

MEETING SUMMARY
STATE AND PUBLIC SCHOOL
LIFE AND HEALTH INSURANCE PROGRAM
LEGISLATIVE TASK FORCE

Tuesday, September 23, 2014
1:30 P.M.
Hot Springs Convention Center, Room 207
134 Convention Boulevard
Hot Springs, Arkansas

The Honorable Harold Copenhaver, State Representative, District 58, and Vice Chair of the State and Public School Life and Health Insurance Program Legislative Task Force, called the meeting to order at 1:30 p.m.

MEMBERS OF THE STATE AND PUBLIC SCHOOL LIFE AND HEALTH INSURANCE PROGRAM LEGISLATIVE TASK FORCE IN ATTENDANCE: Representative Harold Copenhaver, Vice Chair; Senator Linda Chesterfield; Senator Jason Rapert; and Representative Bill Gossage.

OTHER MEMBERS OF THE GENERAL ASSEMBLY IN ATTENDANCE: Senator Alan Clark; Senator Joyce Elliott; Representative Scott Baltz; Representative Ann Clemmer; Representative Jim Dotson; Representative Charlotte Vining Douglas; Representative Douglas House; Representative David Kizzia; Representative James Ratliff; Representative Sue Scott; and Representative John Vines.

Remarks by the Vice Chair

Representative Copenhaver welcomed members, and reminded them of the purpose for which the Task Force was created. He stated the Task Force was designed to develop a program that allows the Public School Employee (PSE) Health Insurance Plan to operate on an actuarially sound basis; to help increase public awareness of the program and its governance; and to develop a legislative framework that promotes program stability. He said the failure of the Task Force to act on these directives would mean an ongoing deficit that would impact both educators and youth. Representative Copenhaver said members are here today, not to take any action, but to discuss options.

Minutes:

Without objection, the minutes of August 26, 2014, were approved as written.

Exhibit:

Exhibit C – 08/26/14 Minutes

Preliminary Discussion of Long-Term Options for Ensuring the Fiscal and Programmatic Stability of the Arkansas State Employee (ASE) Health Insurance Plan and the Public School Employee (PSE) Health Insurance Plan

Option 2 - Allowing School Districts to Operate Their Own Health Insurance Plan

Discussion of Legal Issues

Presenter:

Ms. Alix Stephens, Staff Attorney, Bureau of Legislative Research, was recognized. Ms. Stephens reviewed legal issues that could potentially arise under Option 2. She said right now there are no legal impediments to allowing school districts to operate their own health insurance plans. She stated legislative changes would be necessary, however, to give authority to school districts to actually operate the plans and to remove public school employees from eligibility under the state health insurance benefit plan.

Issues Included in the Discussion:

- ≈ specific legal changes that would have to be made, and
- ≈ impact of clusters of school districts operating their own health insurance plans on state contributions, on other districts, and on retirees.

Discussion of Financial Issues

Presenter:

Mr. Bob Alexander, Executive Director, Employee Benefits Division (EBD), Department of Finance and Administration, was recognized. Mr. Alexander stated that following a request by the Task Force for a comparison of health insurance in the marketplace and in the private sector to a group program, the EBD contacted its carrier, HealthAdvantage, to review claims. He said that since HealthAdvantage only underwrites groups that have 75% participation, the EBD looked at data for three different school districts, one small, one medium, and one large, which met that qualification. He said the three school districts that were chosen had high participation, so their medical claims on a per member per month basis were well below the plan average of \$194 per member per month: claims average \$139 per member per month in the small district; \$136 per member per month in the middle-sized district; and \$151 per member per month in the large district. He said these are “star” plans, and indicative of how increased participation lowers premiums. His overall observation is to set increased participation as a target. Mr. Alexander also discussed statewide participation in Arkansas and that of comparable programs in the State of Kansas and the State of Missouri. He discussed effects on rural school districts, on retirees, and on management of drug claims.

Issues Included in the Discussion:

- ≡ effect of the wealth index of the area on contributions,
- ≡ cost calculations for claims of spouses,
- ≡ alternative or formula for those who have a spouse that is dropped from the plan and who find themselves in a situation with combined premiums greater than they would be for them as a family, and
- ≡ clarification of Bentonville School District’s monthly contribution amount per employee in the accompanying EBD handout.

Handouts:

PSE Enrollment Data by Plan and District, EBD

PSE Premiums Illustration

Comments from Stakeholders

In today’s discussion of Option 2, presenters, in some cases, included comments on *Option 1 - Combining Both Plans into a Single Plan*, presented at the last meeting of the Task Force.

