

Feasibility and Cost Effectiveness Study: Merging Commonwealth of Pennsylvania Public School District Health Care Plan

Prepared for: Legislative Budget & Finance Committee

Date: December 9, 2015

Overview

Senate Resolution 250 directed a study of the feasibility and cost effectiveness of merging public school district health plans.

The study included medical, dental, vision, and prescription drug benefits and addresses the following eleven areas:

1. Analysis of the specific health benefits, policies and contracts provided by at least 50 percent of the school entities throughout the Commonwealth
2. Cost of current benefits for the next five years
3. Cost of current school employee contribution or average per employee.
4. Impact on PSERS and SERS
5. Comparison of coverage with average taxpayer in the relevant region.
6. Regionalization versus one health care plan.
7. Cost savings realized with consortia
8. Administrative, staffing, and technology costs associated with forming mergers.
9. Comparison of school employees with Commonwealth employees
10. Cost of least used benefits by school employees
11. Cost impact of Health Care Reform (PPACA)

Analysis of School Health Benefit Plans

Information was gathered from a variety of sources, including school districts, health care consortia, health insurance companies and interviews with key stakeholders.

Data Provided

- The survey was administered to all 500 school districts
- Respondents provided copies of their CBAs, SPDs and health plan rates
- 27 of the 37 Consortia provided claims data for last 5 years

PA-taxpayer health insurance information from:

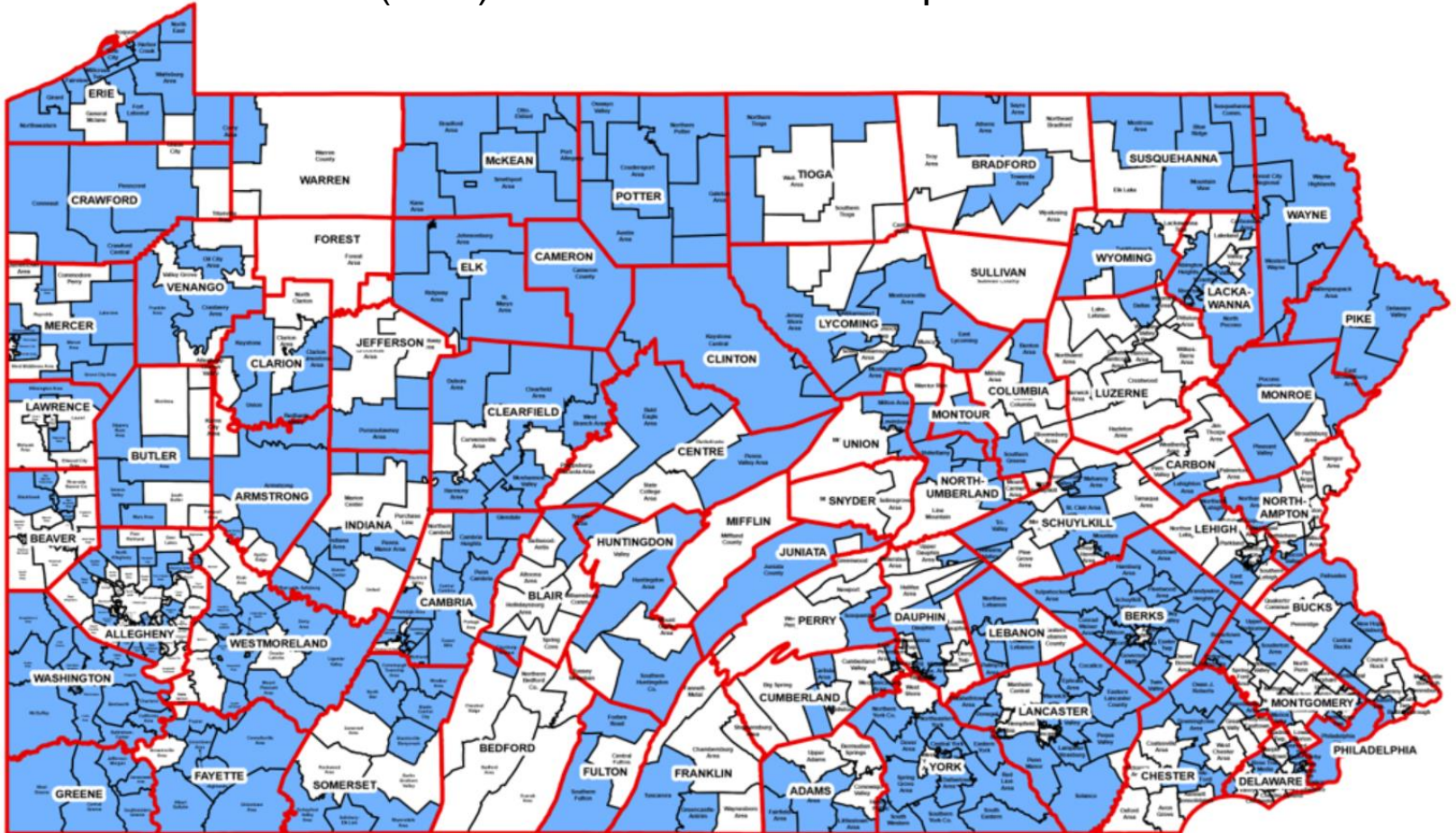
- Aetna
- Capital Blue Cross
- Geisinger Health System
- Highmark Blue Cross Blue Shield
- Independence Blue Cross

