

## K-12 Employee Health Benefits: Legislature Should Direct Insurance Commissioner to Collect Data Needed to Analyze Health Care Purchasing

### Project Update

John Bowden, JLARC Staff

Joint Legislative Audit & Review Committee

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JLARC

### Project Update in Short

- In 2012, the Legislature passed ESSB 5940 to improve purchasing of health care for K-12 employees.
- School districts, the Office of the Insurance Commissioner (OIC), the Health Care Authority (HCA), and JLARC were assigned specific tasks.
- OIC is not collecting all of the data needed for analyses required of HCA and JLARC – and school districts and HCA do not have access to all the data OIC *is* collecting.
- The Legislative Auditor is recommending legislative action to address these problems.

## Legislature Has Provided Funding for K-12 Employee Health Care since 1969

- Currently, \$1 billion in public funds is spent each year to purchase health care benefits for 211,000 K-12 employees and dependents.
- Because school districts individually negotiate and purchase health care benefits, there are major differences in costs of health care coverage across school districts and even for different groups of K-12 employees within districts.

## Improvements Intended by ESSB 5940 (2012)

- Begin to address differences in health care benefits and costs for districts and employees.
- Gather data which historically has been missing to provide:
  - ♦ All school districts with the ability to more competitively purchase health care benefits for their employees; and
  - ♦ The Legislature with analyses and recommendations to inform policy decisions about purchasing K-12 employee health benefits.

## Requirements of ESSB 5940 for School Districts and Health Insurance Carriers

- Offer certain types of health benefit options similar to what is available to state employees;
- Provide data to improve “the transparency of health benefit plan claims and financial data...”; and
- Create greater affordability and equity by having family coverage cost no more than three times as much as individual coverage.

## Legislature Tasked OIC with Data Collection

- The Legislature directed OIC to annually collect data from school districts and their health insurance carriers so that:
  - ♦ Districts can “more effectively and competitively manage and procure health insurance plans for employees”; and
  - ♦ HCA and JLARC can conduct analyses and offer recommendations.
- OIC reports due December 1 of each year.

## Legislature Tasked HCA with Expert Analysis

- Evaluate the 3:1 ratio for costs of family and individual coverage.
- Examine alternative approaches to purchasing health benefit coverage including:
  - ♦ Single consolidated purchasing for all K-12 employees;
  - ♦ Whether K-12 employees should be part of the Public Employees Benefits purchasing; and
  - ♦ Separate purchasing for certificated and classified employees.
- Report due June 1, 2015.

## Legislature Tasked JLARC with Analysis and Quality Review

- Examine the 3:1 cost ratio and alternative approaches to purchasing health benefit coverage (same as HCA).
- Relying on HCA's ability to do its work - then JLARC staff evaluate the quality of that work.
- Audit the progress school districts are making in meeting legislative goals for purchasing health benefits – if sufficient progress is not being made, recommend actions to assist districts.
- Report due December 2015.

## OIC Is Not Collecting Needed District-Level Claims Data from Carriers

- In 2012, HCA, JLARC and other legislative staff informed OIC that aggregate claims data from carriers specific to each school district would be needed to complete the analyses requested by the Legislature.
- OIC did not require carriers to submit district-level claims data.
- The Legislature should clarify its intent for OIC to collect claims data from carriers at the school district level.

## HCA Is Not Receiving All Data OIC Collects

- HCA does not have statutory ability to protect the confidentiality of the detailed data.
- HCA has access only to the summarized data available to the public.
- Without the detailed data, HCA cannot conduct the analysis the Legislature expects.
- The Legislature should provide statutory authority for:
  - ♦ OIC to share all data with HCA; and
  - ♦ HCA to protect the confidentiality of the data.

## Statute Does Not Require OIC to Share Data with School Districts

- The Legislature intended that school districts would have claims data specific to their district in order to make more informed and competitive purchases of employee health care coverage.
- School districts are not able to access the detailed data OIC is collecting from carriers in their districts.
- The Legislature should provide statutory authority for OIC to share district-level data with each school district.

## Clear Direction to OIC about Legislative Intentions and Expectations

- Recommendation 1: The Legislature should clarify its intent for OIC to collect aggregate claims data at the school district level from carriers.
- Recommendation 2: The Legislature should provide specific statutory authority for:
  - ♦ OIC to share the district-level data with school districts and HCA; and
  - ♦ HCA to receive and protect the confidentiality of the district-level data.

## Clear Direction to OIC about Legislative Intentions and Expectations

- Recommendation 3: The Legislature should adjust the due dates for the HCA and JLARC reports, consistent with the original bill. These dates would be two years from when OIC first collects the necessary district-level data.

## Next Steps and Contacts

<b>Project Update</b>	December 2014
<b>Preliminary Report</b>	December 2015
<b>Proposed Final Report</b>	January 2016

### **John Bowden, Project Lead**

john.bowden@leg.wa.gov  
360-786-5298

### **John Woolley, Project Supervisor**

john.woolley@leg.wa.gov  
360-786-5184

