

**MEETING SUMMARY**

**JOINT MEETING  
OF THE  
SENATE INTERIM COMMITTEE ON EDUCATION  
SENATE INTERIM COMMITTEE ON INSURANCE AND COMMERCE  
HOUSE INTERIM COMMITTEE ON EDUCATION  
and the  
HOUSE INTERIM COMMITTEE ON INSURANCE AND COMMERCE**

**Monday, September 9, 2013**

**10:00 A.M.**

**Room A, MAC Building**

**Little Rock, Arkansas**

Senator Johnny Key, the Chair of the Senate Interim Committee on Education, called the meeting to order at 10:00 a.m.

**MEMBERS OF THE SENATE INTERIM COMMITTEE ON EDUCATION IN ATTENDANCE:** Senator Johnny Key, Chair; Senator Joyce Elliott, Vice Chair; Senator Eddie Cheatham; Senator Alan Clark; Senator Jim Hendren; Senator Bruce Holland; and Senator Uvalde Lindsey.

**MEMBERS OF THE SENATE INTERIM COMMITTEE ON INSURANCE AND COMMERCE IN ATTENDANCE:** Senator Jason Rapert, Chair; Senator Keith Ingram, Vice Chair; and Senator Cecile Bledsoe.

**MEMBERS OF THE HOUSE INTERIM COMMITTEE ON EDUCATION IN ATTENDANCE:** Representative James McLean, Chair; Representative Ann Clemmer, Vice Chair; Representative Charles L. Armstrong; Representative Les Carnine; Representative Bruce Cozart; Representative Gary Deffenbaugh; Representative Jody Dickinson; Representative Charlotte Vining Douglas; Representative Jon Eubanks; Representative Debra Hobbs; Representative Karen Hopper; Representative Sheilla Lampkin; Representative Homer Lenderman; Representative Mark Lowery; Representative James Ratliff; and Representative Brent Talley.

**NON-VOTING MEMBERS OF THE HOUSE INTERIM COMMITTEE ON EDUCATION IN ATTENDANCE:** Representative Randy Alexander; Representative Jim Dotson; Representative Justin Harris; Representative Stephen Meeks; and Representative Chris Richey.

**MEMBERS OF THE HOUSE INTERIM COMMITTEE ON INSURANCE AND COMMERCE IN ATTENDANCE:** Representative Tommy Wren, Chair; Representative Robert Dale, Vice Chair; Representative Harold Copenhaver; Representative Joe Farrer; Representative Fredrick Love; Representative Reginald Murdock; Representative Mark Perry; Representative Terry Rice; Representative John Vines; Representative Jeff Wardlaw; and Representative Henry "Hank" Wilkins, IV.

**NON-VOTING MEMBERS OF THE HOUSE INTERIM COMMITTEE ON INSURANCE AND COMMERCE IN ATTENDANCE:** Representative Nate Bell; Representative David Branscum; Representative Jeremy Gillam; Representative Douglas House; Representative Kelley Linck; and Representative Micah Neal.

**OTHER MEMBERS OF THE GENERAL ASSEMBLY IN ATTENDANCE:** Senator Linda Chesterfield; Senator Jonathan Dismang; Senator Jane English; Senator Jeremy Hutchinson; Senator Missy Irvin; Senator David Sanders; Senator Larry Teague; Senator Eddie Joe Williams; Representative Duncan Baird; Representative Scott Baltz; Representative Mary Broadaway; Representative John Burris; Representative Andy Davis; Representative Bill Gossage; Representative Kim Hammer; Representative John Hutchison; Representative Joe Jett; Representative David Kizzia; Representative Andrea Lea; Representative Greg Leding; Representative Walls McCrary; Representative Mark McElroy; Representative David Meeks; Representative Jim Nickels; Representative Betty Overbey; Representative Sue Scott; Representative Frederick Smith; Representative Nate Steel; Representative Tommy Thompson; Representative Wes Wagner; Representative John Walker; and Representative Butch Wilkins.

**Morning Session**

Remarks by the Co-Chairs

Senator Key announced that the purpose of this joint meeting was to review information and to discuss the current situation with the Public School Employee Health Insurance Program. He stated the meeting was for information gathering only, and no action would be taken toward solving problems. He clarified that, since the legislature is not in Regular or Fiscal Session, the Committees had no power to enact laws or to appropriate funds.

**The Honorable Jason Rapert**, State Senator, District 35, and Chair, Senate Interim Committee on Insurance and Commerce, was recognized. Senator Rapert commented that he had received more emails on this issue than any other matter before him during his tenure in the Arkansas Senate. He challenged all members to provide short-term relief for teachers by January 1, even if a special session is required. He continued that immediately following any short-term relief proposal, a long-term solution needs to be found. He said it is time to support the people who are teaching our children.

