

## Report Highlights

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

Senate Resolution 250 called on the Legislative Budget and Finance Committee (LB&FC) to conduct a study relating to the feasibility and cost effectiveness of merging public school district health care plans. The LB&FC contracted with PRM Consulting Group to conduct this study. The study’s findings are based on responses to a School District survey sent to all 500 public school districts, responses from 27 of the 37 healthcare consortiums, data from the major health insurers and input from key stakeholders.

### Findings:

- **Over 85 percent of school districts currently obtain healthcare coverage from one of 37 health trusts or consortia.** The consortia are local or regional covering SDs in one or more adjacent counties. The largest consortium, Allegheny County Schools Health Insurance Consortium includes 48 school districts and covers over 48,000 lives.
- **A statewide pharmacy program would save \$72 million in the first year of operation.** Carving out prescription drugs from the current health care plans and establishing a statewide pharmacy program with little to no change in benefits would yield savings of between \$100 and \$160 per person.
- **Other near-term savings opportunities exist if all school districts participated in a health trust or consortium and if a statewide reinsurance pool were established.** Combined with a carved-out pharmacy program, near-term savings are estimated to yield \$100 million per year.
- **A Statewide health care program could save over \$200 million per year after all SDs join.**

Projected Total Cost of Healthcare for All School Employees \$ Amounts in Millions				
Fiscal year	2016-17	2017-18	2018-19	2019-20
Baseline cost	\$2,937	\$3,093	\$3,260	\$3,439
Carved out pharmacy plan savings	\$74	\$78	\$82	\$87
Savings under statewide health and pharmacy plan covering all employees	\$107	\$147	\$191	\$216

- **Longer-term cost avoidance opportunities exist by forming multiemployer health plans.** An excise tax (“the Cadillac tax”) on “high-cost” health plans will increase school district costs as governmental health plans are not exempted from the excise tax. Savings could be achieved by SDs if they joined multiemployer plans, as the threshold for the tax is higher under such plans, deferring when the tax would first be applicable by up to 7

years and reducing the tax payable by up to \$1,500 per school employee.

- **Comparison of coverage with average taxpayer and to Commonwealth employees.** Only 31% of Commonwealth taxpayers are enrolled in health plans at or above the platinum level, whereas 85% of school employees were enrolled in health plans at or above the platinum level. All Commonwealth employees are enrolled in health plans above the platinum level.

Plan Value	PA Taxpayer	Schools	PEBTF
Platinum plus	8%	71%	100%
Platinum	23%	14%	0%
Gold plus	17%	14%	0%
Gold	19%	1%	0%
Silver plus	11%	1%	0%
Silver	16%	0%	0%
Bronze & bronze plus	6%	0%	0%

On average, school district employees pay \$693 per year for single coverage and \$1,493 for other than single coverage. Commonwealth employees pay 5% of pay (reduced to 2% if enrolled in the “Get Healthy” program), regardless of how many family members are covered. On average, school employees pay less than state employees for single coverage and more for family coverage.

### Recommendations

1. Establish a statewide pharmacy program with two or three benefit levels to cover all school employees under a single competitively bid contract by carving pharmacy coverage out of the existing health plans.
2. Create a statewide reinsurance program that consortia can use to purchase stop-loss insurance.
3. Require all SDs to participate in a consortium.
4. Establish one or more multiemployer trusts to mitigate the impact of the PPACA Excise Tax.