



Office of Program Policy Analysis And Government Accountability



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Follow-Up Report on the Status of Community Health Purchasing Alliances in Florida

Abstract

- Community Health Purchasing Alliances (CHPAs), as currently implemented under Florida's managed competition model, have had a small impact in reducing the number of uninsured Floridians.
- To further improve access to affordable health care coverage, the Legislature should
 1. amend state law to allow CHPAs to negotiate with competing health plans;
 2. reduce the Agency for Health Care Administration's oversight and coordination role among CHPAs;
 3. allow CHPAs to appoint their own agents; and
 4. require the Agency for Health Care Administration to make consumer guides available to CHPA members by December 1999.

organizations that broker the best health care available at the lowest price and enable consumers to make informed, cost-conscious selections of health plans.

CHPAs are state-chartered, nonprofit private organizations acting as clearing houses for health insurance plans that qualify as Accountable Health Partnerships (AHPs).² The Legislature authorized AHCA to be responsible for implementation and oversight of the statewide system of CHPAs. AHCA's primary responsibilities include technical and legal assistance, liaison functions, and designation and re-designation of AHPs.

Although the law provided for CHPAs to serve several groups, including small businesses, Medicaid recipients, and state employees, the CHPAs currently serve only small businesses. The Legislature has not yet taken the steps needed to fully implement the law that authorizes CHPAs to serve Medicaid recipients and state employees.

Prior Findings

Since managed competition was relatively new in Florida, our report attempted to evaluate the success of CHPAs.

Our report had three primary conclusions.

1. Although CHPAs have helped increase access to affordable health care, as of April 1996, approximately 2.8 million Floridians did not have health insurance.
2. As implemented, Florida's managed competition limited CHPAs' ability to compete effectively and to provide affordable health insurance to the small business market. Limitations included

² Accountable Health Partnerships (AHPs) are organizations that assume risk and integrate health care providers and facilities. AHPs have variety of forms - some are insurance carriers or health care providers and others are health maintenance organizations.

Purpose

In accordance with state law, this follow-up report informs the Legislature of actions taken by the Agency for Health Care Administration (AHCA) in response to our 1996 report.¹ This report presents our assessment of the extent to which AHCA has addressed the 1996 findings and recommendations.

Background

In 1993, the Florida Legislature established Community Health Purchasing Alliances (CHPAs) to implement a statewide health care competition model known as managed competition. Managed competition is intended to promote the pooling of purchasers together in

¹ *Review of the Status of Community Health Purchasing Alliances in Florida*, Report No. 96-05, September 11, 1996.

- CHPAs' inability to negotiate or select health plans that offer the most competitive products and prices; and
 - CHPAs' dependence on agents designated by health plans to sell CHPA products.
3. The configurations of CHPA regions limited their ability to become self-supporting.

Current Status

CHPAs have had a small impact in reducing the number of uninsured Floridians. As of March 1998, about 91,131 individuals were covered by CHPA-sponsored health insurance. Approximately one-half of these individuals (45,800) did not previously have health insurance. This represents only 1.6% of the 2.8 million Floridians who do not have health insurance coverage.

The following barriers still exist and limit CHPAs' ability to further reduce the number of uninsured Floridians.

- CHPAs' inability to negotiate or select health plans that provide the most competitive products and prices among various health plans. CHPAs are statutorily required to accept all health plans that meet state specifications.
- Some insurance agents, who under Florida law can only be appointed by insurance companies to sell their products, are reluctant to sell CHPA-sponsored plans. According to AHCA staff, and some CHPA executive directors, insurance companies discourage insurance agents from selling health plans to very small businesses by offering agents as little as a 1% commission. Until recently, commissions earned by insurance agents selling health plans represented about 10% of the cost of individual premiums. The Department of Insurance is addressing this issue as an unfair trade practice and is threatening Florida insurers with sanctions if they choose not to raise commissions.

Since OPPAGA's prior report was issued, several CHPAs have consolidated services. In Fiscal Year 1997-98, CHPAs received no direct state funding. However, in the same fiscal year, the Legislature authorized AHCA to allocate up to \$100,000 to fund operational and administrative costs of CHPAs in certain geographical areas. AHCA staff reported that no funds were used for these purposes.

During the same fiscal year, the Legislature authorized 13 positions within AHCA (costing \$754,587) to provide further support and assistance to CHPAs. Despite continued indirect funding of CHPAs, AHCA has not accomplished its legal charge to establish a data system, to provide CHPA members with comparative information about CHPA-sponsored health plans, such as cost, quality of care and customer satisfaction analysis. Although AHCA was to make this information available to consumers by April 1995, it had not done so as of July 1998.

Recommendations

As implemented, Florida's managed competition has had a small impact on reducing the number of uninsured Floridians. If the Legislature intends to further reform the state's health care system by establishing a genuine managed competition model, it should modify current laws. The policy options below have the potential to improve access to affordable health care insurance, if mandated concurrently.

- Amend s. 408.702, F.S., to allow CHPAs to negotiate with competing health plans and select those that offer the most competitive products and prices.
- Amend s. 408.704, F.S., to reduce AHCA's responsibilities to minimal oversight and coordination among CHPAs. The agency's limited role will offer the CHPAs increased autonomy and flexibility, yet sustain consistency between individual districts.
- Amend s. 626.331(2), F.S., to enable CHPAs to appoint their agents. CHPAs' self-appointed agents may be willing to more actively market CHPA-sponsored products, thus further decreasing the number of uninsured individuals.
- Finally, the Legislature should amend s. 408.704(4)(5), F.S., to establish a deadline (December 1999) for AHCA to make consumer guides available to CHPA members. To ensure compliance, the agency should identify the availability of the consumer guides as one of its performance measures included in the Fiscal Year 1999-2000 Legislative Budget Request.

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