

District ties to WPS prove costly

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By Jason Shepard

K.J. Jakobson voted "yes, yes, yes" on the recent Madison school referendums but promised herself after the vote to look into whether the district is paying too much for its employees' health insurance. What she's found has led her to agree with district critics.

"Here's an issue that could potentially, at least for this year, solve the entire budget problem," says Jakobson, a former business administrator who this week sent the school board a memo on the issue. "Personally, I feel the district is being negligent in not providing alternatives."

For years, questions have been raised about the Madison district's health insurance costs, and especially its relationship with Wisconsin Physicians Service, the provider specified in the teachers' contract. WPS has regularly been lauded by John Matthews, executive director of Madison Teachers Inc. and a paid member of WPS's board of directors.

Health insurance coverage for the district's roughly 5,000 employees now costs \$37 million a year. That's more than 10% of the district's total budget of \$317 for 2004-2005. The expense is facing growing scrutiny at a time when the school board is slashing education programs and laying off teachers.

On Tuesday, the district and MTI announced a new two-year contract with \$14.7 million in new spending for teacher raises. The roughly 4% salary and benefits hike in each of the next two years will go largely toward rising health-care costs. The wage scale will increase just 0.75% in the first year and 0.9% in the second, although the average teacher will see a pay hike of about 2.1% in each year due to automatic step increases.

The deal also calls for the district and MTI to create a task force to analyze health-care costs, in part because of rising premiums through WPS. If the task force recommends a switch in coverage, officials say any savings will go toward teacher pay rather than prevent layoffs.

Of the Madison teachers who enroll in health insurance plans, 53% elect WPS, with the rest opting for a cheaper HMO-alternative. This year, the monthly premium for WPS family coverage was \$1,360 -- by far the highest premium for policies covering the school district, city, county and state employees. Rates with WPS have increased 176% since 1993 will rise 13.1% again next year.

Current WPS rates are 71% higher than those for Dane County government employees, who 1½ years ago agreed to insurance-coverage changes to avoid layoffs. The county now pays \$796 for monthly family coverage under its most expensive plan. The city of Madison, in comparison, pays \$929 for its most expensive HMO plan.

Bob Nadler, the district's director of human resources, says his office has solicited proposals from HMOs whose premiums are "near" the rates of the county and city. But because the union has refused to negotiate the item, exact cost savings are unknown. A 1997 estimate placed potential savings at \$3.6 million. And in 2000, the Wisconsin Policy Research Institute concluded that the district would save almost \$2.5 million annually if it enrolled in the state health insurance pool.

"We're talking estimates of anywhere between \$2 million and \$10 million," says Jakobson. "Even \$1 million in savings would prevent all teacher layoffs this year."

Making a change will not be easy, since WPS has been specified in the teachers' contract for as long as anyone can remember. Matthews says the union has kept WPS in exchange for lower wages because the plan offers greater coverage and flexibility than HMO plans.

"I think MTI members have said, this is quality issue for us," Matthews says. "I have sacrificed wages to keep my health insurance the way I want it."

And indeed, rising health-care costs have largely gobbled up the "total package" raises given to teachers over the past decade.

"Basically, since the revenue caps, the district has said, 'Here's the amount of money we have for wages and benefits. If you continue with WPS, you have this kind of salary increase,'" says school board President Carol Carstensen. "Ultimately, this is a decision for the bargaining unit to decide between wages and benefits."

The contract with the Madison district is among WPS's largest for group coverage, Nadler says. In the 1980s, the district unsuccessfully tried to remove WPS from the

teachers contract to allow it to put health-care coverage out for bids from other companies.

Matthews won't give up WPS without a fight, and some have suggested his dogged support stems from his role as a member of WPS' board and executive committee. In 1994, the state Office of the Commissioner of Insurance cleared Matthews of interest-of-interest allegations. But concerns continued to be raised, with the commissioner of insurance in 1997 telling the *Wisconsin State Journal*, "If I were a member of the union or a member of the School Board, I would be asking, 'Why aren't we bidding this out?'"

The ties between Matthews and WPS date back more than 20 years. Matthews says he serves because of his expertise: "I'm the conscience of the public sector unions on the WPS board." He adds that he discloses on WPS conflict-of-interest statements that he puts MTI interests first.

A detailed survey of MTI members conducted this spring, says Matthews, showed that "keeping WPS was the number-one priority" of teachers. "As far as the members are concerned, this is more important than wages."

But the clear trend in the past decade is teachers selecting Group Health Cooperative, the HMO plan the district started offered in the 1970s to comply with federal law. GHC costs \$807 a month for family coverage.

In the past, Matthews says he's discouraged teachers from taking GHC because of lower-quality service. Now, many younger teachers are willing to select an HMO plan that's more restrictive but less costly. In 1997, only 20% of Madison teachers were enrolled in GHC; today that figure is 47%.

Matthews says many older, more veteran teachers, however, believe WPS coverage is critical. It allows them, their spouses and children to choose doctors in different networks. It provides greater choices for family members who live out of state, including retirees and college students. They stick with the plan even though the district, to cut costs, now requires a 10% employee contribution to premiums, an increased deductible, and co-pays for prescription drugs. Two years ago, WPS also instituted a preferred provider plan that limited which providers employees could see without paying more money.

Still, others say HMO coverage is just as good in part because Dane County is unique in its variety and depth of coverage in the 5 most-popular HMO plans. "There was a time when HMOs may not have been high quality," says Carstensen, who herself receives HMO health care. "I think that in this

community, the quality of care is extremely high in any of the HMOs."

One of the reasons WPS is more expensive, according to both Matthews and Nadler, is that teachers enrolled in the plan have generally higher usage rates than those in GHC.

"All these young healthy people go to GHC. They don't have costs. If you went and talked to 10 new teachers, they probably haven't been to the doctor at all, for any reason," Matthews says. "That's not the case if you go talk to 10 teachers over the age of 50 who are the population in WPS."

There is one measure, however, that undercuts claims that WPS provides superior care. Office of the Commissioner of Insurance records show WPS has a significantly higher grievance rate than other area health providers. In 2003, WPS had 68 grievances per 10,000 enrollees, while GHC of South Central Wisconsin had 28.2, Physicians Plus 21.8, Dean 20.2, and Unity 17.2. All of WPS complaints involved the denial of benefits.

Virtually everyone acknowledges a change in insurance plans could save the district millions. But because the union sees the WPS money as belonging to teachers, it wants to transfer any savings directly to higher wages. District officials seem to think they're powerless to do otherwise.

"Does it save the district money to go to a lower-costing option? Probably not, because that money would go to salaries," says Nadler. "This is a bargaining issue and the union won't give this in exchange for nothing. Changing plans becomes a big negotiating item."

School board member Ruth Robarts says \$3 million is her conservative estimate of potential savings, which translates into 54 jobs. She suggests the district follow the lead of Dane County Executive Kathleen Falk, who used health-care savings to avoid layoffs during the last contract negotiations with county unions.

"We've got to work with the union and see about translating several millions of dollars in savings to keeping jobs and protecting programs," Robarts says. "The only difference between us and the county is that we are weak in our bargaining and they are strong."

"Why are we wasting millions of dollars and why does the union prefer layoffs which hurt kids, over changes in the contract? I think we probably need a couple of new school board members and another contract in order to be in the same position as Kathleen was."