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TO: Rep. Mehlhoff
FROM: Pad McCracken, Legislative Services
RE: School Employee Health Insurance
DATE: June 2, 2015

This memorandum is in response to your request for information about health insurance benefits of school district employees.

1. Variability of health benefit offerings

The health benefits of school district employees in Montana vary greatly. Some districts self-fund and offer benefit plans similar to the state employee health plan; some districts have joined pools such as the [Montana Unified School Trust \(MUST\)](#) in order to share risks; some districts do not offer health care benefits at all. The variability between the plans and the multiple choices offered to employees and dependents, as well as widely varying salary schedules between districts makes any "apples-to-apples" comparison difficult if not impossible. Following are a few examples of this variability. Please note that the figures listed reflect what districts offered in the most recent school year (2014-2015) and that many districts make significant changes from year-to-year.

Of the seven largest school systems in Montana, most have created self-funded programs that are administered by third party administrators (TPAs). Typically the district provides a portion of the total premium cost and the employee then has some choice of plans. Part-time employees usually receive a prorated amount.

Helena Public Schools

Each FTE receives \$705/month in "cafeteria dollars". The employee then chooses between a "standard" and a "premium" plan and elects coverage for just the employee and/or spouses/dependents. A single employee may have money left over to put towards a flexible spending account, whereas an employee choosing the premium plan for spouse and dependents would contribute an additional \$608/month.

Bozeman Public Schools

BPS contributes the following amounts per month for employees to apply to 3 different plans; employees pay the balance of the plan cost, which can range from \$0 to \$329:

Employee Only	\$477
Employee/Spouse	\$694
Employee/Children	\$601
Employee/Family	\$800

Kalispell Public Schools

Kalispell, Whitefish, and a group of several neighboring smaller districts called the "Flathead Group" have an interlocal agreement to share risk creating something of a regional "mini-MUST". Each participating district has its own plans and rates. Kalispell Public Schools contributes \$525/month/FTE and an employee then chooses between 5 plans and elects coverage for just the employee and/or spouses/dependents. Monthly employee-paid premiums range from \$0 (with a sizable amount available for deposit in a health savings account) to about \$420/month, but the "composite" premiums for each plan are the same whether the coverage is for the employee, employee/spouse, employee/dependents, or employee/spouse/dependents.

The greatest variability in school employee health benefit programs exists in Montana's small and mid-sized districts and school systems.

Belgrade Public Schools

Belgrade participates in MUST and offers employees a choice of a major medical plan and two high deductible health plans (HDHP), one with a \$2,500 deductible and one with a \$5,000 deductible. The district contributes the following amounts with employees' monthly costs ranging between \$153 for a single employee on the \$5,000 HDHP and \$913 for a family major medical plan.

Single	\$327
Two Party	\$611
Parent/Child(ren)	\$590
Family	\$732

Wolf Point Schools

Wolf Point also participates in MUST and utilizes a set "composite" rate for 5 different plans regardless of coverage being for an employee, employee/spouse, employee/dependents, or employee/spouse/dependents. The premium plan costs nearly \$20,000 per year with the district contributing \$1356/month and employees paying an additional \$283/month. If an employee selects a higher deductible plan with an optional HSA, the district contributes the same \$1356/month but of that amount \$86/month goes to the HSA and the employee contributes \$0.

Big Sandy Public Schools

Big Sandy currently purchases health insurance on the open market through Blue Cross Blue Shield and offers employees the choice of three plans: gold, silver, and bronze. The district contributes \$600/month which would fully cover a single employee on the bronze or silver plan and require a \$30/month employee contribution for the gold plan. A family gold plan would require over \$1000/month from the employee. Big Sandy will be switching to MUST next year due to better rates, as well as MUST taking care of the federal reporting requirements under the Affordable Care Act (ACA).

Creston School

Creston's approach to health care benefits has been to provide a \$500/month stipend to employees that the employee could apply to various pre-tax cafeteria benefits, including health benefit plans through MUST some years and through BC/BS in others. An employee can also

elect to take the \$500 as a taxable salary addition. For the 2015-2016 school year, Creston will no longer offer health benefit plans as part of its cafeteria choices after determining that it was better for all parties if employees who needed coverage utilized the insurance exchange established under ACA.

A handful of smaller districts do not offer health care benefits at all.

2. Alternatives

You indicated an interest in exploring whether the state could create a new pool for those schools that don't self-insure. While a cost-benefit analysis of this proposal is well outside the scope of this information request, the following information may be useful if you want to pursue this further.

In Montana there are two large public employee health care benefit programs, one for employees of the Montana University System (MUS) and one for state government employees.

