follows:

- \* The concept of CHPAs may assist small employers in becoming successful participants in the private health insurance market. The potential benefits of CHPAs for small employers (e.g., lower costs, ease of administration and market power) do not apply to the State Employee Insurance Program. The state is a powerful purchaser of managed care programs with a statewide preferred provider organization (PPO) program and over 40 health maintenance organization (HMO) plans selected through a competitive bidding process. The administrative fees charges to the state for State Employees' Self-insurance Program are very competitive (less than 3 percent of paid claims). There are no benefits to be gained by placing the program in a CHPA.
- \* CHPAs are untested. Until this concept is proven, placing the State Employee Insurance Program in CHPAs creates a significant amount of risk that the Plan will be adversely affected.
- \* BCBSF has suggested that the state carefully study moving the State Employee Health Plan into CHPAs. There are many complex issues that need to be studied to avoid negative implications to the state and its employees. As the administrator for the state employee health plan, BCBSF has an obligation to raise the issues and will continue to do so.
- \* The state's administrative costs will increase if the State Employee Insurance Program is placed in CHPAs. The state's participation in multiple CHPAs potentially represents an unnecessary layer of expensive and burdensome administrative activities.
- \* BCBSF does not make a profit on the state account and therefore has no vested interest in maintaining the status quo.

- \* BCBSF believes that all issues regarding placing state employees in a CHPA should be addressed by the Florida legislature. We have raised some of those issues, including who would pay (state employees or taxpayers) for the estimated \$45-50 million) in claims run-out liability for claims incurred but not yet paid?
- \* The March 18 St. Petersburg Times featured a story on a 65-page Auditor General report on "preliminary and tentative audit findings" of the state employees' health care plans. The report asserted that the state "could save \$45 million a year by insuring its employees through an HMO." This is inaccurate, because:
  1. HMOs can not be made available in every Florida county.
  2. The state's self-insured program's population is older and less healthy than those employees who already choose to join an HMO.
  3. If every state employee were placed in an HMO, the HMO population would be of relatively higher risk and the premiums HMOs charge would increase.
- \* BCBSF's HMOs already serve more state employees than any other managed care company.
- \* According to a state survey conducted by the Auditor General, 62 percent of state employees who live in a county where there is no HMO currently said they would not join an HMO if one were offered.
- \* We support adoption of incentives to encourage state employees to enroll in health plans with more managed care options, to gain the type of savings HMOs can offer.
- \* Enrollees in PPOs have more choices of providers and other benefit options than offered by an HMO. This makes PPOs more expensive than HMOs.
- \* BCBSF is already saving Florida taxpayers a significant amount of money. Our managed care programs for state employees generated \$118 million in savings for the state for fiscal year 1991 through 1992.
- \* The state's health care inflation trend is significantly below national and state averages:

- o State of Florida Employee Plan - 9 percent
  - o Florida Average - 13 percent
  - o National Average - 19 percent
- BCBSF welcomes, and will finance, an independent audit (by a big six accounting firm selected by the state) of the state's self-insured plan to verify our cost savings.
- \* An independent research firm found in December 1992 that 90 percent of state employees in the self-insured plan are satisfied with the plan.
- \* In the event the state decided to move the employee plan into CHPAs without a prior study, BCBSF would not oppose it, providing it:
  - stressed managed care;
  - encouraged individual choice by state employees; and
  - provided detailed information about the choices between health insurance companies, their benefits and costs, so consumers can make informed choices.

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