Stakeholder interviews

- PEBTF
- PASBO
- PSEA
- PAIU
- PSERS
- SERS
- Philadelphia Federation of Teachers H&W Fund
- Department of Education
- State Board of Education
- Governor's Office of Administration
- Pennsylvania Association of Health Underwriters

Survey Respondents

269 (54%) schools submitted responses



Key Findings

Most school districts obtain coverage through a consortium

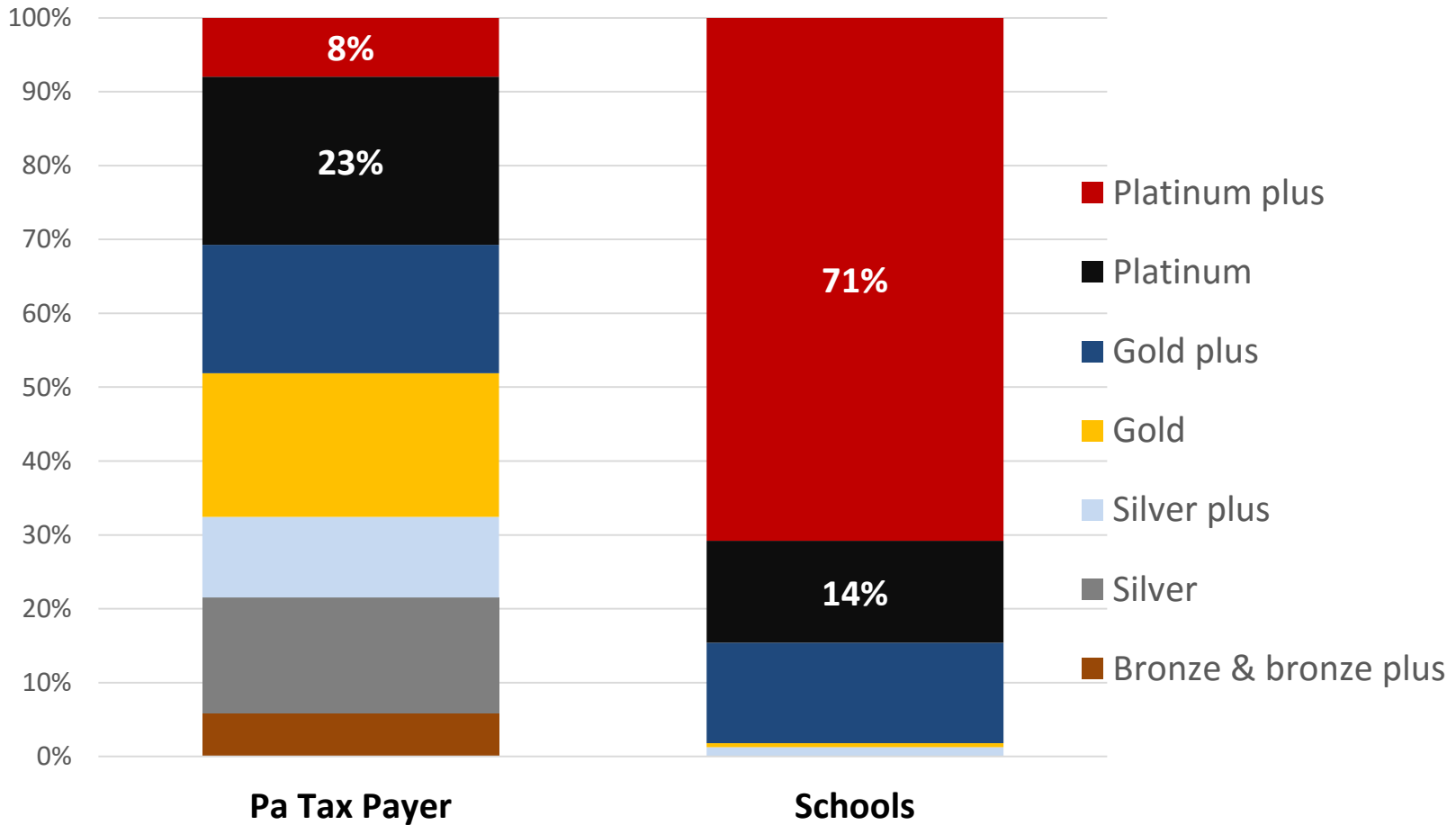
- ❖ Over 85% of schools participate in one of 37 Consortia
- ❖ Consortia have experienced below average healthcare cost trends
- ❖ Some are implementing novel cost-saving programs

