MTI 2020-21 MMSD Health Insurance Update

March 6, 2020

District Administration Considering Health Insurance Changes

The MMSD Administration is in the process of building two potential budgets for the 2020-21 school year. 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).

The Districts current carriers (GHC and Dean) 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. Part of the premium increase is driven by the higher utilization (i.e. greater medical care) experienced by the District retiree's inclusion in the group plans. Given the $0 budget goal and the projected $4.6 million increase in health insurance premiums, the District is considering multiple changes which would reduce costs to the **no increase** budget goal.

Health Insurance Changes Being Considered By the District

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 above, some of the increase in health insurance premiums is driven by the higher utilization of retired employees. Therefore, 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 benefit to the District is that the health care costs for these future retirees would no longer impact the premiums of District group plans.

   After researching this option, MTI is strongly opposed to this consideration given the potential negative impacts on the health insurance coverage available to future District retirees (current retirees would be allowed to remain in the MMSD group insurance plans).

   - The LAHP, as currently structured, is a relatively ***new and unproven offering***, starting in its current configuration in 2018.
   - Prior to 2018, the LAHP offered a PPO health plan for retirees under age 65 at the monthly cost of **$1,893** for single coverage and **$3,775** for family coverage. Because of these extremely high costs, few retirees participated in the plan.
   - In 2018, the LAHP was modified to its new structure allowing retired employees the choice of a variety of HMO options, depending on their county of residence. While the monthly premiums became more affordable with these changes (comparable to MMSD premiums), the LAHP continues to have very few participants, ***less than 240 state-wide***.
   - To pool risks, the health claims of the small number of participants in the LAHP are "pooled" with the health claims of active employees who are covered by the ETF Local Government employee health plans.

- ***As more "higher utilizing" retirees are added to that pool, it is safe to assume an adverse impact on premiums for the group (the same factor that is incentivizing the MMSD to move MMSD retirees to this group). Increased utilization will necessitate increased premiums and/or reduced benefit levels for retirees in the LAHP***.
- The Group Insurance Board at ETF is charged with reviewing the LAHP annually at which time they may make changes. ***The Board may or may not be making recommendations on changes to LAHP premiums and benefits in May 2020***.
- ***For all of the reasons referenced above, MTI is strongly opposed to removing future retirees from the MMSD group health plans and forcing them into the LAHP. The LAHP is a new and untested offering with very few participants and is likely to experience adverse selection leading to escalating costs or reduced benefits for those covered by the LAHP. Long serving District employees deserve better than to have their retirement healthcare depend on an untested product. Any consideration of this option should be delayed until the LAHP has a track record of success.***

2. **Changing insurers from GHC to Quartz, forcing those currently covered by GHC to switch to Quartz or Dean (Dean would continue to be offered)**.

   Quartz has submitted a tentative bid which would match GHCs low premiums and provide lower rate increase limits for the next four years, limiting potential future increases in premium. Switching to Quartz may also provide some additional savings which could be invested elsewhere in the MMSD budget. 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).

   <u>***After researching this option and collecting employee feedback, MTI is strongly opposed to a change in carrier given 1) the disruption such a change would cause employees and 2) the MMSD only recently discontinued its relationship with Quartz (previously Unity) creating disruption at that time for the MMSD employees forced to move from Quartz to GHC. Employees need and deserve stability in their health insurance coverage***.</u>

   - GHC estimates that ***over 8,000 District employees and family members would be forced to select new primary care physicians*** if the District dropped GHC for Quartz. And many of these employees are currently being treated for serious health conditions which would be complicated by the disruption of a change in primary care providors.
   - ***Over 2,000*** District employees and family members have been with GHC for ***over 15 years***.
   - GHC has been providing coverage to MMSD employees for over 40 years and during that time has provided high quality coverage at the lowest possible cost (i.e. GHC has historically been the least costly health insurance option for MMSD employees).
   - ***It was only two years ago, 2017-18, when the District went from three health plans to two***, discontinuing Quartz (then Unity) and moving all Unity-covered employees to GHC or Dean plans. ***Forcing employees to switch again only three years later is too disruptive.***

3. **Shifting increased health insurance costs from the District to District employees by doubling the employee premium contributions (EPC).**

   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.

   Increasing employee premium contributions, however, also reduces the take-home pay of MMSD employees and can offset any salary increase they receive. The District is experiencing significant challenges in adequately staffing our schools and shifting benefit costs to employees is not a strategy that will attract and retain the employees we need.

   MTI strongly recommends that should the District purse this option it should be paired with cost-of-living base-wage increases, as well as scheduled step increases, to minimize the impact on take home pay. The MMSD cannot address its recruitment and retention issues by increasing employee benefit costs and reducing take-home pay.

4. **If MMSD remains with Dean/GHC, add $100 single, $200 family annual 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 $200 of costs associated with a family plan per year.

   MTI strongly recommends that should the District purse this option it should be paired with cost-of-living base-wage increases, as well as scheduled step increases, to minimize the impact on take home pay. The MMSD cannot address its recruitment and retention issues by increasing employee benefit costs and reducing take-home pay.