**The Honorable James McLean**, State Representative, District 63, and Chair, House Interim Committee on Education, was recognized. Representative McLean stated he felt there was a commitment among legislators to immediately address the problem. He said that members would have the opportunity to learn about the situation from people who are intimately involved with the process in the meeting today. He said he appreciated all who were attending the meeting.

**The Honorable Tommy Wren**, State Representative, District 62, and Chair, House Interim Committee on Insurance and Commerce, was recognized. Representative Wren stated that the system is broken and needs to be fixed. He said he hoped the meeting would be a fact-finding mission to find out where we are and what needs to be done differently. He said he appreciated all who were in attendance.

Review of the Historical Development of the Public School Employee Health Insurance Program

*Presenter & Synopsis:*

**Ms. Nell Smith**, Administrator, Policy Analysis and Research Section, Bureau of Legislative Research, was recognized. Ms. Smith provided a history of the state's method of funding public school employee health insurance. She referenced a memo containing a timeline of events that affected the structure and funding of the Public School Employee Health Insurance (PSEHI) Plan. Ms. Smith walked the Committees through the document, noting the important milestones in the development and funding of the PSEHI Plan.

*Handout:*

Materials Related to Public School Employees Health Insurance

Review of the Calculation Methodology Regarding Public School Employee Health Insurance Benefits in the Funding Matrix

*Presenter & Synopsis:*

**Mr. Richard Wilson**, Assistant Director, Research Services, Bureau of Legislative Research, was recognized. Mr. Wilson provided background information of the calculation methodology used in the Funding Matrix. He referenced a simplified version of the Matrix and the bottom line number, the foundation funding amount per student. He said that foundation funding, while not the only source, is a large component of funding for schools. He said once that number is determined, that is what will be sent out to districts per their Average Daily Membership (ADM), which is the student count. He noted this money is unrestricted and superintendents and school boards can do with it what they will to meet the needs of their districts. Mr. Wilson discussed the two options to change the money that goes out to districts. He detailed Teacher Salary + Benefits, including how it is

calculated, how it is adjusted, and how it affects foundation funding.

Issues Included in the Discussion with Ms. Smith and Mr. Wilson:

- funding events that turned the Public School Employee Health Insurance Plan upside down,
- lack of inclusion of the Adequacy Study results in the Governor's budget,
- solicitation of third-party, independent, insurance industry experts for advice and counsel on how to hold down premium increases in the PSEHI Plan,
- variance from district to district in the funding for insurance,
- calculations to make the rising cost of insurance stay equal with the teacher contribution,
- state employee health insurance premiums vs. public school employee health insurance premiums,
- percent of funding for health insurance in the Matrix not being used by districts,
- dollar amount needed to equalize public school employee premiums with those of state employees,
- numbers factored into each agency's appropriation request,
- payroll included in the Matrix,
- reasons for not merging state and teacher employee insurance plans,
- determination if public school employees are state employees,
- determination of how school districts spend foundation funding,
- identifying foundation funding surpluses in school districts,
- total taxpayer funding per teacher,
- teacher or employee involvement in defining expenditures,
- amount designated for teacher health insurance being spent on teacher health insurance, and
- clarification of the purpose of the \$138.55.

Handouts:

2011 Funding and Expenditures for Health Insurance

2011 Total State and School District Expenditures for Health Insurance

2013 COLA Adjustment Process

Review of the Rate-Setting Process for Public School Employee Health Insurance Program

Presenter & Synopsis:

**Mr. Bob Alexander**, Director, Employee Benefits Division, Arkansas Department of Finance and Administration, was recognized. Mr. Alexander provided testimony on the rate-setting process in general. He said that the State and Public School Life and Health Insurance Board (Board) has jurisdiction over setting the benefits and rates for both the Arkansas State Employee Plan and the Arkansas Public School Employee Plan. He noted these are two separate plans with identical benefits. Mr. Alexander said there is also a Benefits Subcommittee (Subcommittee), set by statute, involved in the process. He detailed that around June, the actuaries provide the Subcommittee with projections for the following year. The Subcommittee must decide what must be done to keep the plan solvent, and make recommendations to the Board on benefit and plan rate changes. The Board, after reviewing the Subcommittee's recommendations, actuarial information and calculations, and other relevant information, makes a determination regarding plan benefits and employee rates. Mr. Alexander also discussed the calculation of the 2014 rates.