Healthcare plan designs range from generous coverage (above 90% actuarial value) to moderate (aligned with private sector).

- ❖ 88% require employee contributions
- ❖ Average contributions are 8% of premium
- ❖ Many SDs provide opt-out credits

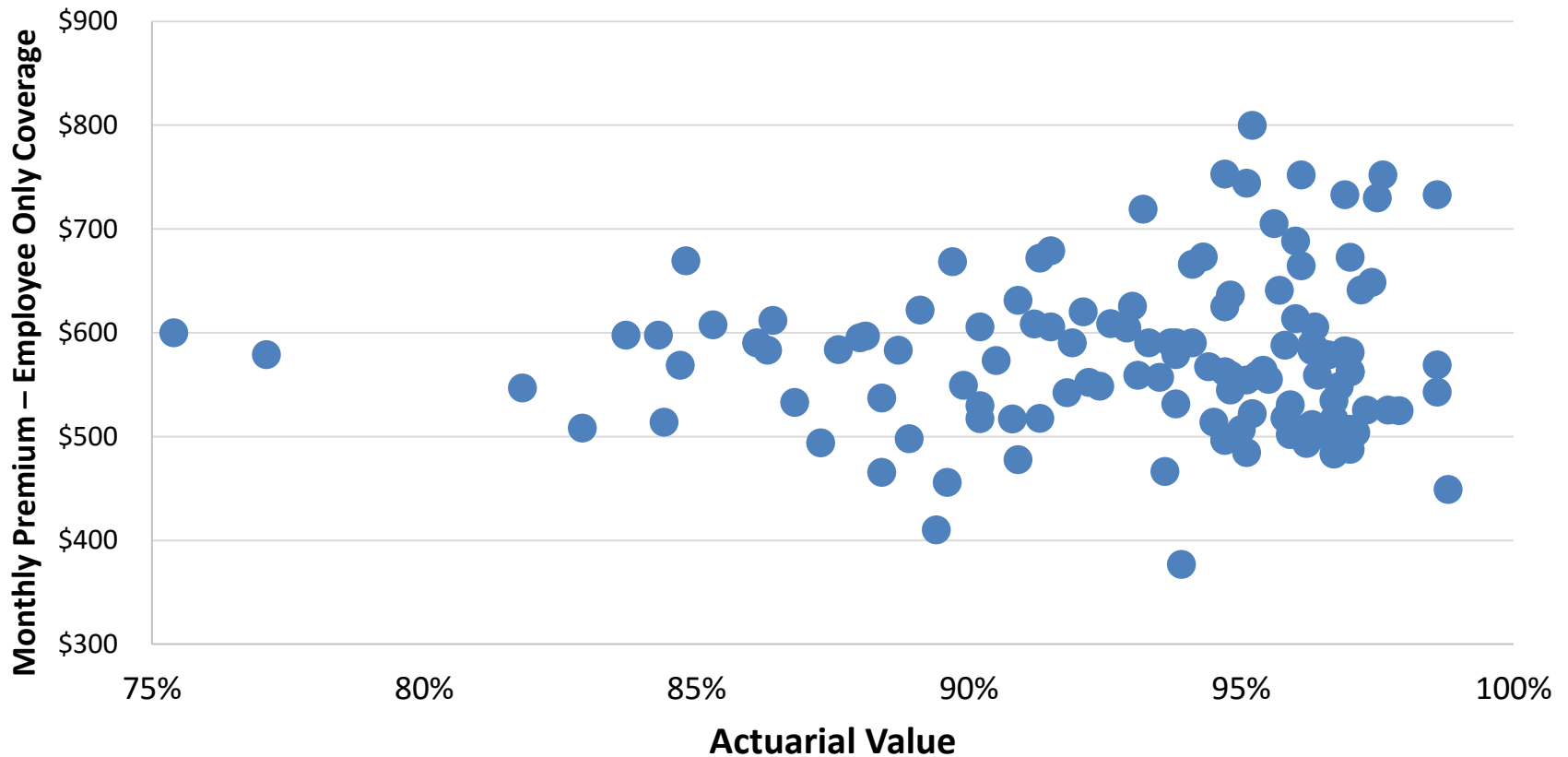
	2012/2011	2013/2012	2014/2013	2015/2014	Average
Consortia average trend	6.1%	1.7%	4.9%	0.5%	3.3%
Federal Employees Health Benefit Program	3.8%	3.4%	3.7%	3.2%	3.5%
Kaiser Family Foundation	4.3%	4.0%	2.9%	4.0%	3.8%

