



FLORIDA TAXWATCH BRIEFING

EXTENDING STATE GROUP INSURANCE TO THE FLORIDA COLLEGE SYSTEM

Case Study: Indian
River State College

FEBRUARY 2023

HEALTH INSURANCE

Part 1 Recipient Information

Recipient's name	Recipient's address	Recipient's city or town
Recipient's date of birth	Recipient's ZIP or postal code	Recipient's country
Recipient's telephone number	Recipient's email address	Recipient's SSN

Part 2 Policy Information

Policy start date	Policy termination date	Marketplace identifier
Policy number	Policy issuer	Policy notes

Part 3 Coverage Information

Policy enrollment provisions	Monthly general interest cost	Tax credit
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Part 4 Covered Individuals

Covered individual name	Covered individual SSN	Covered individual date of birth
Covered individual name	Covered individual SSN	Covered individual date of birth
Covered individual name	Covered individual SSN	Covered individual date of birth
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Covered individual name	Covered individual SSN	Covered individual date of birth





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Chairman of the Board of Trustees

Dominic M. Calabro
President & Chief Executive Officer

DEAR FELLOW TAXPAYER,

Rising health insurance rates, as well as the expenses of employee turnover, threaten the continued success of retaining and recruiting talented professors and staff at the Florida College System (FCS). The FCS colleges pay most, if not all, of the premium for employees but cannot afford to contribute to the premiums for dependents (i.e., spouse or child) due to tight operational budgets. As health insurance rates increase, the growing costs pressure the budgets of FCS colleges as well as the wallets of FCS employees. The high costs carried by FCS employees contribute to higher rates of employee turnover and challenges recruiting top talent, particularly among staff, which disrupts the delivery of quality training and education programs.

Florida needs the affordable, flexible, and local pathways to career development offered by the FCS to develop a skilled workforce, maintain current business activities, and to attract high-wage industries. Amid technological advancement, job descriptions are changing, requiring both entry-level and experienced workers to seek trainings, credentials, and degrees. Florida aims to be among the top ten economies worldwide by 2030—which would bring higher earnings and greater tax revenue to the state—but Florida cannot get there without the FCS operating at a more competitive level.

The State Group Insurance Program (SGIP) is the health insurance option for most state employees in Florida. Like the Florida Retirement System, the SGIP is a defined benefit program, in which the employee pays a fixed amount toward the monthly premium (for individual or family coverage) and the state pays the remainder. State agencies, including state universities, are eligible for SGIP. One group of state employees for which the SGIP is NOT currently a health insurance option is employees of the 28 member colleges that comprise the FCS. We recommend this be changed.

While extending SGIP to the FCS would be an extra expense to the state, this expense would be a wise taxpayer investment. Allowing the FCS to participate in the SGIP ensures that FCS colleges maintain necessary faculty and staff and limits the waste of taxpayer dollars caused by turnover. Further, by supporting quality delivery of FCS programs, the state will enjoy an economic and fiscal impact as the FCS colleges continue to develop Florida's specialized workforce.

Sincerely,

Dominic M. Calabro
President & Chief Executive Officer

EXECUTIVE SUMMARY

Florida’s economy is strong. If Florida were a country, its gross domestic product (GDP) would rank 14th among economies worldwide, and its ambitions do not stop there. Florida aims to be within the top ten economies by 2030. By this time, two in three jobs are expected to require specialized training, a credential, or a degree. To achieve its economic goal, Florida will need to continue developing its specialized workforce. With 120,000 students completing Florida College System (FCS) programs each year, the FCS plays a critical role in providing the talent pipeline necessary to reach Florida’s economic goal and does so at a very affordable cost to students and Florida taxpayers alike.

The FCS cannot adequately support Florida’s workforce development without attracting and retaining talented faculty and staff. Workforce shortages have become increasingly challenging across economic sectors, and the higher education field is no exception. **As FCS colleges try to offer competitive salaries and employment benefits, they struggle with the growing costs of health insurance amid limited budgets.**

Currently, the FCS colleges must self-insure or self-fund using money from their operating budgets. To help reduce the cost, most FCS colleges insure within a collective called the Florida College System Risk Management Consortium (FCSRMC). Although the larger grouping enables better health insurance rates, the rates are still high and grow each year.

According to the state Office of Program Policy Analysis and Government Accountability (OPPAGA), the FCS colleges pay a total of \$144.6 million annually for health

STAYING COMPETITIVE

AS FCS COLLEGES TRY TO OFFER COMPETITIVE SALARIES AND EMPLOYMENT BENEFITS, THEY STRUGGLE WITH THE GROWING COSTS OF HEALTH INSURANCE AMID LIMITED BUDGETS.

insurance to provide coverage to 19,400 enrollees. All the FCS colleges pay a portion of their employee premiums, but none of them subsidizes the premiums for dependents, which can weigh heavily upon an employee’s wallet.

For example, an employee at Indian River State College (IRSC), a member of the FCSRMC, must pay between \$1,235 and \$1,509 per month to cover a spouse and child (Table 1). Within a year, this can amount to \$18,000 worth of premiums, which is extremely expensive for many families, and completely cost prohibitive to low wage employees. **The high costs to cover dependents limit the talent pool from which the FCS can seek employees.**

Faculty and staff with young families are especially difficult to attract and retain for the FCS with current health benefits. They face high costs to cover their dependents, and as younger entrants of Florida’s workforce, they may be confronted with additional financial pressures, such as entry wages and student loans, that make it harder to budget for health insurance. As a result, FCS faculty and staff tend to be older. At IRSC, not unlike other colleges,

TABLE 1. STATE GROUP INSURANCE PROVIDES SIGNIFICANTLY LOWER MONTHLY PREMIUMS FOR DEPENDENTS THAN THE OPTIONS AVAILABLE TO INDIAN RIVER STATE COLLEGE

INSURANCE PROVIDER	INSURANCE PLAN	EMPLOYEE PREMIUM	SPOUSE PREMIUM	FAMILY PLAN PREMIUM
State Group Insurance	PPO Standard	\$50	\$180	\$180
	HMO Standard	\$50	\$180	\$180
	PPO HDHP	\$15	\$64	\$64
	HMO HDHP	\$15	\$64	\$64
IRSC	PPO - BlueOptions 3359	\$793 (Paid by College)	\$874	\$1,509
	PPO - BlueOptions 5774	\$724 (Paid by College)	\$797	\$1,377
	PPO BlueOptions 5909	\$650 (Paid by College)	\$715	\$1,235
	H.S.A. BlueOptions 3160/3161	\$756 (Paid by College)	\$832	\$1,437

Source: Indian River State College and Department of Management Services, Benefits Guide 2023.

the average age of employees is 54. Older employees bring invaluable experience to FCS colleges; however, without young talent, the colleges have less opportunities to develop longstanding faculty and staff with institutional knowledge.

