



Legislative Post Audit School District Performance Audit Report Highlights

K-12 Education: Reviewing Issues Related to the Cost of the Health Care Benefits Provided By School Districts

Report Highlights

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Audit Concern

Because health insurance costs represent such a large and growing cost for school districts, members of the 2010 Commission expressed an interest in finding out whether there are ways districts could better control these costs. Also, many districts were interested in finding out if it would be beneficial for districts to form a Statewide pool.

Other Relevant Facts

District spending on health insurance has increased significantly over the last five years, from \$253 million in the 2004-05 school year to more than \$355 million in the 2008-09 school year.

Most school districts buy health insurance directly from insurance companies or join a risk pool.

Employers join risk pools to obtain lower and more predictable premiums.

Recent activity at the federal level will change many important aspects of health insurance. By 2014:

- *all U.S. citizens and legal residents will be required to carry health insurance*

AUDIT QUESTION 1: *What opportunities exist for school districts to decrease health insurance costs by joining pools?*

AUDIT ANSWER and KEY FINDINGS:

ISSUES RELATED TO DISTRICTS JOINING THE STATE EMPLOYEE HEALTH PLAN

- Currently there are five pools available to school districts, but the State Employee Health Plan is the only one open to all districts regardless of the health of its employees.
- We only identified one district (USD 382 Pratt) that could potentially save money by joining the State plan. District officials told us they belonged to the State plan five years ago, and aren't interested in rejoining because of the mid-year rate increases that were difficult to plan for and higher premiums than what State agencies pay.
- The State plan tends to be more expensive for districts because the minimum employer contribution requirements are more than most districts currently pay, and the plan's annual deductible is lower.

ISSUES RELATED TO DISTRICTS FORMING A NEW STATEWIDE POOL

- We estimate that a Statewide pool of school districts could cost about \$431 - \$471 a month for employee only coverage, depending on the plan (see accompanying figure).
- Most of the 24 school districts and service centers we looked at wouldn't appear to benefit from joining a Statewide pool, either because premiums would be higher, or because more out-of-pocket costs would be shifted onto their employees.
- It would be difficult to sustain a new Statewide pool without sufficient safeguards. Such safeguards:
 - *control which groups enter and exit the pool by allowing only low-risk groups to enter and discouraging any from leaving.*
 - *encourage low-cost individuals to join by requiring a minimum employee participation level and prohibiting incentives not to join such as cafeteria-style benefits.*
 - *set employer contributions towards premiums in such a way that encourages more children (who are inexpensive to insure) to join the plan.*

School District Employees Plan Comparison and Estimated Premiums			
	LPA Plan A	LPA Plan B	LPA Plan C
Plan Characteristics			
Deductible (employee only)	\$500	\$1,000	\$2,500
Co Insurance	20%	20%	20%
Max-Out-Of-Pocket	\$1,200	\$1,200	\$5,000
Total Monthly Premiums (employer and employee share)			
Employee Only	\$471	\$453	\$431
Employee and Spouse	\$1,107	\$1,070	\$1,024
Employee and Children	\$970	\$939	\$899
Employee and Family	\$1,472	\$1,421	\$1,357
Source: LPA analysis of claims and enrollment data.			

- employers with at least 50 employees will be required to offer health insurance
- insurance companies won't be able to deny coverage to anyone with pre-existing conditions.

It's unclear how these changes might affect the findings and conclusions of this audit.

We Recommended

We didn't have any recommendations for this audit.

Agency Response: In general, the Kansas Department of Education and Kansas Health Policy Authority agreed with our findings and conclusions in this audit report.

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