



# **Operations Work Group**

## **2015-16 Budget Development**

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**May 11, 2015**



# Preliminary Budget Status Update

- Presented a draft Preliminary Budget - April
- **Discussing Health Insurance - May Operations Work Group**
- Monitoring State Budget Developments - Ongoing
- Debt Service Plan - June Operations Work Group
- Board and Public Budget Q&A – Ongoing
- June 15 Public Input Session
- Target for Preliminary Budget Adoption – June Regular Meeting





# May Update Health Insurance

- Budget Goals & Guiding Principles
- Recent Public input on Budget
- Health Insurance & MMSD Budget Context for 2015-16
- HMO, Employee and Employer Perspectives
- Recommendations for 2015-16
- Future Strategy





# District Goals

## Drive Budget Development

- A. Alignment to Strategic Framework Goals and Priorities**
- B. Equitable Use of Resources**
- C. Transparency in Budget Development**

*Minimize Tax Levy - Budget Stewardship – Compliance*





# Guiding Principles

- **Keep cuts away from the classroom to the extent possible**
- **Preserve priorities in the strategic framework to extent possible**
- **Maximize resources for the greatest impact on student learning**
- **Plan for worst, advocate for improvement in state budget**
- **Keep multi-year perspective in mind**





# Public Feedback on Preliminary Budget

- New online input form released with preliminary budget on April 27 – open to the public
- From April 27- May 5, received 4 responses
  - Identified prioritizing : staffing (student services and classroom teachers), specials classes, and retaining a specific position
  - Feedback did not specify any efficiencies





# Strategic Framework

## Priority: Thriving Workforce

*“To cultivate a work environment that attracts, develops and retains top talent”*





# Health Insurance Budget Context for 2015-16

*“The district, in collaboration with employee representatives, is working to minimize the budget impact for 2015-16. An update on the current status of health insurance rate renewals will be presented to the Board in May.”*

*Draft Preliminary Budget 2015-16, page 30*



MADISON METROPOLITAN  
SCHOOL DISTRICT

DRAFT  
PRELIMINARY  
BUDGET

Fiscal Year 2015-2016





# Health Insurance

## Budget Context for 2015-16

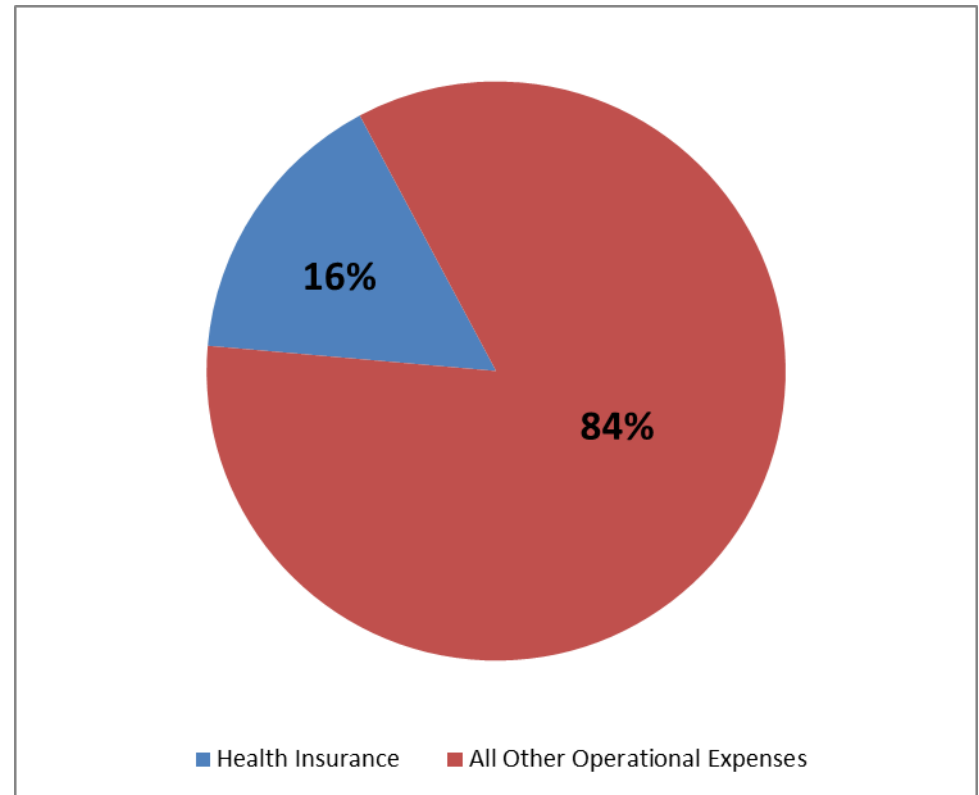
<b>Minimum Budget Gap Estimate - Major Factors Only (Rounded)</b>	<b>Amount</b>	<b>Revised</b>
Start: \$12.2 million Budget Gap w/ <i>Full Use of Levy Authority</i>	12,200,000	12,200,000
<b>Repurposing of Existing Funds:</b>		
District Priorities	606,000	590,000
School Level Priorities	1,367,000	1,119,000
Budget Adjustments based on Departmental Reviews	860,000	947,000
<b>Adjusted Budget Gap</b>	<b>15,033,000</b>	<b>14,856,000</b>
<b>District Level Reductions:</b>		
Central Office Efficiencies ( <i>Including Tech Plan Changes</i> )	(4,237,000)	(4,570,000)
Student Services - Enrollment Related Reductions	(1,781,000)	(1,780,000)
<b>Adjusted Budget Gap</b>	<b>9,015,000</b>	<b>8,506,000</b>
<b>School Level Reductions:</b>		
Remaining Impact to Schools ( <i>Updated per Operations Work Group</i> )	(3,346,000)	(4,475,000)
<b>Adjusted Budget Gap</b>	<b>5,669,000</b>	<b>4,031,000</b>
<b>Employee Compensation - Benefits Strategy :</b>		
<i>Health Savings - TBD - w/ Lower Census &amp; ACA Impact</i>	(5,669,000)	<b>(5,031,000)</b>
<b>Net Result - Remaining Budget Gap (Minimum)</b>	<b>-</b>	<b>(1,000,000)</b>
<b>Tax Levy Adjustment</b>		<b>1,000,000</b>