Health insurance options offered by the FCSRMC are susceptible to sharp, unpredictable increases. FCSRMC is reliant upon the continued participation of FCS colleges to lower their health insurance rates. If FCS colleges grow large enough to be as predictable as the FCSRMC, they are able to find better rates on their own. When colleges leave the FCSRMC, the remaining, smaller colleges struggle to keep pace with rising health insurance costs. This is known as “adverse selection” and contributes to a predictable decline. Since these costs are paid with their operating budgets, colleges have to make tough spending choices that could reduce or limit the quality and availability of programs to accommodate for the growing costs.

To address these concerns and strengthen the FCS, Florida should consider extending the State Group Insurance Program (SGIP) to the 28 colleges that make up the FCS. SGIP is the health insurance program available to most state employees. **Although FCS colleges share similarities with eligible enrollees, such as reliance upon state funds and eligibility for the Florida Retirement System, the state colleges are not currently eligible to participate in SGIP.**

Last year, the Florida Legislature tasked the Office of Program Policy Analysis and Government Accountability (OPPAGA) with conducting an actuarial feasibility study to explore the effects of extending SGIP to the FCS. OPPAGA’s actuarial feasibility study provided low, best, and high estimates to demonstrate the financial impact to the state. The estimates ranged from a net cost of \$232.6 million to \$316.4 million, with the best estimate projecting the cost at about \$313.0 million.

If SGIP were to extend to the FCS, the FCS would no longer directly pay the costs of health insurance premiums for its employees. **This change would alleviate budgetary concerns caused by rising health insurance rates, creating greater predictability for the long-term budget outlooks of FCS colleges.** A predictable budget is important to FCS colleges because it enables their investment in critical programs as well as initiatives to keep tuition affordable.

Extending SGIP to the FCS would also make it easier and less expensive to provide health insurance to employees with dependents. Not only would the FCS colleges be less susceptible to the disruptions caused by employee turnover, but they would also be able to limit costs associated with hiring and retraining for a position. All of this, of course, impacts the quality of education

THINGS TO CONSIDER

ALTHOUGH FCS COLLEGES SHARE SIMILARITIES WITH ELIGIBLE ENROLLEES, SUCH AS RELIANCE UPON STATE FUNDS AND ELIGIBILITY FOR THE FLORIDA RETIREMENT SYSTEM, THE STATE COLLEGES ARE NOT CURRENTLY ELIGIBLE TO PARTICIPATE IN SGIP.

and workforce development. Since the FCS colleges are publicly funded institutions, it is of taxpayers’ interest that dollars are used for their intended purpose and waste be limited.

Extending SGIP to the FCS is an investment that would directly support Florida’s continued economic growth, the quality of education, and help reduce expensive turnover of personnel. Moreover, for employees who are shouldering the additional burden of escalated healthcare costs, any relief in their current salaries is passed through as direct economic impact in their community. This dynamic provides a double benefit: relief for the employee and employer, and a positive impact on Florida’s economy.

Florida TaxWatch recommends that the state legislature extend SGIP to the FCS, but as the state legislature considers a possible extension of SGIP, it should be cautious of launching a pilot program or extending eligibility in waves. Small colleges are dependent upon the collective numbers provided by the FCSRMC, so extending State Group Insurance to some colleges but not all could impose higher insurance rates on the colleges remaining in the consortium through adverse selection, described above.

RECOMMENDATION

FLORIDA TAXWATCH RECOMMENDS THAT THE STATE LEGISLATURE EXTEND SGIP TO THE FCS, BUT AS THE STATE LEGISLATURE CONSIDERS A POSSIBLE EXTENSION OF SGIP, IT SHOULD BE CAUTIOUS OF LAUNCHING A PILOT PROGRAM OR EXTENDING ELIGIBILITY IN WAVES.

INTRODUCTION

Florida has a strong and growing economy. If Florida were a country, its gross domestic product (GDP) would rank 14th among economies worldwide, and by 2030, Florida has a goal to be within the top ten. With an estimated two in three jobs requiring a specialization by that time, access to training, credentials, and degrees could not be more important to maintaining the state's current business activities as well as attracting new high-wage industries.

As of November 2022, Florida had 647,000 job openings,¹ and amid a national talent shortage, some employers may struggle to find new hires. Industries such as durable goods manufacturing and education and health services have more job openings than relevantly trained workers.² Florida employers are not only competing with each other for this limited talent but also with other states, and as Florida's population ages, retirements will further constrict the talent pool. To maintain regular business activities and bolster future economic growth, Florida needs effective and reliable sources of workforce development.

The Florida College System (FCS) is a staple of the economic prosperity of Florida, graduating about 120,000 newly specialized workers each year.³ With its geographically dispersed campuses across the entire state, flexible scheduling, and low tuition, the FCS is uniquely equipped for readying Florida's workforce for the economic demands of today and tomorrow. Accessible postsecondary pathways that enable the pursuit of high-wage, specialized careers are especially imperative to Florida's economic growth as businesses confront workforce shortages and consumers wrestle with inflated prices.

