Proposed Final:

K-12 Health Benefits

Legislative Auditor's Conclusion:

Consolidation and other options are available to the Legislature to improve equity and affordability of full-family health care coverage for K-12 employees

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Joint Legislative Audit & Review Committee

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Legislature concerned with equity and affordability for K-12 health care coverage

2012 statute (ESSB 5940) required improvements:
- Affordability for family coverage (3:1 ratio)
- Transparency of health benefit data

Required OIC to annually collect and report data from carriers and districts

Required reports from:
- Health Care Authority (June 2015)
- JLARC (December 2015)

K-12 system different than PEBB

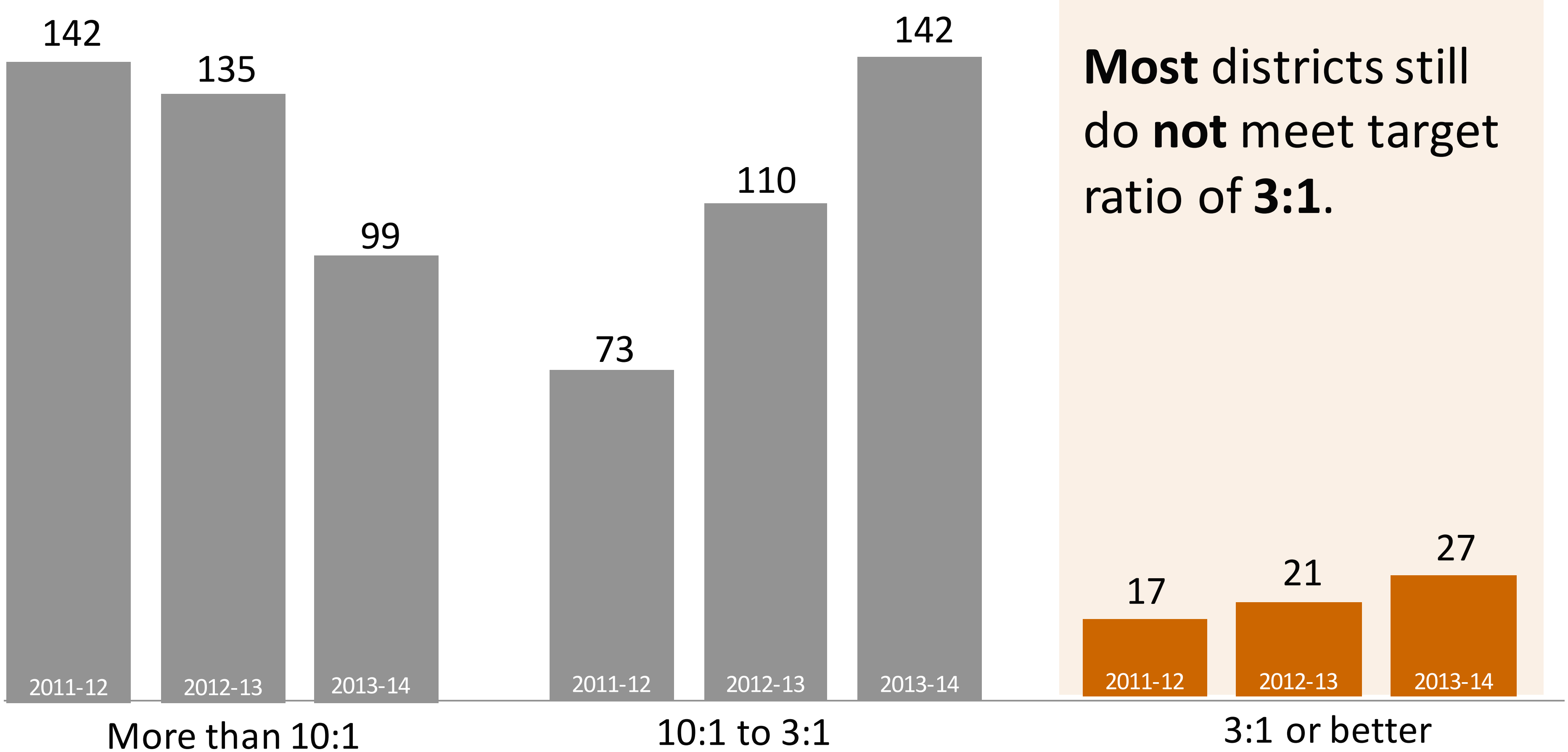
	State Employees	K-12 Employees
Plan Selection	Public Employees Benefit Board (PEBB)	Collective bargaining by unit within each district
Carriers/ Plans	**3** insurance carriers **7** plans	**10** insurance carriers *(PEBB is an option)* **438** plans
Employee Premium	**15%** of carrier charge regardless of family members	Average statewide premiums: **7%** for employee-only **38%** for full-family

