



CHANGES TO PUBLIC SCHOOL EMPLOYEE HEALTH INSURANCE COVERAGE

BRIEFLY

During the second special session, the legislature adopted changes to public school employee health benefits coverage. The enacted legislation emphasizes data gathering and does not consolidate benefits purchasing.

ESSB 5940 aims to promote efficiency and savings in the school employee health benefits purchasing system.

As part of the end-game negotiations on the 2012 supplemental budget, a coalition of senators pressed for a consolidation of the purchasing system for public school employee health benefits. The coalition's proposal would have required school districts to participate in a consolidated system beginning January 1, 2014. Changes to the system were eventually adopted by the legislature during the second special session and signed by the governor on May 2, but they do not go as far as the original proposal.

Background

The state provides funds to public schools for their employees' health benefits. In the 2011–13 biennium, the state allocation is \$768 per-employee, per-month. School districts may choose how to provide health benefits. (By contrast, state employees are all pooled together under the Public Employees Benefits Board, PEBB.) A February 2011 report from the state auditor notes that, as a result, school employees receive benefits through “more than 1,000 separate benefits-funding pools that pay for more than 200 different medical plans offered through 10 different insurance companies.” (There are 295 school districts in the state.)

The auditor's report is based on school year (SY) 2009–10, during which the total cost of public school employee health benefits was \$1.21 billion. The state's share of that was \$778 million (the per-employee, per-month state allocation was \$745). The employees' share was \$198 million.

Out-of-pocket costs vary among school employees. As the auditor's report notes, “about 27 percent of employees, who insure just themselves, pay no premiums at all, while those who buy family coverage pay average monthly premiums of \$500.” Additionally, school districts pool unused benefits money within bargaining units and use it to subsidize some premium costs.

The auditor identified some changes that could save up to \$180 million per biennium:

- Streamline the system by simplifying the pooling process. Create fewer and larger funding pools to create stability, save money through reduced administrative costs and greatly increase transparency.
- Standardize coverage levels for more affordable, quality medical benefits. Provide affordable, quality care by creating standard benefit levels or “tiers.” Public school employees could choose from these benefit tiers.
- Completely restructure the public-school employee health-benefits system. Create a separate, statewide, self-funded program with its own governing board.

In 2011, the legislature required the Health Care Authority (HCA) to “develop a plan to implement a consolidated health benefits' system for K-12 employees for the 2013–14 school year.”

2012 Legislation

On April 11, during the second special session, the legislature passed ESSB 5940. The legislation emphasizes data gathering and does not consolidate benefits purchasing.

The stated goals of the legislation are:

- Improve the transparency of health benefit plan claims and financial data to assure prudent and efficient use of taxpayers' funds at the state and local levels;
- Create greater affordability for full family coverage and greater equity between premium costs for full family coverage and for employee only coverage for the same health benefit plan;
- Promote health care innovations and cost savings, and significantly reduce administrative costs; and
- Provide greater parity in state allocations for state employee and K-12 employee

health benefits.

Additionally, the bill states up front that “the legislature intends to retain current collective bargaining for benefits, and retain state, school district, and employee contributions to benefits.”

Under the bill, each K-12 employee will have to pay a minimum premium for medical benefit coverage (subject to collective bargaining), and the premiums will ensure that richer benefit plans require higher premiums. School districts offering medical, vision, and dental benefits will have to offer a high-deductible health plan with a health savings account; “make progress” toward ensuring that “full family coverage premiums are not more than three times the premiums for employees purchasing single coverage for the same coverage plan;” and offer a plan “in which the employee share of the premium cost for a full-time employee . . . does not exceed the share of premium costs paid by state employees.”

School districts and benefit providers will have to submit detailed enrollment, plan and financial data to the Office of the Insurance Commissioner (OIC) each year. OIC must submit a report on school district health benefits annually to the governor, HCA, and the legislature beginning December 1, 2013. The HCA must then submit a report to the governor, legislature, and Joint Legislative Audit and Review Committee (JLARC) by June 1,

2015 considering “a specific target to realize the goal of greater equity between premium costs” and considering the advantages and disadvantages of consolidating school district health insurance purchasing into a single plan and consolidating school insurance purchasing through PEBB. Next, by December 31, 2015, JLARC must report to the legislature on progress made in meeting legislative goals, and it must recommend a specific target to achieve the equity goal. JLARC must also determine, in SY 2015–16, which districts have met the requirements of the bill, and “allocate performance grants to the highest performing districts” (from a fund of \$5 million, if appropriated).

Discussion

As we wrote in the Thrive Washington paper, *Containing State Health Care Spending While Improving Outcomes*, “Rapid growth in health care spending is squeezing out funding for other priority services and expanding the state’s enduring structural deficit.” ESSB 5940 aims to promote efficiency and savings in the school employee health benefits purchasing system. The increased reporting requirements could help future legislatures decide whether a consolidated purchasing system will be a necessary condition for containing state costs on school health benefits.