Statewide Health Insurance Pooling for Public Education Employees

Commonwealth of Virginia
Joint Subcommittee Studying the Feasibility of a Statewide Health Insurance Pool
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Carol H. Malone
Senior Health Care Specialist
Collective Bargaining and Member Advocacy Department
1201 16th St., N.W. | Washington, DC 20036-3290
| Phone: (202) 822-7080
NEA
National Education Association

- Largest professional organization in the U.S. with 3.2 million members
- Committed to advancing the cause of public education
- Members include active employees, retirees and student teachers, education support professionals, and faculty members from all levels of public education
  - Elementary, secondary and pre-schools
  - Community colleges
  - Colleges and universities
- Affiliate organizations in all 50 states, every county and more than 14,000 school districts across the U.S.
Today’s Discussion

- Goals of Statewide Health Insurance Pooling
- Overview of State Health Insurance Pools for Public Education Employees established by:
  - State Legislatures
  - NEA State Affiliates
  - States, combined with state employee plans
Today’s Discussion continued…

- State Pooling Legislation
- Feasibility Studies
  - Estimated savings
- Pooling Issues and Considerations
- Other Types of Pooling Opportunities
- Next Steps
Goals of Statewide Health Insurance Pooling

- Restrain and stabilize health insurance premium and administrative costs
- Pool risks across larger group of people
  - More stable demographics and utilization
- Greater leverage with carriers and providers
- Expand health plan bid opportunities
Goals of Pooling continued…

- Reduce/eliminate broker, consultant and other commission payments
- Achieve better health plan cost management
  - Use best practice standards on procurement and administration
  - Obtain transparent detailed information on cost and usage
  - Auditing carriers and providers less expensive
- Help assure long term health plan solvency and viability
Most Important Goals of All!

- Improve school employee health status
- Provide highest quality plan, benefits and provider choices
- Attract and retain qualified educators
Education Employee-Only Insurance Pools

Established by State Legislatures:

- **Alabama** -- established in 1983 (100,000 active employees in pool)
  - Voluntary Pool
  - All school districts participate

- **New Mexico** – established in 1983 (60,000 covered lives in pool)
  - Mandatory in school districts with < 60,000 students
  - School districts cannot re-join if they leave
  - All school districts but Albuquerque participate

- **Texas** – established in 2002 (276,624 covered lives in pool)
  - Mandatory for school districts < 500 employees
  - Voluntary for school districts > 500 employees
  - Once school district joins pool--cannot leave
  - 200 out of 1,243 school districts do not participate
NEA State Affiliate Pools

- Indiana - Indiana State Teachers Association-affiliated Insurance Trust (1985)
- Maine - Maine Education Association Benefits Trust Health Plan
- Michigan - Michigan Education Association-affiliated Trust, 5 large regional pools, community rated, covers 55% of educators (MESSA) (1930’s)
- Vermont – VEHI-Vermont Education Health Initiative is jointly managed by the NEA-Vermont and the Vermont School Board Insurance Trust
- Washington Education Association plan (1965)
- Wisconsin - Wisconsin Education Association Association Trust rates each school district separately (1970)
States that pool education employees AND state employees

- **Mandatory**
  - Delaware
  - Georgia (1983)
  - Kentucky (1975)
  - North Carolina (1976)

- **Voluntary**
  - Oklahoma (1991)
  - Tennessee (1986)
  - New Jersey
  - Utah (1977)
  - Massachusetts (2007)
Education Employee-Only Pools

Alabama, New Mexico and Texas’ common characteristics:

- Little to no stakeholder opposition
  - Smaller school districts/rural areas had trouble getting bids
- Central administration (PEEHIP, NMPSIA, TRS)
- One main carrier with one or more smaller
- Pool Boards include teachers and support professionals
- All have separate carve-out for prescription drugs
Premium Rating

- AL, NM and TX employees pooled statewide
  - Same rates throughout state for same plan
    - NM charges different rates depending on income
    - Tobacco use surcharge in AL
  - Some regional rate differences for HMOs
State Pooling Legislation

- **2007**
  - Massachusetts (signed July 2007)
  - Michigan (SB 418 passed October 2007)
  - Minnesota (H.F. 464 measure failed)
  - Oregon (SB 426 signed March 2007)
  - Pennsylvania (legislation being drafted)

- Montana (HB 124 failed in 2005)
Oregon 2007 Pooling Law

- Consolidates insurance for 85,000 educators in 198 school districts
  - Phased-in as collective bargaining agreements expire
  - Most districts currently participate in voluntary health insurance pools through OEA Choice Trust or the OR School Board Assn.
    - School Board opposed bill
  - Establishes new Oregon Educators Benefit Board (OEBB) with union, school district, consumer representation
  - Opt out allowed for large district plans (Portland and 3 others)
  - By October 2010 cost of opt-out plans cannot > OEBB plan
Minnesota 2007 Pooling Bill

