



INTERIM LEGISLATIVE BRIEF

From January 25, 2013

Though this past interim committee week was condensed due to Martin Luther King Jr. Day, various important issues were heard. Property insurance reform, the Patient Protection and Affordable Care Act (PPACA), and ethics and elections reform stood at the forefront of the discussion.

AIF believes the current regulatory legal properties of the Florida Hurricane Catastrophe Fund (Cat Fund) and Citizens Property Insurance Corporation (Citizens) discourage private sector risk bearing. AIF's Don Brown presented at the Senate Banking and Insurance Committee meeting on Wednesday to offer AIF's proposal on the matter.

Health care industry experts from the Massachusetts Institute of Technology (MIT) and the Cato Institute joined the Senate Select Committee on PPACA this week to develop an implementation strategy. In doing so, they studied the Diagnosis Related Group (DRG) payment system in depth.

Property Insurance

The Senate Committee on Banking and Insurance met Wednesday January 23rd in workshop session to hear presentations from various speakers. Representing AIF was **former Chairman of the House Insurance Committee, Don Brown**. In addition, presentations were also given by Florida Insurance Consumer Advocate Robin Westcott, Stephen Pociask of The American Consumer Institute Center of Citizen Research, Jay Neal, Executive Director of the Florida Association for Insurance Reform, Jack Nicholson, and Chief Operating Officer for the Florida Hurricane Catastrophe Fund. Each presenter offered input and recommendations for reform of the Florida property insurance market.



Consumer Advocate Westcott stressed the importance of mitigation as a strategy to reduce hurricane losses. Mr. Pociask focused on "Affordability and Florida's Homeowner Insurance Subsidies: Who Wins and Who Loses?" After asking the question: "Does Citizens disproportionately benefit the rich, second homeowners and non-Floridians?", Mr. Pociask went on to suggest that, based upon his research including a statistical sample of Citizens policyholders, a surprising number of coastal properties insured by Citizens in certain regions of the state were purchased with cash and owned by an out of state interest. His statistical sample also revealed 50% of investment and vacation homeowners live more than 300 miles away, 40% of investment and vacation homeowners live 500 miles away, and many of the same properties were owned by foreign interests.

Don Brown outlined AIF's proposal for property insurance reform including ten specific recommendations to "right-size" the Florida Hurricane Catastrophe Fund and reform Citizens Property Insurance Corporation in order to return it to its original mission as an insurer of last resort. Currently both these legislatively created insurance programs represent significant post-hurricane assessment/tax liabilities for the business community.

The House subcommittee on Insurance and Banking also met on Wednesday and heard a presentation from Office of Insurance Regulation actuary Ken Ritzenthaler on the subject of property insurance rate filing and reviews.

Health Care & the Patient Protection and Affordable Care Act

On Tuesday, January 22nd, members of the Senate Select Committee on PPACA Implementation heard a vigorous debate between two very different points of view on the new federal health care law. The committee and its House counterpart will develop a plan on how to proceed with implementing the new law.

The two main decisions to be made are whether to expand Medicaid eligibility and whether to play a role in setting up an insurance exchange which will serve as a marketplace for Floridians to purchase coverage.

Two expert opinions provided opposing views on the concept of Medicaid expansion and the federal law in general. Jonathan Gruber, PhD, a professor from MIT, explained that the federal law is modeled after the Massachusetts' universal coverage system which has resulted in lower insurance premiums for employers and is widely popular among that state's citizens. Michael Cannon, Director of Health Policy Studies at the Cato Institute, contended that expansion will weaken the economy, eliminate jobs, and actually decrease access to care.

On the exchange issue, the experts agreed that Florida should wait to implement a state exchange in order to first evaluate the federal government's exchange once implemented, to avoid creating unintended and unknown consequences.

On Friday, January 25th, the House Select Committee on the PPACA Implementation met and heard the Office of Insurance Regulation's (OIR) recommendations for implementing the insurance provisions in law. OIR identified its major challenge as sorting through the conflicts between the new federal law and current Florida law, and the staff and equipment resources that would be necessary for implementation.

Representatives of America's Health Insurance Plans (AHIP) and the Florida Association of Health Plans (FAHP) also shared the concerns of their health plan member companies with the Committee. They identified several factors that they believe will ultimately lead to high insurance premiums, including but not limited to the Health Insurance Premium Tax, requirements to provide more services within the definition of "essential benefits", new actuarial standards and requiring that every person be guaranteed coverage.

The next meeting of the Select Committee is Monday, February 4th, and it will be a joint meeting with the Senate Select Committee on PPACA Implementation.

Ethics & Elections

On Tuesday, January 22nd, the Senate Ethics and Elections Committee unanimously passed a sweeping ethics reform bill (SB 7006) at its meeting on Tuesday. Committee Chairman Jack Latvala (R- Clearwater) described SB 7006 as, "...the most comprehensive ethics reform bill since the adoption of the Sunshine Amendment in 1976." Key provisions include:

- Allowing referrals of potential ethics law violations to the Ethics Commission by the Governor, the Chief Financial Officer, State Attorneys, FDLE, and U.S. Attorneys;
- Closing the "revolving door" for former elected officials to keep them from immediately entering into lobbying jobs;
- Prohibiting the use of committees of continuous existence to pay personal and other expenses not directly relating to electioneering

The bill now goes to the Senate Community Affairs Committee and then to the Senate Rules Committee. It is expected to be debated on the Senate floor during the first week of Session.