Three conclusions emerged

1	Equity and affordability of full-family coverage not achieved
2	Consolidation and other options may improve equity and affordability
3	Mixed progress on other legislative goals and requirements

1. **Equity and affordability of full-family coverage not achieved**

School district equity ratios improved, but most districts still short of target



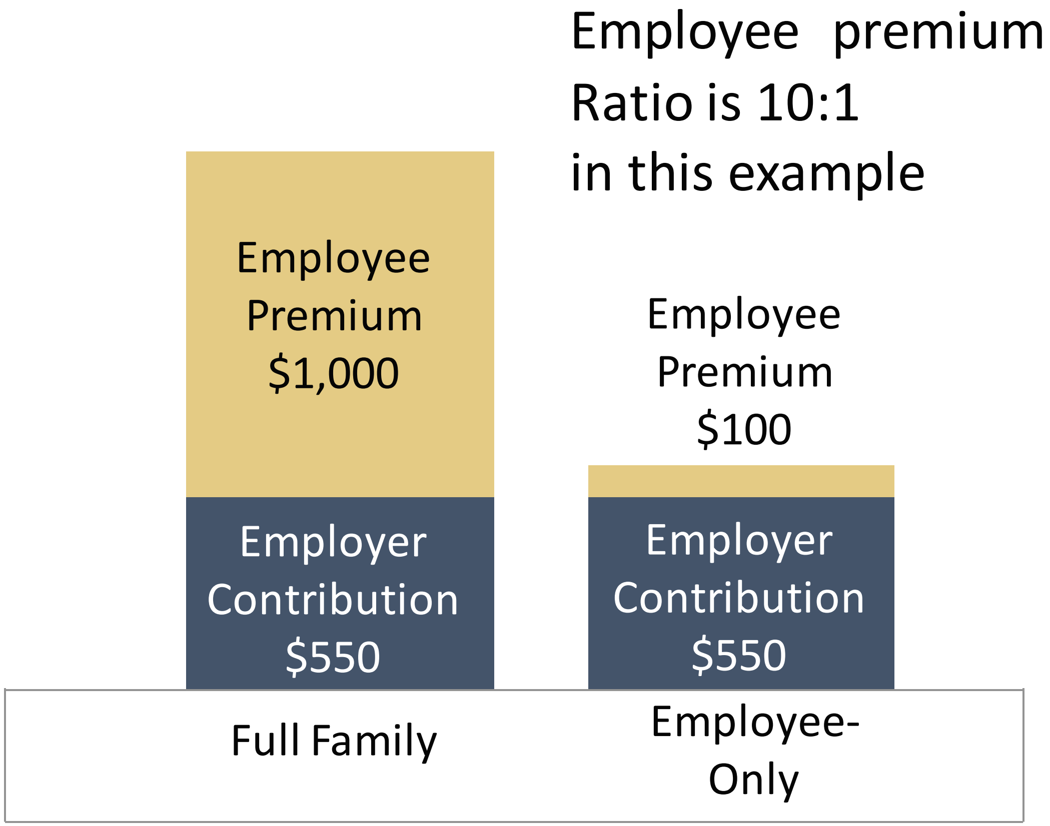
Most districts still do **not** meet target ratio of **3:1**.

The statewide ratio decreased from 10.4:1 to 7.6:1 between 2012 and 2014

District average ratios mask greater variation at plan level

	Employee-Only Premium	Full-Family Premium	Equity Ratio
Example District Average	$48	$606	13:1
Plan A	$3	$848	283:1
Plan C	$60	$1,037	17:1
Plan E	$139	$1,222	9:1
Plan G	$0	$258	N/A

3:1 target difficult to meet in current system because employers contribute fixed amount