Contributor to the Discussion:

**Mr. Doug Shackelford**, Deputy Director, Employee Benefits Division, Arkansas Department of Finance and Administration

Issues Included in the Discussion:

- caps on dollar amounts for catastrophic coverage,
- effect on the PSEHI fund of implementing a per employee funding model similar to the Arkansas State Employee funding model,
- date the Board became aware that they would face a 48% increase in some of the premiums,
- plans for funding that are necessary going forward,
- changes in the plans that are necessary going forward,
- use of catastrophic and unallocated reserves to offset rate increases,
- reinsurance for self-funded plans of this size,
- protections offered by grandfathered plans under the Affordable Care Act,
- effect of the Affordable Care Act's regulations on health insurance plans,
- difference between the public school and state employee plans with regard to FICA savings,
- extending the deadline for open enrollment,
- operational funding for the Employee Benefits Division (EBD),
- composition and credentials of the State and Public School Life and Health Insurance Board,
- impact of the Bronze Plan deductible on individuals who don't make much money,
- number of employees participating in the public school and state employee plans,
- variability of local school district contributions in the funding equation,
- assessing employee reasons for opting out of a plan,
- comparison with other states and what they are doing on a per employee basis, and
- sharing state money from "ghost employees" between the two plans.

Handout:

Information from the Employee Benefits Division (EBD) Concerning Arkansas State Employee and Public School Employee Health Insurance Plans

At 12:30 p.m., Senator Key announced that the meeting would recess for lunch, and would reconvene at 1:30 p.m.

Afternoon Session

Senator Rapert reconvened the meeting at 1:30 p.m.

Review of the Current Method for Provision of Public School Employee Health Insurance from a School Administrator's Perspective

Presenter & Synopsis:

**Mr. Jerry Noble**, Superintendent, Greene County Tech (GCT) School District, Paragould, Arkansas, was recognized. Mr. Noble stated that emergency help for the short term is needed, but funding will not fix the problem. He said his concern in the presentation today was more about the plans. Mr. Noble discussed points in "Consumer Driven Health Care VS Current Plan," including: Why do we (schools) not contribute more to health insurance? How much money does GCT have in the bank? What is a consumer-driven plan? Do we have competition for the current business? He concluded by asking that the Committees consider eleven suggestions for improving teacher health insurance. Mr. Noble also reviewed his notes regarding catastrophic coverage, spreading the risk, the increase in state plan premiums, teachers and classified employees with no place else to go, loss of money for schools if plan participation exceeds 63%, opting out of the Gold Plan, FICA savings, and getting expert advice.

Issues Included in the Discussion:

- ≡ where GCT spent the surplus from its 2011 foundation funding for health insurance,
- ≡ mandate that each school employee and teacher take out insurance through the current plan,
- ≡ sustainability of a plan without a deductible,

- ≡ providing incentives and educating employees about health insurance,
- ≡ superintendents' knowledge of consumer-driven health plans,
- ≡ allowing districts to break away from EBD and to seek their own coverage,
- ≡ communications and counsel about the plans provided to school districts by EBD,
- ≡ providing health insurance tutorials to school district business managers,
- ≡ driving costs up by moving teachers from the Gold Plan to the Bronze Plan,
- ≡ need for clarity regarding the flow of money from the state to individual school districts, and
- ≡ process for determining what goes into the general fund.

Handouts:

Consumer Driven Health Care vs. Current Plan

Jonesboro Sun, Opinion Article, *Teacher insurance program must be reformed*, by Jerry Noble, 09/01/13

Senator Rapert recognized Mr. Bob Alexander, Mr. Doug Shackelford, and Mr. Richard Wilson for a continuation of the morning's question and answer session regarding the Public School Employee Health Insurance Program.

Issues Included in the Question and Answer Session:

- foundation funding being spent by schools on insurance or going to general expenditures,
- discrepancy in dollar amounts of available funds: \$42 million or \$4 million,
- Gold Plan's co-pay, deductibles, and benefits, and its sustainability,
- collective premiums paid over the last five years vs. total claims over that five-year period,
- health issues unique to those in teaching as opposed to the general pool of state employees,
- effect on the actives' rate when blending retirees with actives in the PSEHI Plan,
- Bronze Plan's Health Savings Account (HSA) and stop-loss,
- funding for positions in state agencies that go unfilled,
- identification and compensation for actuaries,
- bidding out contracts,
- comparison of public school and state employee health insurance plans to those of public universities,
- dollars needed to stabilize the teacher premium for insurance,
- exodus from the current plan to the insurance exchange,
- difference between a "Cadillac Plan" and a Platinum Plan, and
- incentivizing the Bronze Plan at the local level.

Other Handouts:

Petition, Craighead County Retired Teachers Association

Next Scheduled Meeting:

Tuesday, September 10, 2013, at 9:00 a.m. in Room A of the MAC Building

Adjournment:

The meeting adjourned at 4:20 p.m.

*Approved: 10/14/13*