

## ADDRESSING HEALTH INSURANCE ISSUES

*Presented to:*  
Madison Metropolitan School District  
Human Resources Committee  
September 25, 2006

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### Why Address Health Insurance under a Total Compensation Model?

- Impact on Student Achievement, Program Offerings, and Facilities
- Impact on Taxes and Community Support for Education
- Staffing Issues
- Labor Market Factors

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### Staff and Community Education

- Effect on the District's Budget
  - Percentage of District Budget Spent on Health Insurance
  - Historical Percentage of District Budget Spent on Health Insurance
- Effect on the District's Staffing Levels
  - Elimination of positions
  - Increased class sizes, reduced planning time, or teaching overloads
  - Creating positions that do not qualify for health insurance benefits
  - Utilization of outside vendors
  - Impact benefit costs have on wages
  - Distortion of the Labor Market

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### Wisconsin

#### Average Teacher Salary & Benefits Rankings

- 3<sup>rd</sup> highest on benefit costs per pupil
- 27<sup>th</sup> on average teacher salary for 2003-04
- 24<sup>th</sup> on average teacher salary in 2001-02
- 14<sup>th</sup> on average teacher salary in 1991-92

Source: 2004 U.S. Census Bureau Data; [www.aft.org](http://www.aft.org)

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#### K-12 v. Private Sector Premium Costs in Wisconsin

- 2005: Avg. Private Sector family health insurance premium: \$1,054 per month
- 2005: Avg. K-12 family health insurance premium: \$1,230 per month
- Average K-12 premiums were \$2,112 more per year than the average private family health insurance premium in the State

Source: Wisconsin Hospitals Association; WASB Database

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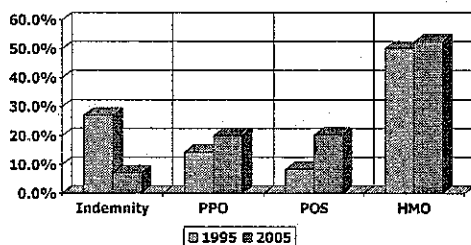
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#### Health Benefit Plan Design in Wisconsin



Source: Wisconsin Office of Commissioner of Insurance

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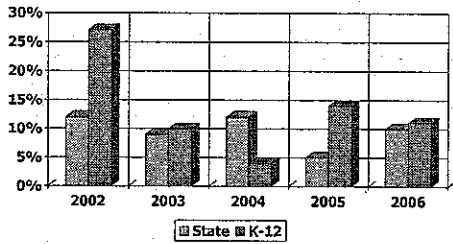
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### State Health Insurance Plan Percent Increases Compared to K-12



Source: Department of Employee Trust Funds, WASB Database

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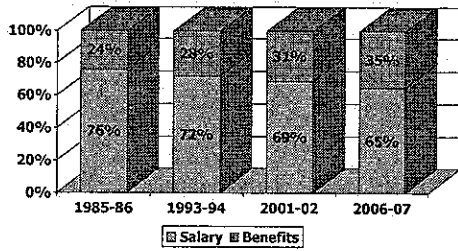
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### Benefits as a Percentage of Total Compensation - Statewide Historical Trends



Source: WASB Database

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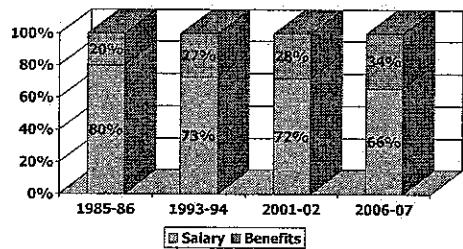
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### Benefits as a Percentage of Total Compensation - MMSD Historical Trend



Source: WASB Database

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If the Percentage Spent on Benefits had remained at 1985-86 Levels

- **2006-2007:** Average Madison Teacher Salary would be **\$59,941**
- An increase of **\$8,119** more than present salary levels
- Increased Wisconsin Retirement System Pension and Social Security Payments