FCS colleges have a great impact upon their local communities. Consider Indian River State College (IRSC), one of the FCS's 28 colleges. As a key source of workforce development for Floridians along the Treasure Coast, IRSC is committed to readying residents with the skills necessary to start gainful careers and satisfy the needs of local businesses. IRSC serves 14,000 students, 43 percent of whom are economically or academically disadvantaged.⁴ Many of the students work while they

learn; within the FCS, IRSC was responsible for 14 percent of the apprenticeships conducted during the 2020-2021 school year.⁵ More than two-thirds of IRSC graduates stay within their community after graduation, contributing to their local economy.⁶

Throughout the state, colleges like IRSC support the development and retention of workforce talent, which is integral to the continued success of Florida, but the FCS cannot adequately support Florida's workforce development without the efforts of talented faculty and staff. Attracting and retaining talent has become increasingly challenging across economic sectors, and the education field is no exception. Typically, employers offer higher salaries or greater benefits to remain competitive, but since the FCS must keep services affordable to students, they have a smaller capacity to undertake higher operational costs.

As the FCS tries to remain competitive, expensive health insurance plans have become especially burdensome. Most FCS colleges participate in the Florida College System Risk Management Consortium (FCSRMC), a collective that enables better health insurance rates by providing a larger pool of enrollees. Despite the benefits of FCSRMC, the FCS colleges struggle to budget for increasing health insurance rates.

The FCS colleges pay most of, if not all, the costs of health insurance premiums for their employees.⁷ For example, in 2023, IRSC will pay \$6.8 million for health insurance for its employees. Since FCS colleges do not subsidize the premiums of dependents (i.e., spouse or child),⁸ some of the employees are also forced to pay additional health insurance costs. To cover a family, IRSC employees pay a monthly premium between \$1,235 and \$1,509, depending upon the plan in which they enroll.⁹

Although the costs of health insurance premiums for colleges vary, depending upon the plans they offer, number of enrollees, and levels of employer contribution subsidies, each college is strained by the growing cost of health insurance. Left unaddressed, health insurance costs will continue to increase. These growing costs could ultimately threaten the FCS mission to balance quality and affordability.

The state has the opportunity to provide the FCS with a different insurance option: the State Group Insurance

1 Bureau of Labor Statistics, State Job Openings and Labor Turnover—November 2022.

2 U.S. Chamber of Commerce, "Understanding America's Labor Shortage: The Most Impacted Industries," January 2023.

3 Florida Department of Education, Factbook 2022.

4 Florida Department of Education, Factbook 2022.

5 Florida Department of Education, Factbook 2022.

6 Indian River State College, "IRSC Launches Promise Program," retrieved from <https://irsc.edu/news/articles/2022-irsc-launches-promise-program.html>, accessed on September 14, 2022.

7 Office of Program Policy Analysis and Government Accountability (OPPAGA), "Projected Impact of Including All 28 FCS Institutions in the State Group Health Insurance Program," January 2022.

8 Office of Program Policy Analysis and Government Accountability (OPPAGA), "Projected Impact of Including All 28 FCS Institutions in the State Group Health Insurance Program," January 2022.

9 Indian River State College Budget Office.

Program (SGIP). The SGIP provides health insurance to most of Florida’s state employees, offering greater employer contributions to premiums than the FCS can provide. When health insurance rates increase, the state contribution does so as well.¹⁰

“IT IS THE INTENT OF THE LEGISLATURE TO OFFER A COMPREHENSIVE PACKAGE OF HEALTH INSURANCE BENEFITS FOR STATE EMPLOYEES WHICH ARE PROVIDED IN A COST-EFFICIENT AND PRUDENT MANNER, AND TO ALLOW STATE EMPLOYEES THE OPTION TO CHOOSE BENEFIT PLANS WHICH BEST SUIT THEIR INDIVIDUAL NEEDS.”¹¹

For eligibility purposes, “full-time state employees” is defined as salaried positions employed by any branch or agency within the state government. In 2002, when the designation of universities changed from “state agencies” to “public corporations,” eligibility requirements changed to explicitly include universities, ensuring the universities would not lose the long-standing eligibility that they have held since the 1970s. For close to 50 years, the State University System (SUS) has had their health insurance costs addressed as a specific appropriation, including any incremental cost increases.¹²

Despite similarities to eligible enrollees, such as reliance upon public funding and eligibility for the Florida Retirement System, FCS employees are excluded from the SGIP. In 1980, the legislature authorized the FCS to participate in a risk management program, leading to the establishment of the FCSRMC.¹³ When the Florida Legislature passed the bill that sustained universities’ eligibility for SGIP in 2002, the FCS were passed over and remained responsible for seeking their own self-insurance options, whether singly or collectively. Therefore, rather than receiving a specific appropriation for health insurance, the FCS colleges must make room for the growing expense within their operational budget.¹⁴

Last year, the Florida Legislature tasked the Florida Office of Program Policy Analysis and Governmental Accountability (OPPAGA) to conduct an actuarial feasibility study to explore the effects of extending SGIP to the FCS. Florida TaxWatch undertakes this independent research project to review the costs of extending State Group Insurance to

the FCS; evaluate the impact; and offer recommendations for the Florida Legislature.

Since health insurance costs vary throughout the FCSRMC, Florida TaxWatch uses a member college to serve as a case study illustrating an extension’s impact on individual FCS institutions, public benefits, and taxpayer costs. Due to its recent growth, Indian River State College was the chosen case study. In Fall 2022, enrollment increased by 8.9 percent, despite a downward trend for colleges nationwide.¹⁵ As an active—and growing—driver for its local economy, Indian River State College exemplifies the success at risk if health insurance options become too burdensome.

STATE GROUP INSURANCE PRESENTS A MORE AFFORDABLE OPTION

The state pays a net annual cost of \$2.2 billion to provide SGIP to 176,500 state employees. Within the total net cost, \$783.6 million are used to provide health insurance to SUS employees. The funds to cover this cost come directly from the state, rather than from the operating budgets of the enrolled agencies and universities. When premium rates increase, the state provides greater funding allocations to make up the difference. SGIP includes employer premium subsidies for both individuals and dependents.¹⁶

Currently, the FCS institutions pay a combined \$144.6 million for health insurance, providing coverage to 19,400 enrollees. Although the FCS is publicly funded, the state does not directly allocate funds to health insurance as it does for SGIP. Rather, the individual FCS colleges plan for health insurance expenses within their operating budgets. Most colleges are self-funded with Blue Cross Blue Shield.¹⁷

Each FCS college pays a different amount for its insurance, dependent upon its number of enrollees per plan and how heavily the college contributes to enrollee premiums. FCS colleges pay most of the individual premium for employees, with many institutions paying up to 100 percent. The cost to colleges is not flat; the cost

10 General Appropriations Act 2020-2021, Section 8 (3).

11 §110.123, Fla. Stat.