Hypothetical example for illustration purposes

2. Consolidation and other options improve equity and affordability, reduce local decision-making, and increase costs

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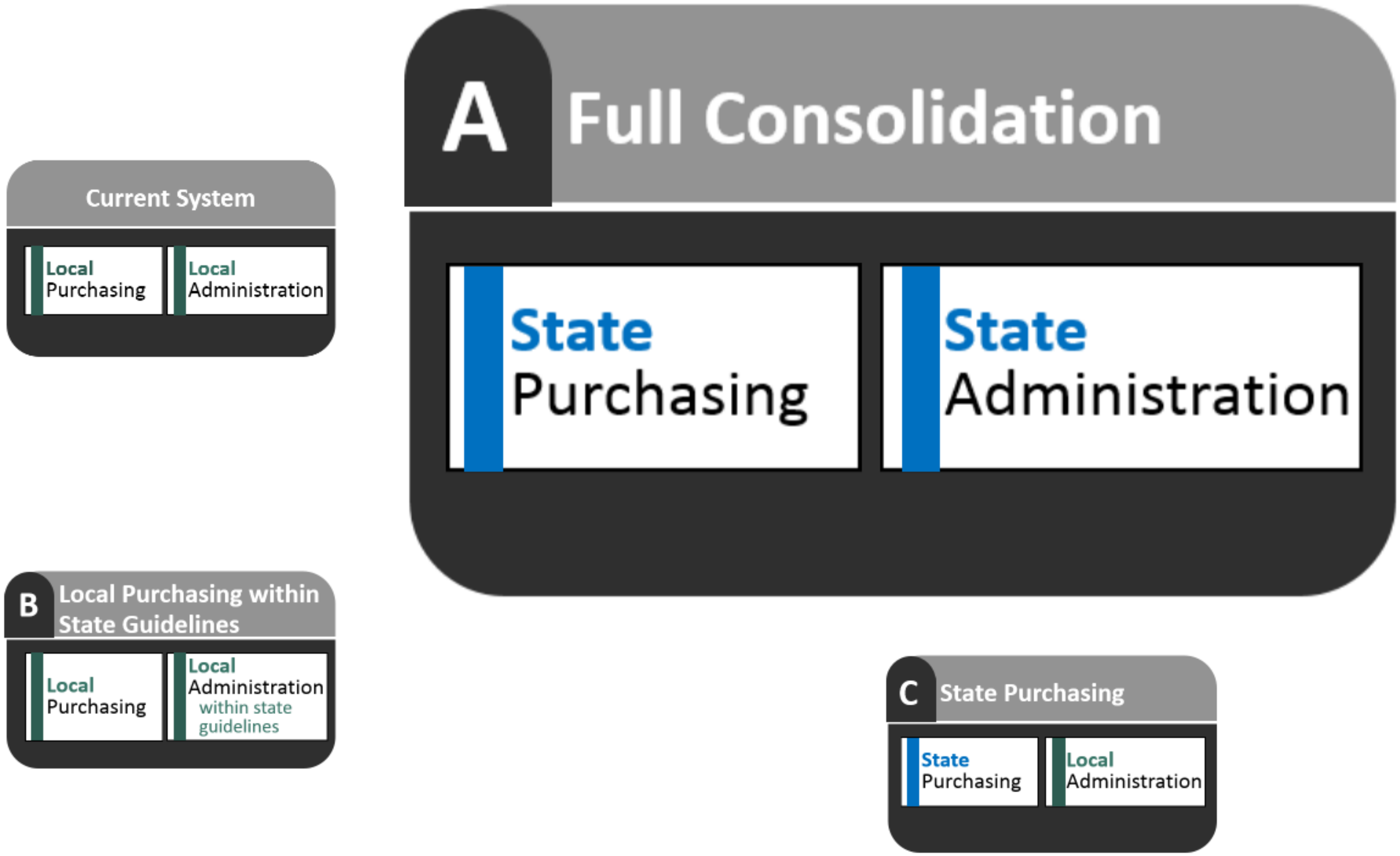
Full consolidation is an option to improve equity and affordability