Source: WASB Database

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If the Percentage Spent on Benefits had remained at 1993-94 Levels

- **2006-2007:** Average Madison Teacher Salary would be **\$56,786**
- An increase of **\$4,964** more than present salary levels
- Increased Wisconsin Retirement System Pension and Social Security System Payments

Source: WASB Database

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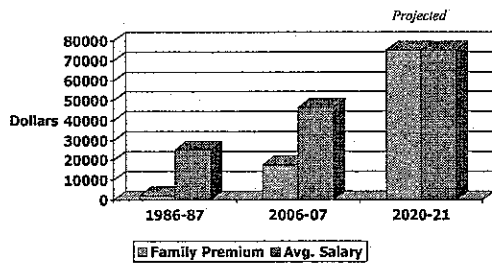
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Average Salary and Health Insurance Increases – Statewide Comparison



Source: WASB Database

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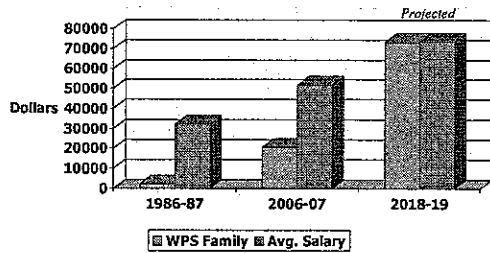
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**Average Salary and Health Insurance Increases –  
MMSD Comparison**



Source: WASB Database

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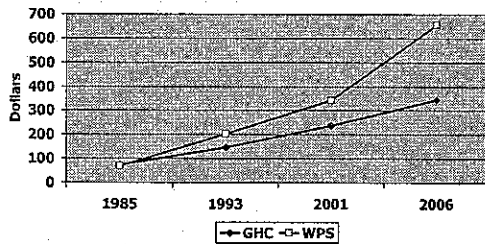
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**MMSD Monthly Premium Comparisons –  
Single Premium for WPS and GHC**



Source: MMSD

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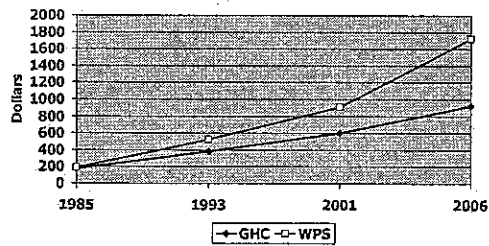
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**MMSD Monthly Premium Comparisons –  
Family Premium for WPS and GHC**




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### What MMSD has done to address Health Insurance Costs

- ? Introduced a Dual Choice Health Insurance Plan
  - Employer pays 100% of GHC, 90% of the WPS
- 1995: BC/BS PPO Alliance for Administrators
- 1999: WPS PPO Alliance for Administrators
- 2002: \$300/\$600 Deductible, 6/12/25 drug card for MTI
- 2003: WPS PPO for MTI, Increase co-payment for out of network services, Administrators pay 5% of premium
- 2005: WPS PPO for MTI, Increase co-payment for out of network services, out of network drug card increases
- 2006: Insurance Committee

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### What can MMSD Do to Slow the Growth in Health Insurance Costs?

- Staff Education
- Insurance Task Force
- Plan Design Changes
- Provider Changes
- Wellness Programs

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### Sample Employee Compensation Form - MMSD -- WPS Family

Category	2005-06	2006-07	Dollar Difference	Percent Difference
Salary	53494	55108	1614	3.07%
FICA	4090	4216	126	3.07%
WRS	6202	6393	191	3.07%
Health	16603	18595	1992	12%
Dental	834	856	22	2.67%
Life	134	138	4	3.07%
LTD	45	46	1	3.07%
Total Benefits	27907	30243	2336	8.37%
Total Compensation	81371	85351	3980	4.89%

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**Sample Employee Compensation Form -  
MMSD – GHC Family**

