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City of Gainesville

Risk Management Department

# Memo

To: Deborah Bowie, Assistant City Manager

From: Steve Varvel, Risk Management Director

Date: 1/26/2021

Re: Health Equity Motion – Risk Pool

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Governmental entities are given the power to self-fund a health plan by Florida Statute (FS) 112, specifically, FS 112.08. There are references to a "risk management consortium", like the one set up for the Florida College System, but that one is for third party liability and the College System is an integrated system of employers who employ State employee. Employees of the State College system are members of the State of Florida's health benefit risk pool. To the extent that a similar risk management consortium could be set up for a health risk pool would likely take some outside consultants and legal work.

FS 112.08 (2)(a) gives a local government the authority to use funds to pay for the health care cost of its employees and officers, there is also a section that allows the same for its retirees. The same section is where you would find a governmental entity's ability to do that using a self-funded financing arrangement. That program has to be submitted to the state and show that it is actuarial sound as certified by an actuary who is a member of the American Academy of Actuaries. That is the model the City uses to provide its health benefits to its employees, officers and retirees. The Statute allows governmental entities to act as the insurer but for its employees, officers, elected officials, retirees and their dependents.

I have not seen where the insurance regulations, beyond Chapter 112 and Chapter 768.28 (third part tort claims) allows for a local government to act as an insurer beyond those instances mentioned above. I know there have been cooperative purchasing agreements in the past but I am not sure that is what was intended. Based on how the item is worded "a health insurance risk pool", I would assume the pool would act as the insurer of the members which might need a special legislative act, but that is outside of my scope of expertise. If the intent is to leverage the combined risk of other governmental entities to create an economy of scale, it is unclear whether one local government's tax payers can subsidize the risk of another entity.

I would also suggest that members of the Commission research the Haven Health Plan, it was the brainchild of pretty smart people, Berkshire Hathaway, Amazon and JP Morgan/Chase and its goal was to change the way employers provided health care and health care financing thus bending the cost curve for the three companies and their employees.  Haven is shutting down at the end of next month, not because it was a bad idea, but largely because the truly integrated plan between the three never really materialized.  I believe it was an attempt to implement a referenced based reimbursement system using analytics to identify high performing, lower cost providers.  A very good idea on paper, but in practice it requires a number of direct contacts with providers and is a bit clunky when using the plan outside of the local area.  In the end, Haven partnered with the traditional carrier groups for network and care pricing.

The best solution will always be a single unified risk pool.   The only entity who has the ability to provide the financial backing for such a pool is the Federal Government. That is really what Medicare for All is, a government backed health care financing pool, not government run health care.

I have attached FS 112.  The relevant section of the Statute is 112.08.