Option A: HCA modeled six full consolidation scenarios

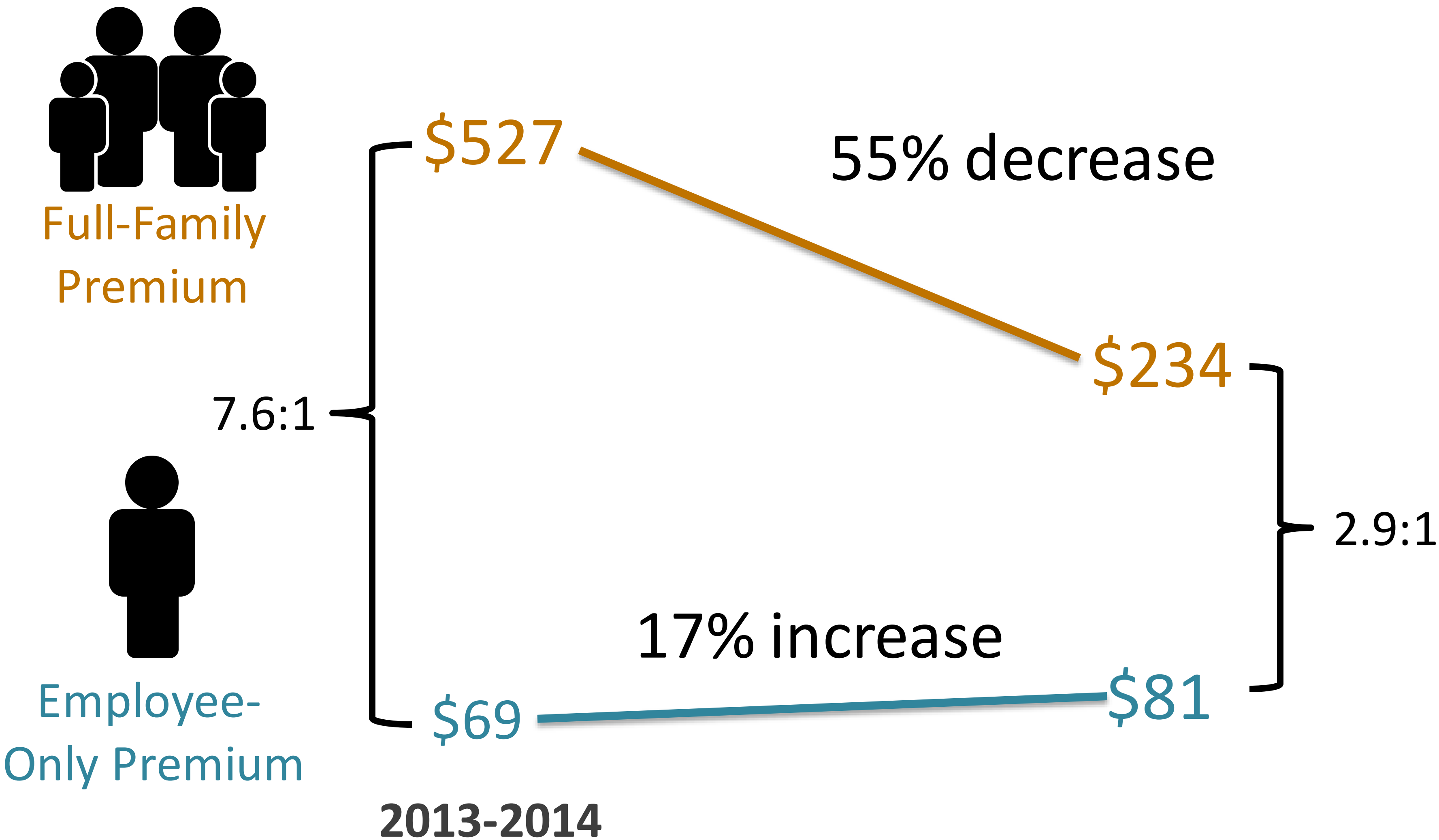
Scenarios place K-12 employees in PEBB or into a to be formed School Employees Benefits Board (SEBB). All 6:

- Meet the target equity ratio
- Decrease family costs, increase employee-only costs
- Increase part-time employee and family member enrollments
- Increase employer costs