Category	2005-06	2006-07	Dollar Difference	Percent Difference
Salary	53494	55108	1614	3.07%
FICA	4090	4216	126	3.07%
WRS	6202	6393	191	3.07%
Health	10239	10853	614	6%
Dental	834	856	22	2.67%
Life	134	138	4	3.07%
LTD	45	46	1	3.07%
<b>Total Benefits</b>	<b>21543</b>	<b>22503</b>	<b>958</b>	<b>4.45%</b>
<b>Total Compensation</b>	<b>75007</b>	<b>77609</b>	<b>2602</b>	<b>3.47%</b>

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**Staff Education –  
Impact on Operations**

- Effect on the District's Budget
  - Percentage of District Budget Spent on Health Insurance
  - Historical Percentage of District Budget Spent on Health Insurance
- Effect on the District's Staffing Levels
  - Elimination of positions
  - Increased class sizes, reduced planning time, or teaching overloads
  - Creating positions that do not qualify for health insurance benefits
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**Insurance Task Force Process**

- Formulation and Role of Task Force
  - Union Involvement
  - Meeting Schedule
  - Open Meetings Law
  - Procurement/Selection of Insurance Consultant
  - Information Brought Back to Bargaining Teams
    - Example: *Sun Prairie School District*

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### Insurance Consultant Role

- Reasons for Health Care Cost Increases
  - Demographics
  - Prescription Drugs
  - Utilization
  - Plan Design
  - De-Regulation
  - Cost-Shifting
  - Medicare Reimbursement

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### Insurance Consultant Role (cont.)

- Survey Membership
  - Crafting the Questions
  - Confidentiality of Individual Responses
  - Plan Design Options Based Upon:
    - Survey Results
    - Market Place
  - Negotiate with Insurance Companies/Health Care Providers

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### What School Districts are doing to Address Health Insurance Costs

- Plan Design Changes
- Provider Changes
- Wellness Programs
- Legislative Initiatives

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### Plan Design Changes

- Employee Contributions
- Deductibles – exemptions for preventive care, i.e. pre-natal, physicals, etc.
- Three-Tiered Drug Card – Percentage Based Co-Payment in Third Tier
- Co-Payments
  - Emergency Room
  - Office Visit
  - Mental Health/AODA
- Health Reimbursement Account/Health Savings Account
- Alternative Benefit Plans
- Medicare Carve Out Plans for Retirees – Medicare Part D

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### Provider Modifications

- Point of Service
  - *Sun Prairie School District*
- Preferred Provider Options
  - *Verona School District*
- Health Maintenance Organizations (Vertically integrated health insurance providers)
- Multiple Choice Health Insurance Providers
  - *Middleton School District*
- State Health Insurance Plan
  - *Monona Grove School District*
- Cooperative Health Insurance Purchasing Arrangements
  - *Waukesha County School Districts*

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### Wellness Programs

- Healthy Lifestyles
  - Integration with Community Recreation Programs
  - *Greendale School District*
- Heart Risk Assessment
  - *Waukesha County School Districts*
- Provide Quality Data to Employees
  - *MMSD*

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## Incentives For Change

- Salary Schedule Increase
- Increased Wisconsin Retirement System Pension and Social Security Payments – *see following chart*
- Staffing Levels

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## Salary and Pension Impact

	Gross Salary		Health Contribution		Net Salary
Status Quo	54,489		2,000		52,489
Health Plan Change	56,839		1,900		54,939
Net Salary Gain					2,450
	2006-07 Salary	2007-08 Salary	2008-09 Salary	Estimated Monthly Benefit	Lifetime Benefit
Status Quo	54,489	54,489	54,489	\$2,344	\$618,816
Health Plan Change	56,839	56,839	56,839	\$2,455	\$645,480
Net Pension Gain					\$26,664

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## Provider Costs – Where Available

- WHA Information Center – [www.whainfocenter.com](http://www.whainfocenter.com)
- Price Point System – [www.wipricepoint.org](http://www.wipricepoint.org)
- Private fee based information – [www.subimo.com](http://www.subimo.com)

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Questions?

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