12 Florida Senate, Senate Staff Analysis and Economic Impact Statement, April 2002.

13 §1001.64, Fla. Stat.

14 §1004.725, Fla. Stat.

15 Indian River State College, “IRSC Launches Promise Program,” retrieved from <https://irsc.edu/news/articles/2022-irsc-launches-promise-program.html>, accessed on January 26, 2022.

16 Office of Program Policy Analysis and Government Accountability (OPPAGA), “Projected Impact of Including All 28 FCS Institutions in the State Group Health Insurance Program,” January 2022. Health insurance costs consist of employer premium subsidies and administrative costs. These costs are not flat, so the annual cost typically increases every year. This cost estimate is for July 1, 2022 – June 30, 2023.

17 Office of Program Policy Analysis and Government Accountability (OPPAGA), “Projected Impact of Including All 28 FCS Institutions in the State Group Health Insurance Program,” January 2022.

TABLE 1. STATE GROUP INSURANCE PROVIDES SIGNIFICANTLY LOWER MONTHLY PREMIUMS FOR DEPENDENTS THAN THE OPTIONS AVAILABLE TO INDIAN RIVER STATE COLLEGE

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	HMO Standard	\$50	\$180	\$180
	PPO HDHP	\$15	\$64	\$64
	HMO HDHP	\$15	\$64	\$64
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	PPO BlueOptions 5909	\$650 (Paid by College)	\$715	\$1,235
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Source: Indian River State College and Department of Management Services, Benefits Guide 2023.

grows as health insurance rates increase or colleges enroll more employees. For example, paying the full individual premium for employees, IRSC paid \$6.5 million in 2022, and the college is expected to pay \$6.8 million in 2023.¹⁸

While FCS employees bear little to no costs for their individual coverage, FCS employees are entirely responsible for the premiums of dependents. In 2023, about 16 percent of IRSC employees chose a health insurance plan to cover a spouse, child, or family. To cover a spouse, an IRSC employee pays monthly costs between \$715 and \$832, depending upon the plan they choose. To cover a family, an IRSC employee pays \$1,235 to \$1,509 per month, the higher of which amounts to an annual cost of more than \$18,000.¹⁹

As demonstrated by IRSC, the costs carried by FCS employees to cover dependents is much higher than the costs of SGIP enrollees (Table 1). **In fact, the costs for dependents are so high for the FCS that they directly influence the insurance participation patterns of employees. Although the composition and roles of FCS employees are similar to SUS employees, because it is so egregiously cost prohibitive, only 25 percent of FCS health insurance enrollees choose a family plan compared to 61 percent of SUS health insurance enrollees.**²⁰

The SGIP not only presents a less expensive option for

families but also offers plans with greater coverage (Table 2). The degree of cost-sharing is an important indicator as to how expensive an insurance plan is for an employee. The OPPAGA report calculated actuarial values (AV) based upon plan coverage in 2021.²¹ With a 95 percent AV, no other plan available through SGIP, nor any plan available to IRSC, can compare to the value of the SGIP Health Maintenance Organization (HMO) plan.

High deductible health plans (HDHP) and Health Savings Accounts (HSAs) have significant structural differences compared to Standard Preferred Provider Organization (PPO) or HMO plans, resulting in a lower AV. An HDHP plan and HSAs have high deductibles but low premiums, making them ideal for someone who expects low healthcare costs. The two plans are also suitable for persons with very high healthcare costs—which would be expected of those with a chronic illness or condition—because they have low out-of-pocket maximums. Based upon AV alone, the SGIP HDHP plan is preferable; however, HSAs have the added benefit of being able to use the saved money for non-medical expenses and keeping the balance upon separation from their employer, which can make the accounts more preferable to some employees.

18 Office of Program Policy Analysis and Government Accountability (OPPAGA), "Projected Impact of Including All 28 FCS Institutions in the State Group Health Insurance Program," January 2022. Note, insurance plans start in January, so costs to colleges and individuals follow the calendar year.

19 Indian River State College Budget Office.

20 Office of Program Policy Analysis and Government Accountability (OPPAGA), "Projected Impact of Including All 28 FCS Institutions in the State Group Health Insurance Program," January 2022.

21 The AV is the estimated percentage of medical costs covered by insurance, so a higher AV indicates a more desirable plan. While AV is useful for comparisons, it has limitations. AV is based upon the whole covered population, so it cannot predict how much an individual will spend out-of-pocket. A higher AV commonly has a higher premium, which can make the option more expensive than alternatives. AV does not take into consideration employer contributions to Health Savings Accounts.

TABLE 2. STATE GROUP INSURANCE PROVIDES OPTIONS WITH HIGHER ACTUARIAL VALUE THAN PLANS AVAILABLE TO INDIAN RIVER STATE COLLEGE

PLAN	ACTUARIAL VALUE
National Average	83%
Indian River State College	
PPO - Blue Options 3562 (03766)	85%
PPO - Blue Options 03769	81%
PPO - Blue Options 03900	71%
H.S.A. Blue Options 05190	72%
H.S.A. Blue Options 05191	72%
State Group Insurance	
PPO Standard	84%
PPO HDHP	75%
HMO Standard	95%
HMO HDHP	80%

Source: Office of Program Policy Analysis and Government Accountability (OPPAGA) and Employee Benefit Research Institute

THE TRUE COST OF THE STATUS QUO

“THE MISSION OF THE FLORIDA COLLEGE SYSTEM IS TO PROVIDE ACCESS TO HIGH-QUALITY, AFFORDABLE ACADEMIC AND CAREER EDUCATIONAL PROGRAMS THAT MAXIMIZE STUDENT LEARNING AND SUCCESS, DEVELOP A GLOBALLY COMPETITIVE WORKFORCE AND RESPOND RAPIDLY TO DIVERSE STATE AND COMMUNITY NEEDS.”

