MMSD 2020-21 Health Insurance Considerations

Update February 27, 2020

District Administration Budgeting for $0 Increase in Employee Benefit Costs for 2020-21

The MMSD Administration is in the process of building two potential budgets for the 2020-21 school year. The first option assumes the MMSD passes an Operating Referendum in November which would provide the MMSD with an additional $5 million in revenue (for a total of $12.6 million in additional revenue). The second budget option assumes the Operating Referendum does not pass and the Districts 2020-21 budget is limited to the revenue forecast of $7.6 million in additional revenue.

Under either budget scenario, District Administration is proposing a budget with **no new revenue** for employee benefits (instead utilizing all new revenue for salary schedule steps/lanes; base-wage increases; strategic equity projects; and amounts required to be transferred to 2x charter schools, voucher schools, and open enrollment).

Health Insurance Premiums (without changes) are Projected to Increase by $4.6 Million

The Districts current carriers have proposed health insurance premium increases ranging from 6.9% to 7.5%, which would cost the District $4.6 million more than the $0 increase being budgeted.

Health Insurance Premium Increases Driven by Utilization

Health insurance premium increases are driven by utilization (healthcare usage) which varies greatly between active employees and retirees. For example, active employees with GHC coverage utilized 97% of the health insurance premium costs last year while retirees with GHC utilizes 173% of the healthcare costs (which is not surprising since older participants tend to need more healthcare). For Dean, active employee utilization was 118% while retiree utilization was 186%.

District is Looking at Options Which Would Reduce Benefit Increase to Zero

Given the $0 budget goal, the projected $4.6 million increase in health insurance premiums, and the greater cost increase associated with retired employees, the District is considering multiple changes which would reduce costs to the **no increase** budget goal.

Options Being Considered:

1. **Moving future MMSD retirees from MMSD Group Health Insurance coverage to coverage available via the Department of Employee Trusts Funds (ETF) Local Annuitant Health Program**

   As mentioned previously, much of the increase in health insurance premiums is driven by the higher utilization of retired employees. The District is considering moving future retirees from health care coverage under the active MMSD group to health care coverage available from ETFs Local Annuitant Health Program (LAHP).

   The potential benefit of such a change to the MMSD is that higher health care costs of future retirees would not be reflected in MMSD active group insurance premiums. A potential benefit to retiring employees is that they may have more healthcare options available to them than the two carriers currently provided via the MMSD. Currently, the LAHP includes numerous health plan options including Dean, GHC and Quartz and provides additional options depending on the county in which a retiree resides. Potential drawbacks for retiring employees include current plan designs via the LAHP which have deductibles and co-pays currently not part of MMSD plans and uncertainty about future plan changes (though MMSD are likely to continue to change as well). Of significant concern is that the LAHP option is a relatively new offering with relatively few participants, which raises serious considerations about the sustainability of benefit offerings and/or premium levels.

2. **Doubling the employee premium contribution for health insurance premiums from 1.25% to 2.5% for EA/SEA/SSA/Food Service; and 3% to 6% for Clerical-Technical/Custodial/Teachers**.

   The MMSD currently provides employees with high quality plans at minimal costs to employees. MTI-represented EA/SEA/SSA members currently pay 1.25% of premiums monthly while MTI-represented Teachers and Clerical-Technical employees pay 3% of premiums monthly. These payments are referred to as employee premium contribution (EPC). Most public employers in the State charge employees a 12% EPC. The District estimates that doubling the current EPC for District employees (1.25% to 2.5% and 3% to 6%) would save the MMSD $1.8 million and would still provide District employees with high quality plans at comparably low costs.

3. **If MMSD remains with Dean/GHC, add $100 single, $250 family deductible to plan**

   In order to reach a $0 increase in benefit costs, and presuming the MMSD continues to offer Dean and GHC, in addition to the increase in EPC, the District would consider adding deductibles to the plans where employees would pay the first $100 of costs for a single plan and the first $250 of costs associated with a family plan.

4. **Consider changing carriers from Dean/GHC to Dean/Quartz**

   Another option being considered which would not necessitate deductibles (but would still include higher EPC) is the possibility of changing carriers from Dean and GHC to Dean and Quartz. Quartz has submitted a tentative bid which would match GHC premiums without requiring deductibles. The District is still waiting to see whether Quartz would include in this bid an agreement to minimize future premium increases to agreed upon limits. The potential benefit of this change would be that it does not necessitate adding deductible, could include short-term premium controls, and would still provide access to the UW system. This option may also generate $500,000 in savings which could be applied to other needs (e.g. base-wage increase?). A major downside of such a change would be that approximately 90% of those currently covered by GHC would need to change primary doctors (Quartz does not provide access to GHC clinics).

5. **Consider increasing employee premium contribution to 10% or 12%**

   The District Administration is also considering greater increases to the employee premium contribution (EPC) which would shift even greater costs to employees.