

Consolidate health care benefits for school employees

Providing quality health care benefits is a necessary tool for recruiting and retaining the best and brightest into public education. PSEA believes a well-constructed statewide health care plan covering all school employees would protect this essential recruitment and retention tool, yield tremendous cost savings to the state and school districts, and remove a contentious issue from the bargaining table which would likely make contract negotiations easier to resolve in the future.

PSEA Recommendation

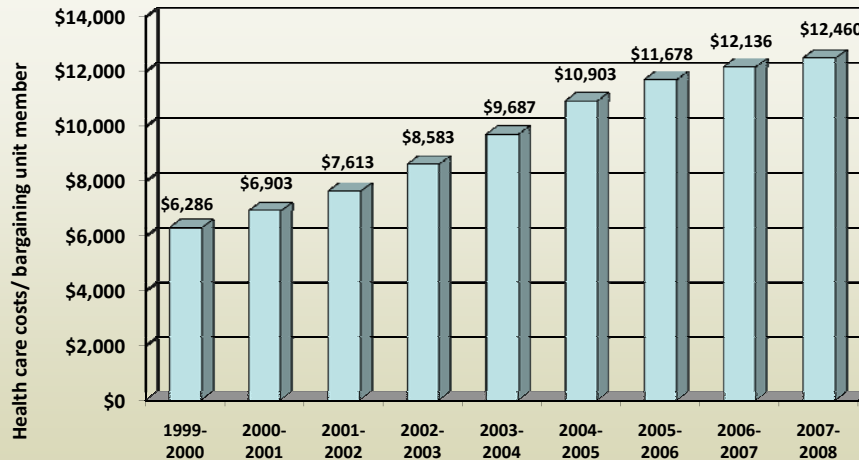
- Enact legislation that creates a solid framework for the development of a statewide health care plan for public school employees:¹
 - Establish a Board comprised of representatives from state government, school boards, and school employees to oversee the development of a standard statewide benefits program;
 - Ensure that the Board's critical decisions, such as those dealing with plan design and employee cost sharing, are shared equally by employer and employee representatives; and
 - Base the development of the plan on a feasibility study that mandates participation of all school districts and insurance plans throughout Pennsylvania to ensure accurate data.

The complexity of today's health care industry and the power of the health care insurance industry put both public school employers and employees at a tremendous disadvantage. The redundancy of administrative fees, the costs of consultants, and the overall lack of power or leverage in the marketplace all contribute to the inefficiencies of trying to deal with today's health care insurance problems on a district-by-district basis. A well-designed statewide plan represents the best solution for addressing these inefficiencies and slowing the growth of health care costs for local school districts and Pennsylvania's taxpayers.

The Commonwealth of Pennsylvania has created efficiencies with state employees by pooling the health care for all of its state employees in the Pennsylvania Employees Benefit Trust Fund (PEBTF). This fund covers approximately 84,000 eligible Commonwealth of Pennsylvania employees and their dependents and 60,000 retirees and their dependents as well as additional employer groups. The PEBTF is governed by a Board of Trustees comprised of both

Commonwealth and Union representatives. Between the years 2003 and 2005, health care premiums for PEBTF rose an average 5.6 percent. By comparison in those same years, health care premiums for school districts rose an average of 24 percent.²

Pennsylvania district health care costs have increased by 98%



PSEA supports a legislative proposal to create the infrastructure and means to deliver a statewide health care system for public school employees. A statewide plan would help control costs by creating a pooling system where costs would be spread across the state.

Similar to the PEBTF, the enactment of a statewide health care plan for public school employees would allow the Commonwealth and school districts to take advantage of several significant cost saving measures that are inherent in pooling the approximate 300,000 school employees into one group. First and foremost, the creation of a large risk pool will stabilize health care claims. Large pools will reduce the cost of the risk premiums assigned to cover volatile healthcare claims that are inherent in smaller risk pools. Second, by stabilizing the amount and type of health care claims, it would allow for a dramatic decrease, or elimination, of stop-loss premiums. Ultimately, it would be most beneficial to transition the many fully insured plans throughout the state to a single statewide self-insured plan.

Again, a large risk pool would eliminate the need for fully insured plans, which have risk costs, profit margins, and broker fees included in the premium price. When reviewing these and other factors, PSEA research estimates that it would be possible to cut anywhere from 15 to 25 percent in health care costs over the long term with initial savings in the 7-20 percent range.³

Furthermore, PSEA believes these savings can be accomplished while maintaining quality health care benefits for public school employees.

A statewide health care plan would:

- **Remove a contentious issue from the collective bargaining table.** A major cause of many of the public school employee strikes in Pennsylvania is health care benefits. Statewide health care will help to reduce and control costs for the taxpayers of Pennsylvania while ensuring access to quality health care for the employees who support and serve Pennsylvania's children in public schools thereby, removing this issue from contract negotiations.
- **Create initial cost savings of millions of dollars for school districts.** Research estimates initial savings ranging from a seven to 20 percent reduction in current health care expenditures for school employees due to the elimination of redundant administrative costs and increased size of the risk pool with potential long-term savings in the 15 to 25 percent range.
- **Establish predictability and cost containment for Pennsylvania taxpayers, school districts, and employees.** The Task Force on School Cost Reduction created by Act 1 (the Taxpayer Relief Act) released its report in 2007 citing statewide health care as a key recommendation for reducing school costs. Establishing a statewide risk pool increases the buying power of the state. Enhanced health management, high level of health care planning and utilization expertise, and consolidated claims administration help keep costs low. Removing responsibility for managing health care benefits from school administrators and employees will allow them to focus on educating students, their primary responsibility.

PSEA firmly believes that a statewide plan would continue to provide quality health care coverage to school employees and their families while slowing the growth of health care costs for local districts and taxpayers. As the state budget continues to face increased pressure and public scrutiny, PSEA strongly recommends that Pennsylvania take advantage of this opportunity to establish efficiencies and cost-containment in the provision of quality health care benefits for public school employees. (01/10)

¹ PSEA supports House Bill 1881, introduced July 2009, which establishes the Public School Employees' Benefit Board.

² Pennsylvania's Task Force on School Cost Reduction Report - "Driving More Dollars Into the Classroom"

http://www.able.state.pa.us/k12_finances/lib/k12_finances/TFSCRFinalReport.pdf.

³ PSEA Research based on school district Annual Financial Reports submitted to PA Department of Education; this is not data based on the now-disputed "Hay" Report – The Feasibility of Placing Public School Employees Under the Commonwealth's Jurisdiction for the Purpose of Providing Health Benefits" – Legislative Budget and Finance Committee, February 2004 – <http://lbfc.legis.state.pa.us>; the "Hay" Report (named that because LBFC contracted with the Hay Group to conduct the study) was not accurate in its finding due to limitations of limited data as all school districts and insurance companies were not *required* to submit data. That would be rectified under the legislation PSEA supports to establish statewide health care for school employees.