– Florida Department of Education²²

While the direct costs alone burden FCS colleges and their employees, they also carry consequential costs resulting from difficulties hiring and retaining staff and unpredictable rate increases. **As FCS colleges try to balance their budgets to accommodate these costs, the affordability and quality of the FCS stand at risk.** Colleges may need to address valuable learning programs to manage growing costs, which would limit the FCS’s potential to enhance the talent of Florida’s workforce.

The FCS plays a key role in supporting Florida’s economy. Many businesses require specialized workers to perform current business activities or to be ready for changing

job descriptions amid the implementation of new technology. Currently, Florida is grappling with workforce shortages in critical occupations, such as nursing and teaching, and for more individuals to enter those fields, they need a postsecondary education. The FCS focuses upon providing high-demand, high-value credentials and degrees, ensuring the state is equipped to fill any gaps within its labor market.

Further, specialized workers are great contributors to the economy, both as workers and consumers. On average, specialized workers earn a higher income than unskilled workers, resulting in greater spending in the local and state economy, and greater tax revenue. If the FCS cannot perform at its maximum potential, Florida risks diminishing academic performance of students, an adverse impact on talented workers for a competitive economy, and consequently, a negative effect on Florida’s hardworking taxpayer.

DIFFICULTIES HIRING AND RETAINING EMPLOYEES

Nationwide, communities are feeling the pressures of a tight labor market. While low unemployment—the lowest rate since 1969—and fast job creation is creating an abundance of opportunities for the workforce, employers are struggling to find and retain the right talent.²³ Stable and effective sources of career development are a necessity as communities try to maintain and grow their business activities.

FCS colleges such as IRSC are key to ensuring local communities are equipped with ready talent, but they too are susceptible to the effects of a tight labor market. The labor market for IRSC, often referred to as the “Research Coast,” is composed of three counties: Indian River, Martin, and St. Lucie. As of December 2022, about 7,400 residents were looking for jobs within the region, with about 4,000 of the job seekers living within St. Lucie County, the home of IRSC.²⁴ About 11,900 online advertisements are pursuing the job seekers of this region.²⁵

The labor market is not only competitive regionally but also by occupation. Beyond professors, FCS colleges need staff members that satisfy a diversity of roles, such as office personnel to organize and manage administrative operations and custodians to upkeep the building. Each of these occupations are feeling the strain of the tight labor market. Secretaries and administrative assistants and

²² Florida Department of Education, Florida College System, retrieved from <https://www.fldoe.org/schools/higher-ed/fl-college-system/>, accessed on January 5, 2023.

²³ Reuters, “U.S. reports blowout job growth; unemployment lowest since 1969,” February 3, 2023.

²⁴ Department of Economic Opportunity, Florida’s December Employment Figures Released, January 2023.

²⁵ Department of Economic Opportunity, Local Workforce Development Areas, accessed February 5, 2023.

custodians and cleaners²⁶ are within the top 20 advertised occupations statewide, and custodians and cleaners are within the top 15 most advertised occupations of the Research Coast, making hiring especially difficult for local employers such as IRSC.²⁷

Looking ahead to 2030, demand for various staff types will continue to grow. Custodians and cleaners, landscaping and groundskeeping workers, food preparation workers, receptionists and information clerks, office clerks, first-line supervisors of office and administrative support workers, and postsecondary teaching assistants—all of which are occupations relied upon to operate a college campus—are among the top 100 occupations gaining the most new jobs in Florida through the end of the decade.²⁸ As the need for these occupations grows, the labor market will become even more limited.

To be competitive in current and future labor markets, the FCS will need to be able to offer desirable employment benefits. High value health insurance plans make employers more competitive and employees more productive. A recent national survey suggests that 87 percent of employees consider employer-provided health insurance important to accepting a job offer.²⁹ After the job is secured, about 84 percent of employees claim they consider the value of their health insurance when determining whether to stay with a current employer.³⁰ Such employees are driven by affordability and comprehensive coverage.³¹

Compared to SGIP, affordability and comprehensive coverage are lacking among the family plans currently available to FCS institutions, which threatens colleges' ability to hire and retain talented faculty. When prospective faculty and staff members add the costs of insurance, small take-home pay encourages them to take their talents elsewhere. Employees with families, especially if they are paying off student loans, would find it difficult to reap the benefits of their degrees within the FCS system. As a result, colleges are experiencing an aging workforce.

According to the IRSC budget office, the average age of employees at IRSC is 54. For the whole college, the average turnover rate is 4.94 percent, but when

narrowed to employees aged 21-30, the turnover rate spikes to 6.56 percent. While older, experienced faculty and staff are invaluable, young talent is also important to the composition of a college, bringing fresh ideas and presenting the opportunity to develop as longstanding employees with institutional knowledge.³²

Choosing to be educators, many of the faculty are accepting salaries smaller than their earning potential within a highly competitive marketplace. The highest education achieved by most faculty members is a master's or doctorate degree.³³ Among all Floridians completing a postsecondary education program in 2020-21, workers with a master's degree were earning \$74,608 the following fall and workers with a doctorate were earning \$102,984.³⁴ Meanwhile, during the same fall, the average salaries of FCS faculty were \$56,694 for those with a master's degree and \$64,096 for those with a doctorate degree.³⁵

Consider an employee with dependents. Indian River State College offers three Standard Preferred Provider Option (PPO) plans, with the level of coverage aligning with the price of premiums. For the middle option—neither the best nor the worst—an employee pays \$1,377 per month for a family. In the course of a year, this cost accumulates to \$16,524. If the employee is earning the average salary of FCS faculty with a doctorate degree, they are earning about \$47,572 before taxes.

The cost of insurance not only cuts into take-home pay but also limits the colleges' ability to raise salaries. Recently, the consulting firm Evergreen LLC reviewed the compensation of IRSC employees. Since IRSC is responsible for covering the high cost of health insurance, IRSC staff are paid at 30th percentile of the market, making it difficult to recruit and retain talent.³⁶

Each year, health insurance rates rise. While a faculty member may settle for less earnings one year, the employee may be pushed to leave after the next rate increase. To keep the applicant pool wide and to ensure a diversity of experience and talents can adequately prepare Florida's developing workforce, the FCS needs to be able to offer more competitive benefits for all employees.