Comparison of coverage with average taxpayer

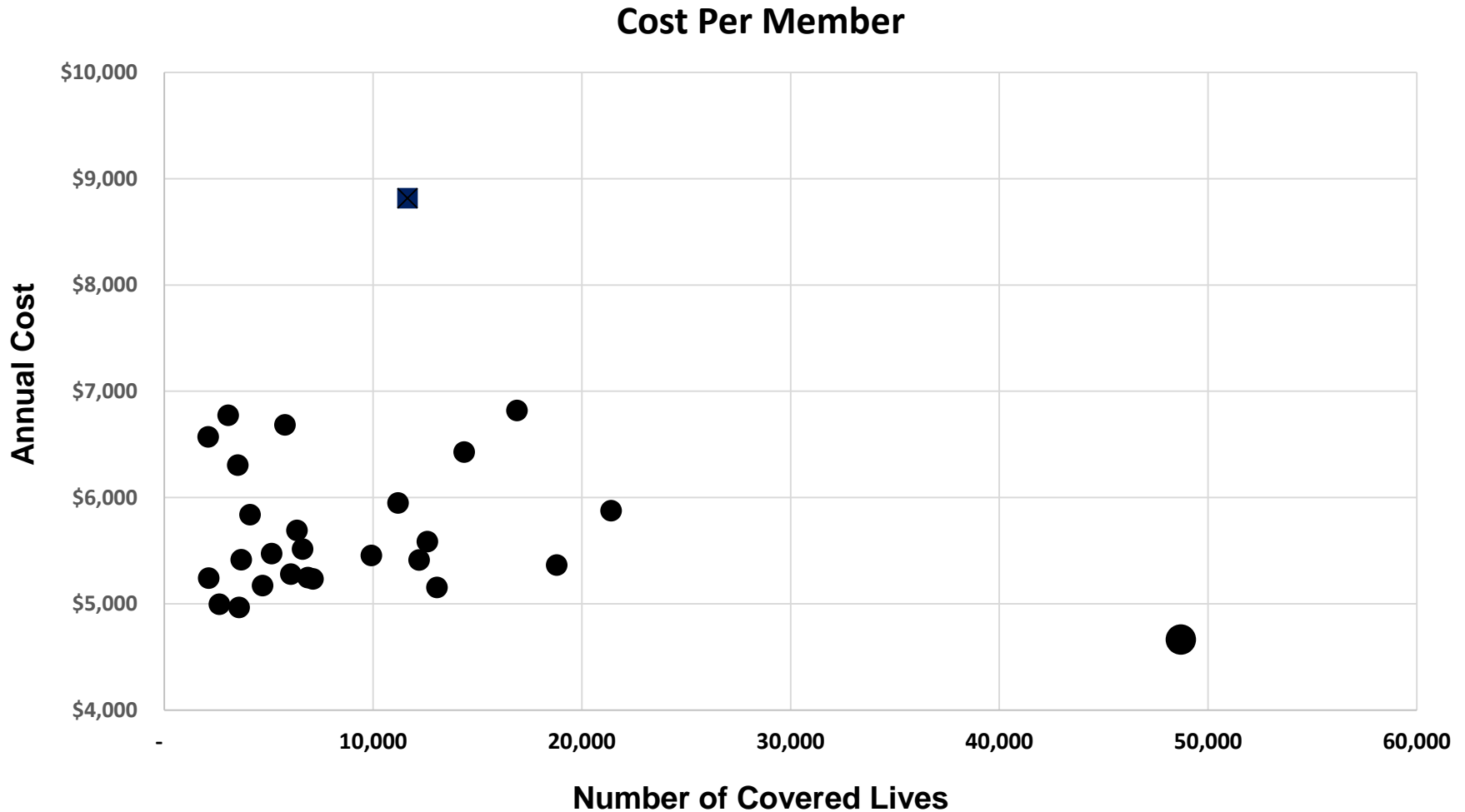


Schools are implementing less generous coverage to control health plan costs

Employee Only Monthly Premium Compared to Plan's Actuarial Value



Healthcare costs varied substantially among consortia. The largest consortium (ACSHIC) had the lowest cost.