MUS

The Montana University System (MUS) has established a self-funded program and offers coverage to about 16,000 employees and dependents. Employees receive \$887/month to apply towards various combinations of 3 medical plans, 2 tiers of dental coverage, and 3 tiers of life insurance and long term disability coverage. Depending on the employee's choices and circumstances, the employee's out-of-pocket monthly premium costs range from \$0 to about \$500.

State of Montana Employees

The State of Montana health plan is self-funded and covers 33,000 beneficiaries. As with university employees, the state's monthly contribution is \$887. There is now one medical plan and the choice of two dental plans, and employees elect to enroll spouses and/or dependents based on their family circumstances. Employees can opt for vision or long-term care insurance, which typically is paid by the employee. A single employee might see monthly out-of-pocket premium costs of \$0, while family coverage adds about \$300.

Any risk pool succeeds when it accumulates enough capital to pay out for inevitable high-cost medical procedures (or reinsures for "stop loss" against these claims) and manages its risk effectively in order to "beat the trend" of rising health care costs. A "win" in this game is needing to raise rates less than other players. Previous legislatures have considered proposals to form a statewide health program for school district employees or to allow school district employees to participate in the state employee health plan. According to [NCSL](#), about 19 states allow public school districts to participate in state employee health benefit plans.

In 2005 [HB 124](#) proposed creating the K-12 Statewide Health Insurance Program (K12-SHIP) as a means of providing equitable and cost-effective health care benefits to Montana school employees. Proponents of the proposal distributed a [document](#), including a chart on page 9

showing school district expenditures for health care benefits from 1991 to 2004 as a percentage of district general fund expenditures. In those 14 years, the percentage increased from 5.3% to 8.0%. The table at the end of this memo displays this data for 2005 to 2014, and the percentage of general fund expenditures for health care benefits continues to increase. It is now just over 9%. As more general fund dollars are spent on health care benefits, less are available for other district general fund expenditures such as curriculum development and instructional materials.

During the 2005 Interim, the [Quality Schools Interim Committee](#) was formed to examine Montana's school funding formula. Health insurance costs were considered, and the Governor's Office [proposed](#) having the state assume responsibility and management for health care claims that exceeded \$150,000 in a year. Basically the state would offer the "stop-loss" reinsurance that most districts were purchasing. As part of the proposal, the state would also provide a comprehensive risk management program, including health screenings. The Governor's Office estimated a savings to school districts of \$18-20 million per year at a state cost of \$13.5 million.

3. Conclusion

This memo provides a snapshot of the variability that exists among different school district health care benefit offerings and some evidence that health care benefits are not only costing school districts more money, but a greater share of total district dollars. If an interim committee or commission determines to use its resources to explore this issue and possible policy changes in greater depth, the committee or commission might consider proposals that:

- Allow school districts to participate in the state employee health care plan;
- Require school districts to participate in the state employee health care plan;
- Create a new statewide health care plan for school district employees (could require participation or not; proposed as "K12-SHIP" in 2005, HB 124); or
- Create a new statewide re-insurance or "stop-loss" program to manage cases that exceed a certain cost threshold, similar to the program proposed to QSIC by the Governor's Office in 2005.

Any lengthier discussion of this issue will need to consider changes at the national level as well as demographic changes in Montana's population. Other questions that might be considered are:

- How are the changes under the Affordable Care Act impacting this issue?
- How might benefits for retirees be addressed in any new proposal?

Trend of School District Expenditures for Health Benefits*

FY	GF Benefits	x .85	Change	Total GF	% of GF	Total GF Change
2005	\$75,109,747	\$63,843,285		\$765,664,042	8.34%	
2006	\$80,034,143	\$68,029,021	6.56%	\$812,910,837	8.37%	6.17%
2007	\$85,955,873	\$73,062,492	7.40%	\$859,590,364	8.50%	5.74%
2008	\$89,641,389	\$76,195,181	4.29%	\$913,735,210	8.34%	6.30%
2009	\$94,377,128	\$80,220,558	5.28%	\$937,684,777	8.56%	2.62%
2010	\$97,788,998	\$83,120,649	3.62%	\$946,742,940	8.78%	0.97%
2011	\$103,053,347	\$87,595,345	5.38%	\$985,335,342	8.89%	4.08%
2012	\$101,729,024	\$86,469,670	-1.29%	\$965,617,058	8.95%	-2.00%
2013	\$103,952,255	\$88,359,417	2.19%	\$980,957,542	9.01%	1.59%
2014	\$107,317,792	\$91,220,123	3.24%	\$1,009,854,026	9.03%	2.95%

*The figures in these calculations are derived from statewide district expenditures for “Personal Services—Benefits” and the multiplier (.85) is an estimate of the amount of those expenditures spent on health care benefits