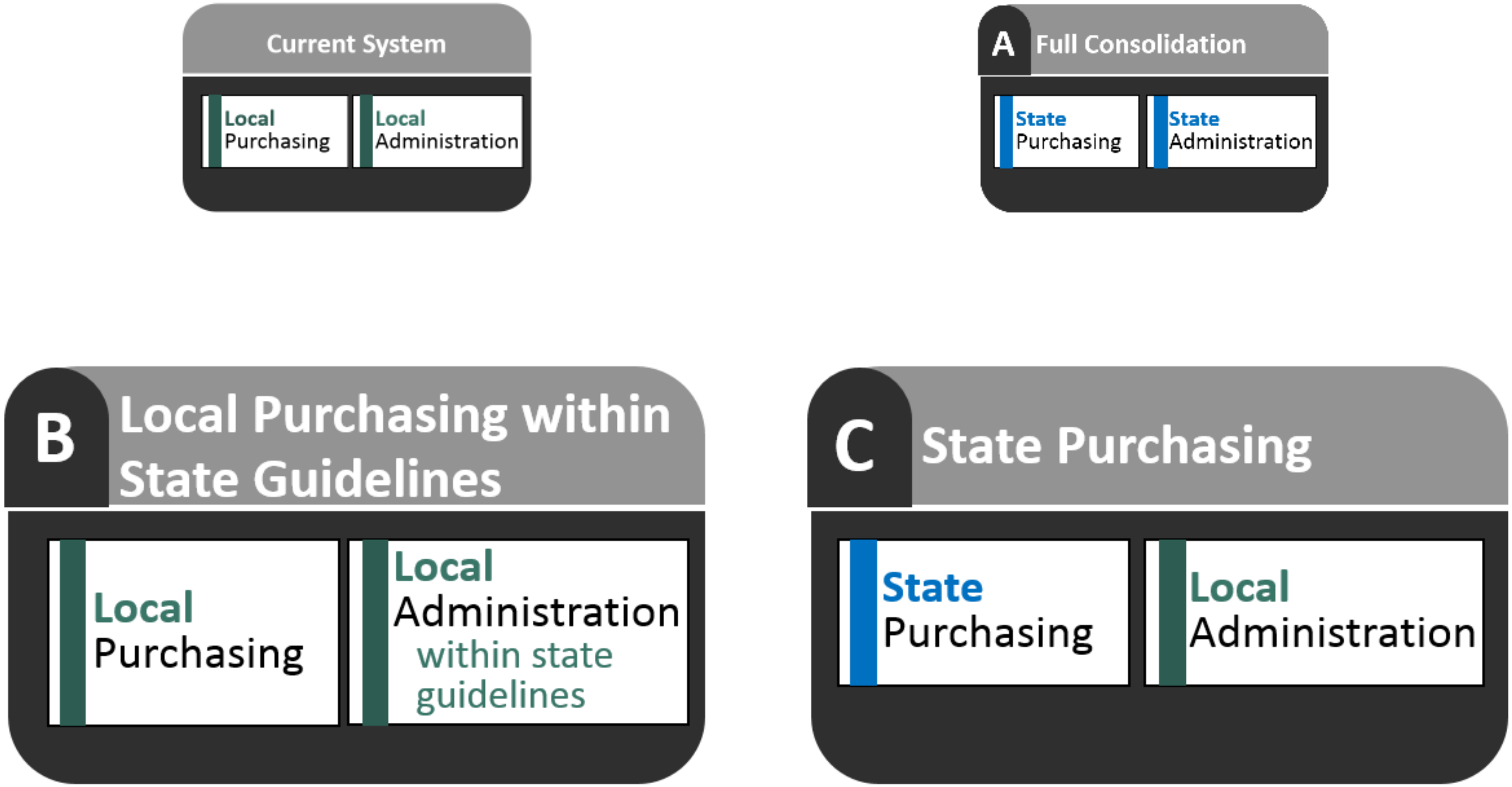
Placing K-12 employees into PEBB increases covered lives and costs

Scenario 1: K-12 and state employees in PEBB	
Eligibility	50% above fully eligible
Employee premium	15% for all tiers
Additional covered lives	39,000
Increased employer cost	$182 million above current funding

Scenario 1: Full-family coverage costs decrease so more people enroll for health benefits



Other options make less progress on equity and affordability and retain local control



Option B: Equity improves if state guidelines set min. and max. contribution limits

Closer the minimums and maximums are to each other, the lower the equity ratio

Law requires a **minimum** employee contribution greater than $0:

