

Purchase of School District Employee Health Benefits

PROPOSED SCOPE AND OBJECTIVES

APRIL 2015



STATE OF WASHINGTON
JOINT LEGISLATIVE AUDIT AND
REVIEW COMMITTEE

STUDY TEAM

John Bowden
Steven Meyeroff

PROJECT SUPERVISOR

John Woolley

LEGISLATIVE AUDITOR

Keenan Konopaski

Joint Legislative Audit &
Review Committee
1300 Quince St SE
Olympia, WA 98504-0910
(360) 786-5171
(360) 786-5180 Fax

Website:

www.jlarc.leg.wa.gov
e-mail: JLARC@leg.wa.gov

Why a JLARC Study on Purchase of School District Employee Health Benefits?

In 2011, the Legislature modified and established goals for the system of health care benefits for K-12 employees (ESSB 5940). The legislation included timeframes for the school districts to accomplish the goals and directed the Joint Legislative Audit and Review Committee (JLARC) to conduct an audit of the progress school districts are making in meeting the goals.

School District Employee Health Benefits

Employee health benefits and coverage are negotiated in each of the 295 school districts, and costs vary between, and even within, school districts for similar benefits. While the state currently contributes \$768 per month per full-time equivalent employee for benefits, the amounts school districts contribute and the employee's share of premium costs can vary significantly, especially for employees with dependents.

In November 2014, the Office of the Insurance Commissioner reported that \$1.03 billion in public funds was spent annually for health benefits at school districts, covering nearly 202,000 employees and dependents.

Goals for the K-12 Health Benefits System

The Legislature established the following goals:

1. Improve the transparency of health benefit plan claims and financial data to assure prudent and efficient use of taxpayers' funds at the state and local levels;
2. Create greater affordability for full family coverage and greater equity between premium costs for full family coverage and for employee only coverage for the same health benefit plan;
3. Promote health care innovations and cost savings, and significantly reduce administrative costs; and
4. Provide greater parity in state allocations for state employee and school district employee health benefits.

Study Scope

JLARC staff will report on the progress school districts and their benefit providers are making toward the legislatively established goals for the K-12 health benefits system, as reported by the Office of the Insurance Commissioner and the Health Care Authority. If adequate progress is not being made, the report will review what legislative and agency actions might help to remove barriers to progress. The study will also examine options for consolidating purchasing systems for K-12 employees.

Study Objectives

As directed in statute, JLARC staff will address the following objectives:

School District Progress

1. Assess the progress school districts and their benefit providers have made in:
 - Improving transparency of health benefit plan claims and financial data;
 - Creating greater affordability for full family coverage and greater equity between premium costs for full family coverage and employee-only coverage; and
 - Promoting health care innovations and cost savings, and reducing administrative costs.
2. If districts have not made adequate progress on the legislative goals, assess:
 - Reasons why adequate progress has not been made; and
 - If legislative or agency actions could help remove barriers to improvement.

Options for Consolidated Systems

3. Assess advantages and disadvantages of consolidated purchasing of health insurance for certificated and classified staff:
 - As separate employee groups or combined;
 - Through the Public Employee Benefits Board; or
 - Through the creation of a school employee health benefits purchasing system.

For the assessment of consolidation options, JLARC staff will review analysis being conducted by the Health Care Authority, with an emphasis on progress toward statutory goals and cost impacts.

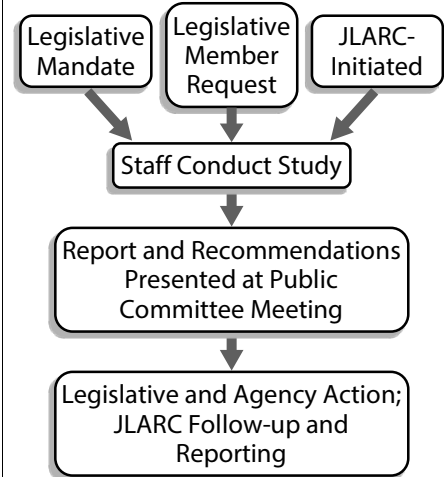
Timeframe for the Study

Staff will present the preliminary and final reports at JLARC meetings in December 2015 and January 2016, respectively. In the same timeframe, JLARC staff are also conducting a separately mandated study on the cost and feasibility of shifting some part-time K-12 and higher education employees to the state's health benefit exchange.

JLARC Staff Contact for the Study

John Bowden (360) 786-5298 john.bowden@leg.wa.gov
Steven Meyeroff (360) 786-5176 steven.meyeroff@leg.wa.gov

JLARC Study Process



Criteria for Establishing JLARC Work Program Priorities

- Is study consistent with JLARC mission? Is it mandated?
- Is this an area of significant fiscal or program impact, a major policy issue facing the state, or otherwise of compelling public interest?
- Will there likely be substantive findings and recommendations?
- Is this the best use of JLARC resources? For example:
 - Is JLARC the most appropriate agency to perform the work?
 - Would the study be nonduplicating?
 - Would this study be cost-effective compared to other projects (e.g., larger, more substantive studies take longer and cost more, but might also yield more useful results)?
- Is funding available to carry out the project?