

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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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



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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



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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



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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 Trust rates each school district separately (1970)



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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)**



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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



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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
 - 135,00 currently in state health plan; this pool would have added 200,000 educators



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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



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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

QUESTIONS

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