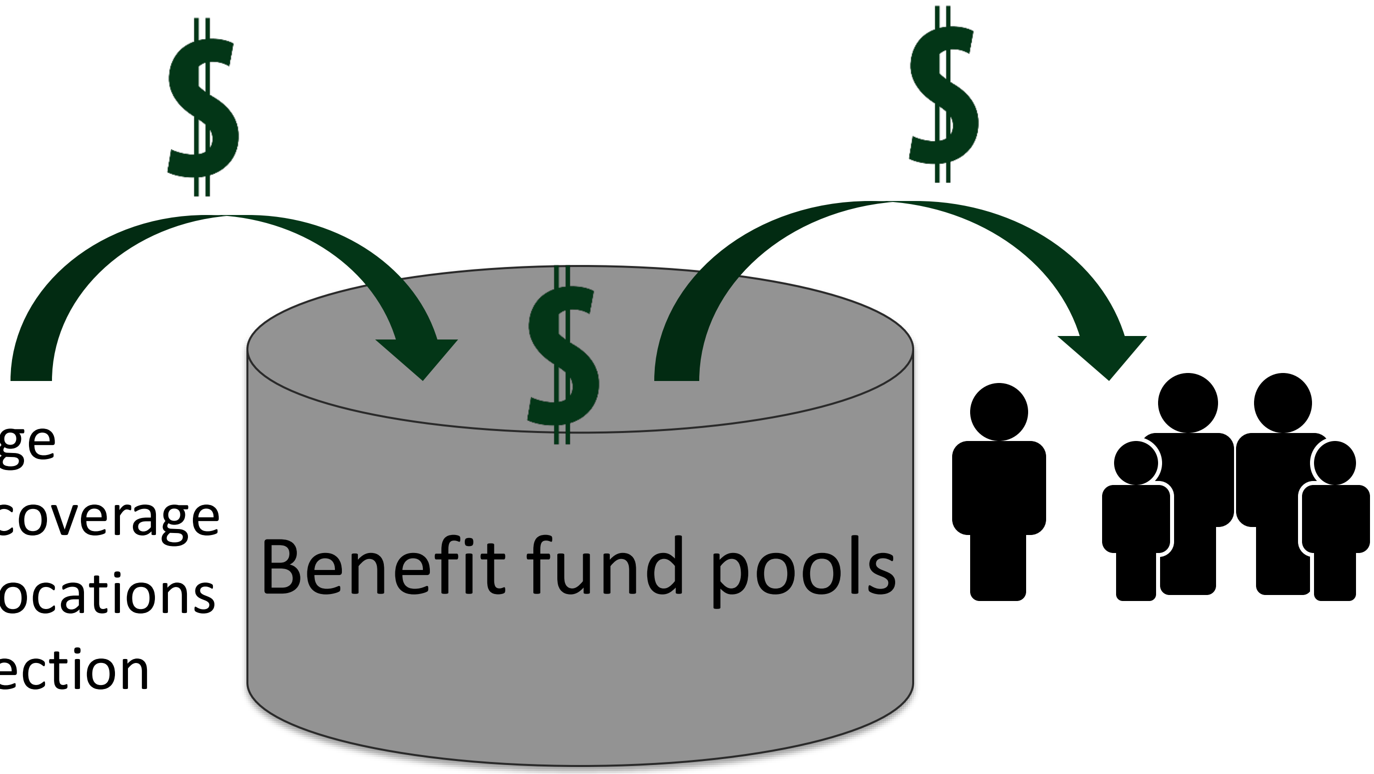
13,850 employees paid no premium (196 districts)

Law does not establish a **maximum** employee contribution:

46,600 employees paid more than 15% of carrier charge

Unspent benefit money is pooled to reduce employee monthly premiums

1. Waive coverage
2. Ineligible for coverage
3. Remaining allocations after plan selection

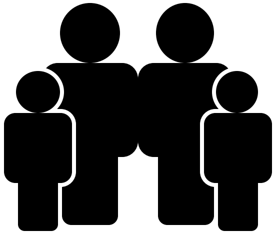


Option B: Target pooled funds toward employees covering dependents

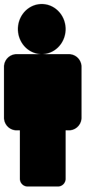
Law requires: Pooled funds shall be used “to reduce out-of-pocket premium expenses for employees needing basic coverage for dependents….”

What we learned:

- Pool funds often shared equally regardless of tier



$500 − ~~$25~~ $50 = ~~$475~~ $450



$50 − ~~$25~~ $0 = ~~$25~~ $50

Ratio 10:1 ~~19:1~~ 9:1

Option C: State purchasing could reduce plan richness and improve affordability

What we learned:

45,600 K-12 employees are enrolled in 115 health plans that are equivalent to the federal platinum level

All state employee plans are at the gold level

If K-12 employee plans were at the gold level:

Less expensive employee-only plans could increase pooled funds available to reduce full-family premiums

Detail on these options available in the report

Equity ratios for each school district can be found in the online report

Legislative Auditor makes no audit recommendations

There may be implications from *McCleary* case related to K-12 employee health benefits

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K-12 Health Benefits Online Report