26 Does not include maids and housekeeping cleaners. Custodians are referred to as janitors within the data set.

27 Department of Economic Opportunity, Local Workforce Development Areas, accessed February 5, 2023.

28 Department of Economic Opportunity, Occupations Gaining the Most New Jobs, 2022-2030.

29 American Health Insurance Plans, "Survey Says: Employer-Provided Coverage Delivers Health & Financial Security for Families," July 2022.

30 American Health Insurance Plans, "Survey Says: Employer-Provided Coverage Delivers Health & Financial Security for Families," July 2022.

31 American Health Insurance Plans, "Survey Says: Employer-Provided Coverage Delivers Health & Financial Security for Families," July 2022.

32 Indian River State College Budget Office. Most recent data as of February 2023.

33 Florida Department of Education, Florida College System Factbook, 2022.

34 Florida Department of Education, Average Annualized Earnings by Education Level, Fall 2021.

35 Florida Department of Education, Florida College System Factbook, 2022.

36 Indian River State College Budget Office.

While health insurance costs are a disadvantage when pursuing talented faculty, the effect is also detrimental for the employment of non-faculty staff members. Since the cost of health insurance plans stays constant regardless of salary, staff that receive a smaller salary watch a greater portion of their pay consumed by health insurance.

Consider the earnings of a custodian. For the state of Florida, the median hourly wage for a custodian is \$11.86.³⁷ Working 40 hours per week for four weeks would generate \$1,898 in monthly earnings before taxes. The custodian cannot afford a family health insurance plan. The least expensive family plan at IRSC would be two-thirds of the custodian's monthly pay. If the custodian leaves to work for a nearby state agency or university, the custodian could exchange nine percent of their monthly pay for a standard HMO or PPO family plan (\$180) or three percent for a High Deductible PPO family plan (\$64.30).³⁸

State agencies and universities are not the only source of competition within the hiring market. For positions that require minimal experience, nearby businesses such as retail stores act as direct competitors. One premier retailer offers associates \$10.80 per hour, amounting to about \$1,728 per month before taxes.³⁹ The company's Premier Plan costs an associate \$195.90 every two weeks to provide health insurance to both the associate and their family.⁴⁰ This plan is about 23 percent of the associate's wages, leaving \$1,336 of monthly pay to take home. While its cost is higher than SGIP, the health insurance plan is still attainable, unlike the options available to an IRSC custodian. The average salary for all employees at IRSC is \$49,730. To elect the middle PPO option for his/her family would cost \$1377 per month, \$16,524 per year at the current cost, amounting to 33.2% of their annual wages.

The health insurance options that are currently available to the FCS are more of a deterrent than a benefit, placing Florida colleges at greater risk of turnover as employees find similar jobs with better benefits.

Not only is the vacancy disruptive to operations, but an employer will also incur additional costs resulting from:

- Separation, such as severance pay;
- Efforts to find a new hire, such as advertisements and time spent interviewing;

- Retraining, whether it takes the time of a different employee or requires purchased training materials; and
- A loss of productivity as the position stands open and the new hire learns how to best perform the job.

All of these expenses accumulate to an overall cost ranging from 33 percent up to 200 percent of the departing employee's salary.⁴¹

UNPREDICTABLE LONG-TERM BUDGET OUTLOOKS

Colleges join the FCSRMC because the larger population of enrollees creates more predictability, enabling better rates for the larger group than what would be available to the individual colleges. The FCSRMC is optional and reliant upon its large size, so one college leaving the consortium increases the rates for those that remain. Large colleges have already begun exiting the consortium.

Broward College, Hillsborough Community College, Miami-Dade College, Tallahassee Community College (TCC), and Valencia College are no longer participating in the FCSRMC, choosing to self-fund or fully-insure with their own providers.⁴² These colleges each employ about one thousand health insurance enrollees, so they are not as reliant upon the FCSRMC to attain the predictability needed for better rates. Depending upon their geographic and demographic factors, some large colleges are eligible for more competitive plans when they break away from the FCSRMC (Table 3).⁴³

If more colleges leave the FCSRMC as they become larger, the smaller community colleges that remain will endure even higher health insurance rates, a growing pressure upon their already strained budgets. The FCSRMC represents adverse selection. Members are encouraged to leave and when they do, the remaining members hurt even more. If SGIP is available, the smaller colleges need not worry about looming rate changes.

37 Florida Department of Economic Opportunity, 2021 Florida Occupational Employment and Wages. Note, in November 2020, Floridians voted to increase minimum wage to \$15. The first increase occurred September 30, 2021, bringing the minimum wage to \$10. Until 2026, it rises by a dollar each year.

38 Department of Management Services, Benefits Guide 2022 Plan Year.

39 Indeed, "Sales Associate hourly salaries in Port Saint Lucie at Walmart," retrieved from <https://www.indeed.com/cmp/Walmart/salaries/Sales-Associate/Port-Saint-Lucie-FL>, accessed on October 27, 2022. Average pay is based upon nearby Port St. Lucie since Fort Pierce was not an option. Hourly pay was multiplied by 40 hours and four weeks.

40 Walmart, 2023 Benefits rates, retrieved from <https://one.walmart.com/content/dam/themepage/pdfs/Rates-2023.pdf>, accessed on November 17, 2022.

41 Work Institute, "Breaking Down the Direct Costs of Employee Turnover," retrieved from <https://workinstitute.com/breaking-down-the-direct-costs-of-employee-turnover/>, accessed on October 28, 2022.

42 Broward College is self-funded with Cigna, Hillsborough Community College is self-funded with Humana, Miami Dade College is fully-insured with Aetna, Tallahassee Community College is fully-insured with Capital Health and self-funded with Blue Cross Blue Shield, and Valencia College is self-funded with United HealthCare.

43 Office of Program Policy Analysis and Government Accountability (OPPAGA), "Projected Impact of Including All 28 FCS Institutions in the State Group Health Insurance Program," January 2022.