# Health Insurance

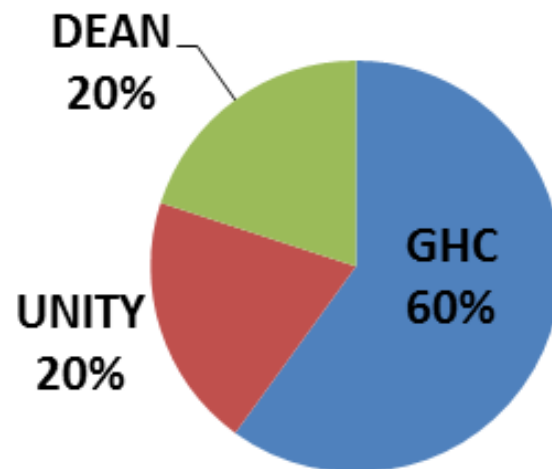
## Budget Context for 2015-16

- *MMSD will spend \$61 million on health insurance this year.*
- *One of Every Six Dollars is Spent on Health Insurance in the MMSD budget.*
- *Health Insurance premiums account for 16% of the MMSD budget.*
- *Over 3,900 employees are enrolled in the MMSD plan*



# Health Insurance Budget Context for 2015-16

## Distribution of Health Plan Membership






# Health Insurance Estimated Premium Renewals

**Preliminary Estimate as of December 2014:**

- **Rate Increase Effective July 1, 2015**
- **All Three HMO Plans: 7-8% Increase**





# Health Insurance Actual Premium Renewals

Negotiations with HMO's in March and April 2015:

## Results:

Dean – Zero Increase

GHC – Zero Increase

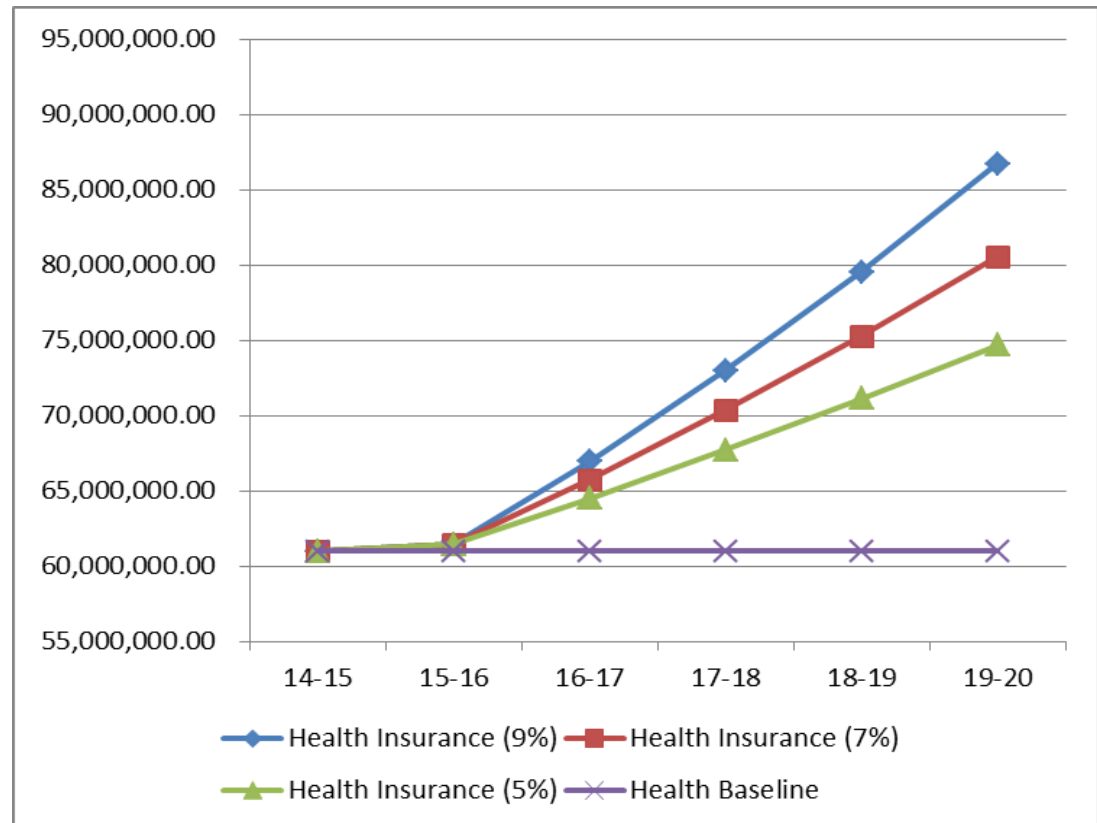
Unity – 3.5% Increase (not final)