Reemployment Assistance

On Tuesday, January 22nd, the Senate Commerce and Tourism Committee, unanimously passed SB 222 by Senator Nancy Detert (R-Venice) relating to Reemployment Assistance through her committee. This may be of interest to AIF members as it will serve as the Reemployment Assistance (formerly unemployment compensation) bill for the session. At present, the bill makes no major changes to the RA system that would affect rates paid by employers. The bill does contain a provision that would decentralize the Reemployment Assistance Appeals Commission, creating a regional appeals office in each of the 24 workforce districts.

Gaming

On Tuesday, January 22nd, the Senate Committee on Gaming met to listen to presentations by industry representatives. Several gaming representatives spoke, including Isle of Capri Casinos and Tampa Bay Downs. In addition, NoCasinos and the Council on Compulsive Gambling spoke in general opposition to expanded gaming in the state. The Senate Committee on Gaming, in tandem with the House, plans to commission a study to look at all aspects Florida's gaming industry and the impact the industry has on the state. Senate Chairman, Garrett Richter (R-Naples) has stated that he hopes to have requests for bids on the study by early February. The committee is scheduled to meet again February 4th.

Energy

On Wednesday, January 23rd, the House Energy & Utilities Subcommittee heard various presentations including the Energy Efficiency and Conservation Act. The first presentation was a report presented by the Public Service Commission on Electric Vehicle Charging as mandated by last year's energy bill. The report detailed the different types of chargers available, how the data was collected, the effect of electric vehicle (EV) charging on energy consumption and the impact on the electric grid. The conclusions reached in the report were that: the effect on consumption would be minimal in the next ten years; though at some point in the future the "clustering" of EVs and higher voltage chargers could potentially impact the grid thereby requiring upgrades to the distribution system, or larger capacity distribution facilities, at this point there is limited potential for any upgrades to the system; the use of photovoltaic (PV) energy for charging is feasible, but does not appear practical except in remote locations. A full copy of the PSC's report may be found [here](#).

The second presentation was an Evaluation of Florida's Energy Efficiency and Conservation Act. Representatives of the Public Utility Research Center, the Program for Resource Efficient Communities

at the University of Florida, the Southern Alliance for Clean Energy and the Florida Retail Federation all spoke to the need to use energy efficiency as a way to halt the construction of new energy generating facilities. They also advocated using more expensive methods for electric generation. Representative John Wood (R-Winter Haven) asked a question of the presenters, "What is more important; reliability or cost?" None of the presenters would directly answer his question.

Economic Development

In multiple committees this week the Department of Economic Opportunity laid out its top funding priorities. Their top funding priority is \$105 million in incentive dollars that they could use across the various incentive programs. Other funding priorities of interest included \$1.1 million to finish "Project Connect" (the updating of the Reemployment Assistance program), full funding for Visit Florida, \$2.7 million to develop a state business brand, \$10 million for Space Florida and \$350 thousand to continue an export diversification and expansion program.

Numeric Nutrient Criteria

The Senate Environmental Preservation and Conservation Committee, chaired by Senator Charlie Dean (R-Inverness), met on Thursday, January 24th. The meeting included an update on the Numeric Nutrient Criteria issue by Drew Bartlett of Florida Department of Environmental Protection (FDEP). Although major progress has been made recently in the Environmental Protection Agency's (EPA) acceptance of Florida's proposed NNC, the EPA still wants to set the criteria for some Florida estuaries, open ocean waters, points where South Florida canals enter estuaries, tidal creeks, and managed water conveyances. AIF spoke in support of FDEP's efforts over the last two years and encouraged the use of Florida models and methodology to arrive at our position. NNC FDEP is still in negotiations with the EPA on these final items, and we expect that some legislation will be required this session. We praised the Department for its hard work and pledged AIF's continued support of their efforts. Chairman Dean reinforced this positive message. The committee also heard an update on the Everglades that was covered in last week's report.

Environmental

On Wednesday, January 23rd, the Senate Community Affairs Committee, chaired by Senator Wilton Simpson (R-New Port Richey), met Wednesday, January 23rd, and heard presentations from the Florida League of Cities and the Florida Association of Counties. Both are concerned about with statewide standards that overrule local authority, such as those related to fertilizer application.

The Senate Appropriations Subcommittee on General Government met Wednesday afternoon, and both the Florida Department of Agriculture and Consumer Services (DACs) and the Florida Department of Environmental Protection (FDEP) made presentations. DACs has requested funds to monitor agricultural water use for the state. This would be a significant shift in policy, as historically Florida's Water Management Districts have attempted to provide this information. The diverse models used by the different Districts, however, have led to incomprehensive data that is difficult to interpret.