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## This response was prepared for Pad McCracken/Montana Legislative Services

### Your Question:

Which states have recently created health benefit pools for K-12 employees or have allowed K-12 employees into an existing state employee pool? How did they go about this and what were the financial implications?

### Our Response:

In many states, public school employees can pool their health benefits in one of three ways: (1) pool together multiple benefit-funding pools at the district-level, (2) districts can opt to join together with the state to purchase health benefits, or (3) districts can be mandated to purchase their health benefits through the state's insurance pool.

[A 2010 NCSL report](#) finds that combining small employer groups into large state employee pools can save up to 15 percent in administrative costs.

#### 1. School district joint purchasing pools

Joint purchasing pools allow school districts to cooperatively purchase health care coverage for their employees often at reduced costs. These pools are able to purchase health insurance at reduced costs due to their size – the larger the group seeking coverage the greater the leverage it will have when negotiating with health insurers.

Positives: These programs are often voluntary thus allowing for local control over health care decisions.

Negatives: An issue that some states have found with these programs is that large school districts often do not participate in these pools. Large districts have health care options – including self-insurance – that can produce cost savings over participating in these pools. When large districts choose not to participate in these programs it can greatly reduce the size of the pools thus reducing the leverage that they would have with insurers.

### State Example

#### Washington

In 2011, Washington State contracted [multiple external studies](#) to find cost savings in their school employees benefit plans. The studies concluded that creating a state-wide, self-funded program for public school employees could save as much as \$90 million per year. The studies recommend not pooling the public school employees with the state employees because “economies of scale quickly decrease after insurance risk pools exceed 50,000 employees.” Washington State then created a single community-rated risk pool that includes [all K-12 public school employees of participating districts](#).

## 2. Joint purchasing with the state with district opt-in

States negotiate directly with health care companies to provide insurance for their employees. Because of their size - states are often able to purchase insurance for their employees at lower rates than individual school districts ever could. In some states school districts are allowed to purchase insurance through the state – thus paying the same rate for insurance as the state does.

Positive: The state can often negotiate for both lower cost insurance and for greater insurance options than most districts can.

Negatives: Health insurance programs that work for state employees (who are often located in large to mid-size cities) might not work for school district employees who are located in rural areas of the state. In fact, some state insurance options might not even be available in certain parts of the state -making participation in these pools pointless for some districts.

### State Examples

#### Utah

Utah's [Public Employee Health Plan \(PEHP\)](#) includes approximately 52 percent of eligible local governments, including service districts, counties and public schools; the fact that they joined voluntarily indicates favorable terms and savings. Starting in 1999, the Utah School Boards Association pooled school districts together to create more negotiating power for its members.

## 3. Joint purchasing with the state – state mandated

To produce reduced insurance costs states can mandate that all school districts purchase their health care insurance through the state's program.

Positives: Mandating participation will produce the largest pool of employees possible (all state employees plus all school district employees in the state) thus giving the state the greatest possible leverage with health care providers.

Negatives: Under these programs school districts would lose all local control over health care decisions. In addition, if the average cost of insuring school employees is higher than the average cost of insuring state employees then it could result in higher insurance costs for the state. This could happen for various reasons, including if the average age of a school district employee is higher than the average age of a state employee.

### State Examples

#### Arkansas

Arkansas provides funding each year for a statewide teacher health care pool – \$50 million in FY 2015-16 (6-20-1500 – state annotated code). The insurance pool is run by the [Employee Benefits Division](#) of the Arkansas Department of Finance and Administration. While districts are not technically required to buy their insurance through this pool they would not have access to any state funding for health care benefits if they purchased insurance outside of the pool. Because of this all of the districts in the state participate in this program. It should be noted that while this program is run by the state the insurance pool is not connected to the state employee insurance program – and because of this the cost for teacher insurance is different from the cost of state employee insurance.

## Delaware

In Delaware all teachers receive their health care benefit through the [state employee benefit program](#). Delaware defines school district teachers as state employees – thus they receive the same health care benefits as all state employees. School districts can-not raise or lower the amount of benefits provided by the state. Delaware also has a statewide salary schedule for teachers – however, districts can provide their teachers with higher salaries than the schedule provides for but the funds for these higher salaries must come from school district funds.

## Georgia

[Georgia law](#) provides for the establishment of a state subsidized teacher (and district employee) health care plan. While districts are not mandated to participate in this statewide program they will not receive any state funding for teacher health care benefits if they do not participate in this program. Currently all school districts purchase their teacher health care through this state run pool.

## South Carolina

South Carolina law requires state employees and retirees plus public school districts and public colleges and universities to obtain coverage through the [state health plan](#); as a result nearly 10 percent of the state’s population is covered by the plan.

## Other Examples

### Rhode Island

The state has looked at having [one statewide contract](#) that would cover all teachers in the state. If this were adopted it would obviously take all of the decisions about teacher health care benefits out of the hands of the districts.

### Texas

From a report about the state of Texas and teacher health care benefits:

*In 1991, the Legislature directed school districts to provide coverage comparable to the Uniform Group Insurance Program (UGIP), the health plan for state employees. (See Education Code, sec. 22.004.) As a compromise with school districts, who saw this directive as an unfunded mandate, the law was enacted with no enforcement mechanism. In 1997, HB 2644 by Telford et al. required TRS to certify the comparability of local coverage to UGIP in a biennial survey and report to the Legislature. Teacher advocates say that with no penalty for noncompliance, considerable disparities remain in both the cost and the quality of school districts’ health coverage. Others say that overall coverage in most school districts still compares favorably with the benefits offered by many private-sector employers and that some school districts offer plans that are better than UGIP.*