

ATTRIBUTES OF THE CURRENT K-12 SYSTEM

The Washington health care market is dynamic with numerous individual and collaborative efforts underway to reform the health care delivery system in ways that increase access to quality, affordable health care by all citizens of the state. The existing K-12 network of employees' health benefits programs are not sitting separate from this dynamic market and are not static programs unresponsive to and unaffected by health reform efforts. Throughout the development of this report, examples were identified where individual districts, small groups of districts, and individual benefit plan sponsors and carriers have successfully implemented changes within the existing K-12 employee benefits environment that have achieved improvements in support of the goals identified for a consolidated purchasing system.

Individual Level District Improvements

During interviews with project Advisory Team participants, a number of examples were noted where individual school districts have incorporated various combinations of the features described throughout this report. A summary of a set of these interviews is presented in the Case Studies chapter.

Even though each district has approached health benefits improvement differently, there are commonalities across them that have formed the basis for improvement. The following core features were identified and are consistent with the Health Care Authority design proposal contained in this report:

- Uniform policies are set by a board, committee, or other entity that to establish consistent district-wide design and operations of the health benefits program.
- District officials and employees have structured their health benefits negotiation processes to support and facilitate the policy board and its decisions.
- Sufficient resources are dedicated to administration of the health benefits program to organize and analyze expenditures and benefits utilization experience to support informed purchasing decisions. This feature is usually associated with larger district size or formal organization of multiple smaller districts into a single health benefits purchasing arrangement. Resources are available through district staff, health benefits consultants/contractors, or a combination of the two.
- Access to a common set of health benefit plans by all employees.
- A single risk pool or a small number of risk pools achieved by combination of bargaining unit pools into consolidated employee group pools.
- Higher degrees of standardization in employer/employee premium cost sharing to achieve affordable benefits for all employees, including those covering dependents.

Health Benefits in Relation to Other Human Resource Decisions

A common and consistent message delivered by the Advisory Team throughout the project emphasized the integral role health benefits play in negotiations between the employer and employees. Of particular note are:

- In many cases, current employee health benefits design are the result of trade-offs across all employee compensation and benefits. Changes to health benefits resulting from transition to a single state-wide health benefits structure has the potential for significant disruption to those integrated negotiated arrangements. If the decision is made to move

to a consolidated health benefits purchasing system, time must be allowed for districts and employee bargaining units to adjust other elements of the integrated bargaining arrangement.

- Health benefits are just one of several aspects of State funding to K-12 school districts. There are both hold-harmless and at-risk elements of the overall State funding. If funding of health benefits under a consolidated benefits purchasing system creates a new at-risk funding arrangement for the districts, this must be taken into account by State officials when making decisions about other elements of public school funding.

Benefits Consultants and Contractors

Because administration of employee health benefits is just one of many responsibilities of public school districts and involves aspects that cross district functions, including human resources, payroll, accounting, etc, district administration often employs the services of benefits consultants and contractors to perform any combination of activities. This is true of districts of all sizes with the range of contracted services varying widely beyond the single role of “purchasing” of benefit plans on behalf of districts.

Information provided by school district human resources personnel demonstrates the nature and range of services currently provided by benefits consultants and contractors:

- ❖ Developing benefits communications,
- ❖ Conducting new hire benefits orientations,
- ❖ Managing open enrollment processes,
- ❖ Processing enrollments and terminations for active, self-pay and COBRA enrollees,
- ❖ Reconciling monthly insurance billings,
- ❖ Producing detailed, clear reports with commentary and interpretation,
- ❖ Providing personal confidential advocacy services for employees involving detailed research, contract interpretation, and negotiation to get medical and disability claims paid,
- ❖ Supporting the work of governing boards, policy committees, etc. to inform benefit plan designs for all types of covered benefits.

Year Round Activities of Benefit Plan Carriers to Support Employees Informed Choice

Health benefits carriers serve as the third partner with the district staff and benefit consultants and contractors in assuring employees receive education about the health benefits available to them and the features that differentiate available plans from each other so each employee has the opportunity to make an informed choice that best suits his or her situation. The education and outreach is a year round process culminating in the annual open enrollment process.

School Employees Are Role Models for Students

The Governor and Legislature have stressed the importance of employee wellness as a contributor to workplace productivity and reduced health care costs. In addition, the Governor has stressed the important role State agency leaders play in modeling healthy behavior and advancing the message of personal responsibility for maintain individual health status.

School district officials on the project team pointed out that a very similar scenario plays out on a wider basis where school employees are impacting students and communities on a day to day basis. The school employees are the bread and butter of many smaller communities and their wellness is important to both the schools as employers and to the students as role models. Having access to health benefits that promote wellness, prevention, chronic disease management, and healthy lifestyle choices must be a priority for the employees' benefits system in whatever form it takes.

WORKING DRAFT

Fundamental Design Features to Achieve Improvement

- ❖ Participatory benefits purchasing governance structure with full system-wide decision authority for health benefit purchasing policy, benefit plan design, and premium cost-share responsibilities.
- ❖ Benchmark plan as foundation for a range of benefit plan choices within the portfolio intended to offer choices comparable in value to the current system.
- ❖ Fixed employer premium contributions percentages set for the benchmark plan.
- ❖ Defined acceptable employer contribution percentage ranges for employee-only and dependent tiers as alternatives to the modeled fixed percentages.
- ❖ Sufficient risk pool size to support stable, sustained purchasing system operations.
- ❖ Competitive purchasing environment to support cost-effective benefits purchasing.
- ❖ Structured information exchange systems and other electronic capabilities designed to support streamlining of administrative processes.
- ❖ Data reporting to purchaser in a standardized format.
- ❖ Structured system-wide information dissemination systems to rapidly disseminate and receive feedback on pending policy decisions, portfolio design changes, etc., and to distribute clinical best practices, decision support tools, and other information to create informed consumers and providers.

Risks to Address

- ❖ Benefit plan premiums constitute the vast majority of purchasing system cost under a fully-insured risk management design. Actual premium levels for the benefit plan portfolio will not be known until a competitive procurement of the initial plan portfolio is completed.
- ❖ Under this model, districts will acquire the new risk of varying employer contributions, depending on whether an employee selects employee-only coverage, or coverage including dependents. In the current system, the employer's funding allocation is independent of the employee's benefit selection. The new system will require districts to bear the added risk of varying employer contributions, based on employees' tier selections. While an expected amount of tier migration is built into the modeling, migration in excess of expectations will result in additional district costs.

145 For the first year of a new consolidated purchasing system, some form of risk
146 mitigation should be afforded to the participating districts through a State level re-
147 insurance arrangement or other hold-harmless provision.

WORKING DRAFT