- ✓ Budget Strategy for 2015-16 Remains Viable
- ✓ \$4 million in cost avoidance
- ✓ Employee compensation is protected



# Looking Beyond 2015-16

- **Health Insurance (Baseline) \$61 million in 2015-16**
- **5%, 7%, 9% trend lines presented beyond 2015-16**
- **While overall district revenue growth is expected to be minimal**





# Looking Beyond 2015-16

## Three Perspectives on Health Insurance:

- HMO's
- Employee
- Employer





# Looking Beyond 2015-16

## HMO Perspective

- The MMSD plan design lacks common features that promote efficient utilization - the plan has no deductibles, no co-insurance requirements, and no employee premium contribution
- Our multi-year claims experience (medical loss ratio) does not suggest that MMSD should expect less-than-market pricing
- Medical trend (inflation) continues to grow at 7-8% annual increases (including 3-4% ACA fees)







# Looking Beyond 2015-16

## Employee Perspective

- Health insurance is a benefit which has been gained through bargaining
- Over many years, potential salary increases were scaled back to pay for preservation of health insurance (total package costing)
- Increases in employee take-home pay have been minimal since 2011
- Preserving the health insurance benefit is an important component of overall job satisfaction





# Looking Beyond 2015-16

## Employer Perspective

- Quality health insurance is an important component of a thriving work force
- A healthy staff reduces absenteeism and has a positive impact on school culture
- In an environment with minimal annual revenue growth, health insurance increases are a major financial challenge
- At sixteen percent of the budget (16%), even moderate increases in health insurance rates pose a significant risk to MMSD
- The three HMO structure promotes competition and provides employee choice





# Affordable Care Act

## 30-Hour Rule

### ACA 30-Hour Rule - Effective for MMSD 7/1/2015

The ACA legislation requires employers to offer affordable and valuable coverage to all employees who work 30 or more hours per week effective the first day of the plan year in 2015. MMSD offers coverage to eligible employees who work 19 hours per week. However, there is a small number of employees (approximately 100) who work 30 or more hours per week, but work in positions which are not currently benefit eligible. The individuals in this category change substantially from year to year.

Option	Estimated Financial Impact
<b>A:</b> Offer coverage to all employees who work 30+ hours per week, including those who are in positions not currently eligible for benefits per MMSD's eligibility language.	\$350,000 estimated annual cost in premium (based on single rate with GHC) if half of those who qualified remain active in the next year and joined the plan.
<b>B:</b> Choose to not offer coverage to those individuals who now qualify for health insurance per the ACA 30-hour rule.	\$150,000 estimated potential annual cost of \$3,000 per person. This would occur if half those who qualified purchased a health plan thru the federal marketplace and were eligible for a subsidy.



# Recommendations for 2015-16

- In May -June, complete our work with Unity to bring the plan to a zero rate renewal before Preliminary Budget is adopted
- Comply with the ACA 30-hour rule by extending coverage to qualifying individuals per Option A ‘Offer Coverage’





# Future Strategies

- **Develop multi-year health insurance strategy with options that align to the overall budget forecast, including options for employee premium contributions and plan design changes**
- **Multi-year health insurance strategy needs to consider a K-12 budget environment where minimal revenue growth is the norm**
- **Options and recommendations will be integrated with the Compensation Study in January**