- MN bill H.F. 464 passed both Houses
  - Governor vetoed May 2007
  - Would have been mandatory for all school districts
  - Insurance industry and school board lobbied against bill
    - Co-ops help districts buy insurance for school boards
  - 135,000 currently in state health plan; this pool would have added 200,000 educators
Montana Pooling Bill

- Failed in 2003 and 2005

- Montana—opposed by third party administrators, brokers and consultants

- More large school districts have moved into MUST plan
Support or Opposition

- Large counties and school districts, NEA state and local association support in effort, along with all other stakeholders is vital
- Identify opposition and supporters early
  - Identify what motivates each
    - Financial, competitive, market share
- Identify all current health plan, service and prescription drug providers
  - MN—MN Service Assn Co-ops
  - MT - Third party Administrators
  - OR - School Board had its own health plan as did education association
- Deal Breakers, whether:
  - Mandatory or voluntary
    - Some states (MT bill) offered incentives to join pool
    - May need additional legislation
  - Choice of plans and providers or lack of choice
  - Seen as benefit cut and cost increase
Feasibility Study

- Very important step
  - Who will pay for this?

- Request about 3 years worth of health plan data
  - Should be mandatory that all counties/school districts comply

- Compares and contrasts counties/school districts by:
  - Cost and utilization experience
  - Benefit package and value
  - Premiums, contribution and other costs

- Compare current plan(s) to more standardized offering(s)
  - Determine winners and loser

- Savings estimate from study will be used in most discussions and legislative proposals
Feasibility Study continued…

- MN passed law requiring all school districts to provide health data for feasibility study
  - Public information
  - Allowed districts to charge if there was a cost to obtain (80% complied, a few charged)
- PA 2007 draft bill reportedly will require compliance with financial penalty for not doing so
- States without legislation requiring data collection and submission strongly noted this as a problem
  - Opponents can use weak feasibility data against supporters
Feasibility Studies

- Michigan Legislature -- Hay Group
- Minnesota Legislature -- Reden & Anders
- Montana – EBenX
- Ohio -- Mercer
- Oregon - Aon and Watson Wyatt
- Pennsylvania Legislature—Hay Group
Projected Savings

- Should be from creating large pool **NOT** from benefit cuts or cost shifting to employees
- Oregon law estimates savings of $270 million over 5 years
  - Not yet implemented—savings to be seen
- Minnesota bill estimated $223 million over 6 years, bill failed
- Pennsylvania -- Hay Group estimated $585 million a year in savings
  BUT
  - Only one-third of districts provided data for 2003 study, none of current consortiums responded
  - Governor Rendell in 2007 asked Legislature to establish a Public School Employees’ Benefit Board to study feasibility of a single health plan for 500 of the 501 school districts
- Who Conducts Feasibility Study and How--will influence validity of savings
Savings Estimate
Take with a Grain of Salt

- Depends on participation in pool, mandatory or voluntary
- Plan Design
- Carve out or statewide pharmacy benefit
- Start up costs
- Statewide standard for procurement, administration and evaluation
- Wellness and health management program
Other Issues…

- Too many plan options can create two pools—sick and healthy

- Moving groups into different plans raises other issues
  - What happens to health plan reserves accumulated by school districts and counties? ($50 million in OR in dispute by handful of school districts)

- Some recommendations in need of greater detail:
  - MI bill would allow creation of unregulated association health plans for educators with little to no consumer protections, which tend to cherry pick healthier employees, also called MEWAs
  - PA Gov Rendell notes that state will fund “portion of any increases in school employee health benefit costs”
And Considerations

- Mandatory or voluntary?
- Centralized administration?
- Combine or separate active and retired?
- Self-insure, fully insured or both?
- Which organization should run pool?
  - Should an administrator already in existence be used?
  - Should a new organization be established?
- What about local control, how will this change or stay the same?
- Will there be financial penalties for leaving pool?
Other Types of Pooling Opportunities

- Some states looking at statewide carve-outs and/or pooling of:
  - Prescription drug benefits
  - Mental health, dental and vision benefits
  - Mandatory regionalized consortia
  - Re-insurance/stop loss
Next Steps

- Discuss Vision for Pooling and Ways to Accomplish
- Discuss Necessary Legislation
- Discuss Feasibility Study
  - Mandatory compliance with data collection
- Draft RFP for Feasibility Study
  - Other states will have samples