

ASSOCIATED INDUSTRIES OF FLORIDA  
**LEGISLATIVE  
DAILY BRIEF**



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**FROM OCTOBER 20, 2003**

On Monday the House and Senate began interim committee meetings in conjunction with Special Session E, called by Governor Jeb Bush to enact a \$500 million economic development plan. Most of the money — \$310 million — would help close the mega-deal negotiated by the governor with The Scripps Research Institute for the opening of a research facility in Palm Beach County.

On Sunday, the governor expanded the call to include consideration of an interim state redistricting plan entered by the federal court to remedy the objections of the Department of Justice under Section 5 of the Voting Rights Act.

#### **SCRIPPS FLORIDA**

On Monday morning the Legislature met in a rare joint session for a briefing on the Scripps deal. Gov. Jeb Bush reviewed the basic outline of the terms negotiated with Scripps, encompassed in the legislation he is asking the Legislature to enact.

The two reigning metaphors during the presentations involved baseball — with homage paid to the Florida Marlins — and, more appropriately, NASA and the space race. The governor compared Scripps to NASA: Both are not-for-profit organizations that are dedicated to discovery, with each discovery leading to more innovations that lead to more jobs. Later a Scripps representative compared the timing of the Scripps deal with the growth of NASA spurred on by Space Race. Pete Schultz, a Scripps professor, told the gathered senators and representatives that the unique alignment of recent discoveries, increased funding, and technological advances make this a unique time to build a topnotch scientific institute.

“Just as the Sixties were a great time to be an astronaut,” said Dr. Schultz, “this is a great time to be in life science.”

The economic development plan was widely praised, but the funding came in for some probing criticism. The governor gladly fielded questions posed by the plan’s detractors, but noted that, in order for the Scripps deal to succeed, politicians must ensure accountability of the project without veering into micromanagement.

Last week, Senate President Jim King (R-Jacksonville) sent to the governor a long list of questions and concerns about the details negotiated between the governor’s office and Scripps. The Senate leadership has promised to delve deeply into every corner of the Scripps deal during committee meetings on Monday, Tuesday, and Wednesday.

In addition to the \$310-million Scripps funding, Governor Bush is asking the Legislature to create a \$190 million Economic Investment Mega Fund, which will target certain “rainmaker” projects that promote growth of high-capital, high-wage jobs in Florida. The fund would help Enterprise Florida, the state’s public-private economic development agency, close these mega-deals.

The money, which would be allocated from Florida’s share of the one-time federal economic stimulus funding, would help make the state more competitive in the economic-development race against other states with similar bankrolls. According to representatives of Enterprise Florida, there are currently 10 projects in the pipeline that offer potential investments of up to \$1.5 billion and the creation of 10,000 higher wage jobs, but some contribution on the part of the state is necessary to conclude each of the deals.

**AIF supports** innovative efforts to expand economic diversity, particularly in the high-wage, high-tech sectors. Economic development creates a ripple effect that inures to the benefit of all Floridians, most notably by creating new opportunities, providing larger customer pools for existing businesses, and expanding the tax base.

## **HEALTH INSURANCE**

At the third substantive meeting of the House Select Committee on Affordable Health Care for Floridians, held at the Capitol today, the members heard the perspective of providers on the rising cost of health insurance.

Dr. Carl Lentz, president of the Florida Medical Association, attributed the increased cost to state-imposed benefit mandates, increased consumer demand, medical-liability litigation (particularly non-economic damages), and fraud and abuse. Many of the ideas expressed by Lentz track with ideas that are being pursued by AIF.

Other speakers included representatives of pharmaceutical firms, hospitals, and chiropractors. While hospital care (in-patient and out-patient) have been blamed for just over half of the growth in health-care costs, Ralph Glatfelter, senior vice president of the Florida Hospital Association, noted that the facilities he represents are also hit with a \$1.5-billion price tag associated with unreimbursed care for the uninsured.

Glatfelter also suggested that the rise in hospital costs could be ameliorated by placing mandates on health maintenance organizations, which would only drive the cost of insurance even higher, thereby contributing to the growth of the ranks of the uninsured. The committee’s chairman Rep. Frank Farkas (R-St. Petersburg) expressed frustration that the providers offered no new insight into methods that would make health care more affordable.

The next meeting of the select committee will take place on Wednesday, October 29, at the Jacksonville City Council Chambers on 117 West Duval Street, from 3 p.m. to 7 p.m.

**AIF supports** efforts to expand access to affordable health insurance, thereby allowing employers to protect themselves and their families as well as their employees and their employees’ family members.

## WORKERS' COMPENSATION

The Joint Select Committee on Workers' Compensation Rating Reform, a panel created in the workers' compensation reform bill enacted by the Legislature in Special Session A, held its first hearing on Monday.

Florida uses a "full" rate for workers' comp, which means that the rates approved by state regulators are used by all carriers. Carriers then use such instruments as innovative premium plans and workplace safety programs, to make their products more affordable in the marketplace.

Prior to 1980, the full-rate method was used by almost all states; since that time more states have switched to so-called "loss-cost" model. Under this method, a rating organization collects data from all carriers in the state to develop a standard cost of losses paid on policies. Each carrier then makes its own rate filing, using its own expense and profit components combined with the universal loss-cost data developed by the rating agency; that filing is then subject to approval or revision by state regulators. Since the loss-cost model relies on market competition to set rates, the Legislature has embarked on an investigation of the loss-cost model as an alternative to Florida's current full-rate system.

Lawmakers received a lesson in excruciating detail on the whys and wherefores of setting rates for insurance premiums, but the question of which method worked better could not be answered. Most of the presenters remarked that loss-cost works well in some states while full-cost is a roaring success in others; conversely both systems have failed in other states.

Upon questioning by Senator Skip Campbell (D-Tamarac), Kevin McCarty, director of the Office of Insurance Regulation, voiced his opinion that the facts on the ground make this a less than propitious time for a switch to a full-cost method. Conventional wisdom suggests that a stable and competitive market is a prerequisite for a transition to a more open rating system. Over the last several years, Florida has undergone extensive market instability, arising from judicial interpretations that corroded the workers' comp system. The Legislature has tried to correct those systemic flaws in the bill enacted in special session A, but those reforms have only been in effect for 20 days. Mr. McCarty suggested that lawmakers wait to determine whether the new law results in lower costs and can withstand a legal challenge.

The next meeting of the joint committee is tentatively scheduled for November 6, when committee members will undertake a more in-depth examination of the rating methods used by other states. In two subsequent meetings, the members will begin formulating their recommendations to the Legislature, which are due on December 1, when the committee will cease to exist.

**AIF supports** efforts to promote a workers' compensation market that serves Florida employers with competitive and stable rates.

Please send your comments or suggestions to us at [aif@aif.com](mailto:aif@aif.com) or call the Governmental Affairs department at (850)224-7173.

- For more information on all of the important legislative information concerning the business community, go to our "members only" Florida Business Network web site at <http://fbnnet.com>
- Send us your E-mail address and we will begin to send this report to you automatically via E-mail.