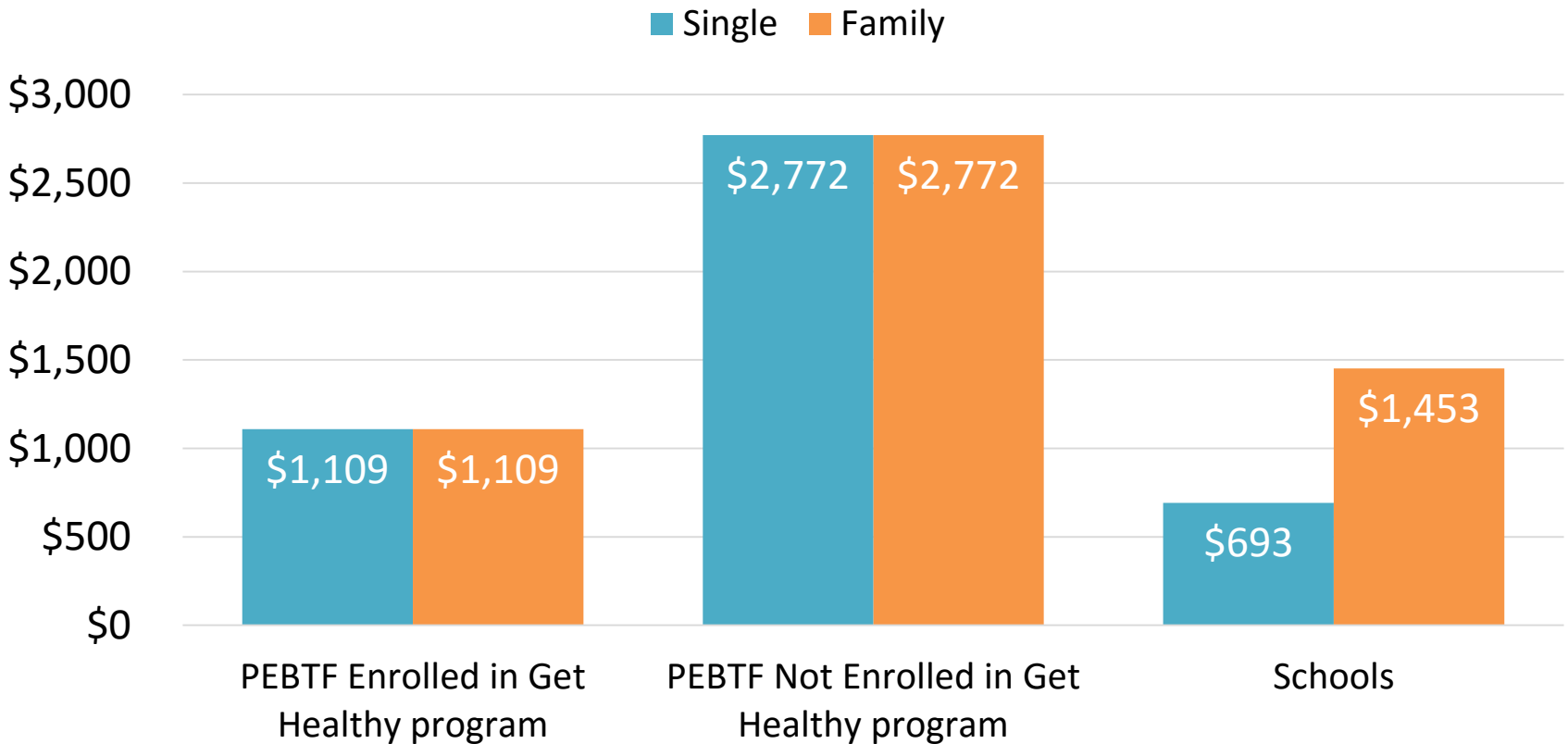
Pharmacy Benefits

	Schools Pharmacy Copays			PEBTF	KFF
	10 th	MEDIAN	90 th		
Retail Generic Copay	\$5	\$8	\$10	\$10	\$11
Retail Brand Formulary Copay	\$10	\$20	\$35	\$18	\$31
Retail Brand Non-Formulary Copay	\$15	\$35	\$60	\$36	\$54
Retail Specialty	\$15	\$35	\$70	\$36	\$93

- ❖ Smaller variation in pharmacy plan design across schools than in medical
Median plan design comparable to the PEBTF plan
- ❖ 90th percentile plan design comparable to private sector (KFF)
- ❖ Only 14% of SDs have carved out prescription drugs
- ❖ Opportunity to capitalize on bulk purchasing power if pharmacy is carved out of all healthcare plans and competitively bid with 2-3 plan designs

Comparison of school employees with Commonwealth employees – average employee premiums

Annual Contributions for Coverage



PEBTF cost based on salary of \$55,450

Short-term Savings Opportunities

Projected Total Cost and Potential Savings Amounts in \$millions

Fiscal Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Current Arrangements	\$2,693	\$2,797	\$2,937	\$3,093	\$3,260	\$3,439
Carved Out Prescription Drug			\$74	\$78	\$82	\$87
Total Savings under State-wide Arrangement			\$107	\$147	\$191	\$216

Carving out prescription drug benefits and competitively bidding a state-wide plan for all school employees should save at least \$74 million in FY2016-17, before taking into account plan design harmonization.

A state-wide health plan covering all school employees with a range of health plan choices should save an additional \$33 million in the first year and over \$130 million when all SDs participate after the expiration of their CBAs.

Longer-term Savings Opportunities

Healthcare Reform added an Excise Tax on high-cost health plans. The tax is 40% of the excess of the cost above a threshold of \$10,200 for self-only coverage and \$27,500 for “other than self-only coverage”.

If SDs participated in a multiemployer plan, the threshold is \$27,500 for all employees, which has the effect of reducing the amount of the tax. The savings are significant as illustrated in the table below (projected cost in 2027) of \$2,500 per employee – about 6% of the premium cost.

	Threshold	Cost	Excess	Tax	Employees	Total tax
Self	\$12,309	\$16,823	\$4,514	\$1,806	30	\$54,168
Other	\$33,187	\$45,355	\$12,168	\$4,867	70	\$340,704
Total single employer						\$394,872
Multiemployer	\$33,187	\$36,796	\$3,609	\$1,444	100	\$144,360
Savings if SDs participate in a multiemployer plan						\$250,512

Questions?

We would be happy to answer any questions you may have.

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