TABLE 3. LEAVING THE FCSRMC CAN BRING BETTER VALUES TO BIGGER COLLEGES

INSURANCE PLAN	ACTUARIAL VALUE (AV)	AV COMPARED TO NATIONAL MEDIAN
National Average	83%	0%
Indian River State College		
PPO - Blue Options 3562 (03766)	85%	2%
PPO - Blue Options 03769	81%	-2%
H.S.A. Blue Options 05191	72%	-11%
H.S.A. Blue Options 05192	72%	-11%
PPO - Blue Options 03900	71%	-12%
Hillsborough State College		
Humana Low HDHP	80%	-3%
Humana High HDHP	85%	2%
Humana NPOS Copay	83%	0%
Broward College		
Cigna HDHP (HRA)	85%	2%
Cigna OAP	86%	3%
Cigna Indemnity (PPO)	85%	2%
Miami Dade Community College		
Aetna HRA	86%	3%
Aetna POS	85%	2%
Tallahassee Community College		
Capital Health Plan	94%	11%
Blue Options PPO 03559	83%	0%
Blue Options PPO 05905	69%	-14%
Valencia College		
UHC Choice Bronze	69%	-14%
UCH Choice Plus Silver	80%	-3%
UHC Choice Plus HAS EE Only	79%	-4%
UHC Choice Plus HAS DEP	74%	-9%
HUC Choice Plus Gold	84%	1%

Source: Office of Program Policy Analysis and Government Accountability (OPPAGA)

STRAINED BUDGETS RISK THE BENEFITS OF THE FLORIDA COLLEGE SYSTEM

The FCS relies upon legislative allocations and tuition to fund its operations. If health insurance costs become too great—whether the tipping point be the cost of turnover or an unexpected rate increase from the FCSRMC—the colleges may have to make tough budgetary choices, which would compromise workforce development and regional training. Since the FCS serves as the state’s most affordable pathway for students to career development, workers in the community do not have an alternative way to pursue the specialization they seek if particular programs are closed or limited, or if the programs do not have room for an additional student.

This reduction hurts Florida’s ambition to be one of the top ten economies worldwide by 2030. To be a top economy requires Floridians to be ready for the jobs of the future. By 2030, two in three jobs will require a specialization, and currently, Florida is 791,000 people away from 60 percent of its workforce being specialized. As specialized Floridians retire and technology advances, more and more Floridians will need to be trained and retrained for the jobs that best bolster Florida’s economy. The state needs a strong college system to ensure Florida’s economy can continue its growth.⁴⁴ The stressed budgets and health insurance rates weaken the FCS schools’ ability to meet this need.

Not only are specialized workers in rising demand, but they also tend to earn higher incomes. For example, 2020-21 graduates from the FCS with an associate’s degree made average annualized earnings of \$44,676 in the fall of 2021, about \$14,000 more than a high school graduate.⁴⁵ If prospective students are lost due to restricted enrollment capacities, their earning potential becomes limited.

When specialized workers make higher earnings, the money fuels the economy and contributes tax dollars to the state.⁴⁶ Keeping more of their earned income, rather than being crippled by health insurance costs, allows even more money to flow into the local economy, fueling economic growth. If Florida can reach its goal of specializing 60 percent of its workforce, the state can expect a yearly return of \$53.6 billion in earnings and \$4.7 billion in tax revenue.⁴⁷ Therefore, as the state legislature considers the cost of extending SGIP to the FCS, it should

44 Florida TaxWatch, The Economic and Fiscal Impacts of Education and Training Beyond High School in Florida, June 2022.

45 Florida Department of Education, Average Annualized Earnings by Education Level, Fall 2021.

46 Florida TaxWatch, The Economic and Fiscal Impacts of Education and Training Beyond High School in Florida, June 2022.

47 Florida TaxWatch, The Economic and Fiscal Impacts of Education and Training Beyond High School in Florida, June 2022.

consider the additional cost as an investment in the state’s economy with a valuable return on investment to Florida taxpayers. In other words, a \$313-\$316 million dollar investment into the FCS health insurance program will directly contribute to that goal of \$53.6 billion in earnings and \$4.7 billion in tax revenue.

PROJECTED COSTS OF EXTENDING STATE GROUP INSURANCE TO THE FCS

Health insurance for FCS colleges is self-funded from their individual budgets. If the FCS became eligible for SGIP, its health insurance costs would be covered by the state. SGIP is beneficial to employees because of its consistent contribution toward employee premiums for both individual and family plans. This contribution is paid by the state, so if SGIP were extended to the FCS, the state should expect a cost greater than what the FCS currently pays.⁴⁸

The OPPAGA report used the premiums that were effective January 1, 2022 and enrollment from a July 1, 2021 census to estimate the cost of extending State Group Insurance to the FCS. The report calculated a low, best, and high estimate to project the additional costs of extending State Group Insurance to the FCS:

- The **low estimate** assumes that the current insurance enrollees within the FCS will remain enrolled and none of the employees that currently waive insurance will enroll;
- The **best estimate** assumes that the employees of the FCS will behave similarly to SUS employees, with ten percent of those who currently waive health insurance enrolling after a transition to State Group Insurance; and
- The **high estimate** assumes 20 percent of employees who currently waive health insurance will enroll after a transition to State Group Insurance.⁴⁹

The estimates from the OPPAGA report project that the net cost of extending SGIP to the FCS ranges from \$232.6 million to \$316.4 million (Table 4). The best estimate projects that extending SGIP to the FCS will cost about \$313.0 million. Within the best estimate, most of the

increased costs comes from new enrollees but about \$40 million is due to a rate adjustment. The FCS enrollees are older and live in more geographically expensive areas, increasing the demographic and geographic risk factors that impact rates.⁵⁰

Currently the SUS net cost of \$783.6 million is 35.6% of the total \$2.2 billion state funding of the SGIP. Adding the FCS at \$313-\$316 million would only constitute 12.5% of the total funding, a third of what is currently being spent on the SUS.

Comparing FCS funding to SUS funding—the most similar employer eligible for State Group Insurance—the additional cost required to extend State Group Insurance is relatively small (Table 5). Assuming present spending for health insurance is subtracted from the total FCS funding, extending State Group Insurance to the FCS would result in an eight percent funding increase. The FCS would still receive less than half the funding available to the SUS.⁵¹

The price of extending SGIP to the FCS is not a flat cost. Each year, the premiums of plans offered by State Group Insurance are expected to rise by close to eight percent. The growing rates will be a growing cost to the state, just as they currently are for SUS and other State employee participants in the SGIP (Table 6).

48 Office of Program Policy Analysis and Government Accountability (OPPAGA), “Projected Impact of Including All 28 FCS Institutions in the State Group Health Insurance Program,” January 2022.

49 Office of Program Policy Analysis and Government Accountability (OPPAGA), “Projected Impact of Including All 28 FCS Institutions in the State Group Health Insurance Program,” January 2022.

50 Office of Program Policy Analysis and Government Accountability (OPPAGA), “Projected Impact of Including All 28 FCS Institutions in the State Group Health Insurance Program,” January 2022.

51 Florida Department of Education, 2022 Factbook; State University System, History of SUS Appropriations and FTE Students; Office of Program Policy Analysis and Government Accountability (OPPAGA), Projected Impact of Including all 28 FCS Institutions in the State Group Health Insurance Program. All data reflects 2021-2022 year, except State Group Insurance estimates, which are projections for 2022-2023. For “FCS with State Group Insurance,” the current FCS cost for insurance is removed from the total cost but not the individual funding sources because it is unclear if a funding source, or which one, would lessen in the absence of health insurance expenses. The total cost of SUS is greater than the listed funding sources because its published estimate includes trust fund sources that are not mirrored in the FCS factbooks.

TABLE 4. COMPARING THE PROJECTED NET COSTS FOR FY 2022-23, THE BEST ESTIMATE COST FOR THE FCS IS LESS THAN HALF THE COST OF THE SUS

ENTITY	PROJECTION	ENROLLMENT	GROSS COST	EMPLOYEE CONTRIBUTIONS	NET COST
FCS	Low	19,394	\$253.7 M	(\$21.1 M)	\$232.6 M
	Best	19,603	\$353.4 M	(\$40.5 M)	\$313.0 M
	High	19,811	\$357.2 M	(\$40.8 M)	\$316.4 M
SUS	Current Trend	48,034	\$856.2 M	(\$72.5 M)	\$783.6 M

Source: Office of Program Policy Analysis and Government Accountability (OPPAGA)

TABLE 5. EXTENDING STATE GROUP INSURANCE TO THE FCS CAUSES A RELATIVELY SMALL FUNDING INCREASE

SOURCE FUNDING	SUS	FCS	FCS WITH STATE GROUP INSURANCE
State Group Insurance	\$783,616,000	\$ -	\$313,000,000
General Revenue	\$2,374,947,609	\$1,135,466,294	\$1,135,466,294
Lottery Funds	\$464,518,872	\$196,932,429	\$196,932,429
Student Tuition/Fees	\$1,791,677,200	\$715,583,004	\$715,583,004
Total	\$5,419,996,544	\$2,047,981,727	\$2,216,373,727

Sources: Florida Department of Education, 2022 Factbook; State University System, History of SUS Appropriations and FTE Students; Office of Program Policy Analysis and Government Accountability (OPPAGA), Projected Impact of Including all 28 FCS Institutions in the State Group Health Insurance Program.

TABLE 6. THE NET COST TO PROVIDE FCS EMPLOYEES WITH STATE GROUP INSURANCE WILL GROW THROUGHOUT THE DECADE

PROJECTION	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027
Low	\$232.6 M	\$252.2 M	\$274.1 M	\$297.4 M	\$322.6 M
Best	\$313.0 M	\$340.2 M	\$370.7 M	\$403.1 M	\$438.3 M
High	\$316.4 M	\$343.9 M	\$374.7 M	\$407.5 M	\$443.1 M

Source: Office of Program Policy Analysis and Government Accountability (OPPAGA)

CONCLUSIONS AND RECOMMENDATIONS

Regardless of whether the FCS is covered by the FCSRMC or SGIP, to remain competitive, FCS colleges must offer health insurance to their employees, and health insurance rates that will continue to grow. This leaves the state with three options:

- 1. The FCS colleges remain responsible for their health insurance options and make room in their budgets for rising health insurance rates.** In the absence of change, the FCS colleges will have to adapt to their growing cost burden. In doing so, FCS colleges must consider other ways to control budgets, which may result in limiting the availability of programs or enrollment capacity. Florida needs as many specialized workers as possible to continue growing its economy. By 2030, two in three jobs are expected to require a training, credential, or degree. These specialized jobs often result in higher earnings and greater tax revenues, which could benefit the state's economy and budget.
- 2. The FCS colleges remain responsible for their health insurance options, and the state chooses to increase funding. Although this would help mitigate the rising costs of health insurance and the instability of FCSRMC rates, employee benefits would not change.** The FCS would continue to incur the disruptions and costs of employee turnover. This could hinder the quality of education the FCS colleges are trying to deliver, leaving students less ready to contribute to Florida's workforce. The cost of turnover can also add unexpected pressures upon the budgets of FCS colleges.
- 3. SGIP is Extended to the FCS. Extending SGIP to the FCS would alleviate budgetary concerns resulting from health insurance costs.** The FCS colleges would immediately become more competitive employers, which can help employee retention and attract prospective hires from a wider pool of applicants, translating to an elevation of quality programs.

There is a significant issue of equity between faculty and personnel in the FCS and those in the SUS. Despite similarities in their mission, operations, and funding, the FCS employees lack the support offered to the SUS employees. To ensure a more uniform treatment of state employees, the extension of SGIP to the FCS should be highly considered.

Florida TaxWatch recommends that the state legislature consider extending State Group Insurance to the FCS. The cost will be an investment. Strengthening pathways to career development improves the income potential of Floridians, resulting in greater earnings and tax revenue for the state, as well as ensures employers have the specialized workers needed to handle the jobs of today and tomorrow.

Florida TaxWatch cautions against launching a pilot program or extending eligibility in waves. Due to the dependency of small colleges upon the collective numbers provided by the FCSRMC, extending State Group Insurance to some but not all colleges could impose especially high insurance rates upon the colleges that remain in the consortium. Extending SGIP to the entire FCS would ensure none of the FCS colleges are left with rates they cannot afford.

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