Presenter:

Dr. Richard Abernathy, Executive Director, Arkansas Association of Educational Administrators (AAEA), was recognized. Dr. Abernathy stated the issue of health insurance dramatically impacts schools and school employees. He said something has to be done to ensure the financial stability of the PSE Program and to address the affordability of health care coverage. He commented that merging the two plans would be a positive thing to do, keeping in mind that the ASE plan is possibly on the same course as the PSE plan. He noted risk would be spread over a broader base; however, the concern of funding would remain. Dr. Abernathy said there is need for additional new state revenue to be placed into the system. He warned that moving money from foundation funding to health insurance is not prudent for the long-term benefits of the educational system in Arkansas. He said the last time new state revenue was put into health insurance was 2009, with the exception of one-time money put in a couple of years ago. He stated that the legislation regarding Federal Insurance Contributions Act (FICA) savings generated in the last session needs to be repealed because it is diverting school funds that have already been budgeted over to health insurance. Dr. Abernathy discussed the pros and cons of the Missouri plan with regard to school districts operating their own health insurance plans. He also commented on the need for school districts to have good health insurance benefits to attract and retain quality employees. Dr. Abernathy stated that the AAEA had a good discussion on moving this issue forward with the goal of repairing the current system. He said, at a minimum, keep all school districts in the plan together as there is strength in numbers. He discussed an AAEA survey of member districts. He said of the 205 surveys returned, 45% of districts wanted to keep the system, but make strategic changes and improvements. He said the districts were not interested in taking over the operation of the health insurance program. Dr. Abernathy summarized points that the AAEA feels would make a difference:

- fair representation on the EBD Board,
- pulling money out of the Matrix and sending it directly to EBD,
- applying a cost-of-living adjustment (COLA) to the school contribution and to the state contribution,
- applying new state money to health insurance,
- increasing participation rates,
- mandating all school employees get on the health insurance plan,
- recommending all new hires get on the health insurance plan,
- repealing FICA legislation, and
- continuing the meetings between EBD and the Arkansas Association of Business Officials (AASBO) to discuss the state's system and the school's system.

Dr. Abernathy said that at the last meeting there was discussion of merging the Arkansas Teacher Retirement System (ATRS) and the Arkansas Public Employees Retirement System (APERS), which the AAEA does not support. He said both systems are financially sound and the AAEA does not see where impacting two systems that are working to try to solve a health insurance issue would be a good policy decision for the state.

Presenter:

Ms. Brenda Robinson, President, Arkansas Education Association (AEA), was recognized. Ms. Robinson applauded efforts made by legislators towards making sure the PSE health insurance plan is solvent and sound. She stated that having examined testimony from the previous meeting of the Task Force, the AEA believes that there may be major benefits to merging the PSE and ASE health insurance plans. She noted that while the ASE plan may currently be more solvent, it may also be a few claims away from being in the same predicament as the PSE plan. She said combining the two programs would allow each group to have a more informed voice on how health insurance is administered. Ms. Robinson said the AEA firmly believes this idea warrants further exploration. As far as Option 2, she said the AEA has had discussions with many stakeholders in the educational community and has researched other states that have turned over responsibility for health insurance operations to school districts. She said the AEA has repeatedly seen that when states have tried this, several smaller districts have not been able to offer any insurance to their employees at all. Ms. Robinson stressed that this is not an

acceptable outcome for state schools or for educators in Arkansas; and, unless there is a guarantee that such an outcome can be avoided, it is unlikely the AEA would be able to support any effort by the state to disregard administration of public school employees health insurance and to force districts to pick up the slack. With regard to retirement systems, discussed at the last Task Force meeting, she said the AEA is totally against merging ATRS and APERS. In closing, Ms. Robinson said the AEA looks forward to hearing more ideas from the Task Force to help educators solve these long-standing issues.

Contributor to the Discussion:

Mr. Tom Doohar, Executive Director, Arkansas Education Association

Issues Included in the Discussion:

- ∴ states in which research and analysis was conducted by the AEA,
- ∴ merging the plans offering the opportunity for better negotiations,
- ∴ getting into the details and the numbers of the options, and
- ∴ methods of funding which can contribute to equitability.

Presenter:

Dr. Michele Ballentine-Linch, Executive Director, Arkansas State Teachers Association (ASTA), was recognized. Dr. Ballentine-Linch stated that the PSE insurance liability is one of the greatest challenges faced at the moment. She described how teacher retirement is managed in the hopes of shedding light on the health insurance issue and reaching a solution. She stated that to put the teacher retirement system's strong foundational structure and mission at risk of being diluted with non-school employee stakeholders and objectives could lead to a situation similar to that of the PSE plan. Regarding combining the ASE and PSE plans, she said this option has been losing favor with the ASTA membership over the past few months. She noted that as more information is made available, the ASTA membership would like to provide a more informed opinion. Dr. Ballentine-Linch discussed the lack of representation of school employee stakeholders on the EBD Board, and the Board becoming sidetracked from its original assigned mission. Dr. Ballentine-Linch recommended that:

- the EBD Board be significantly restructured to include more PSE stakeholders and at least one industry expert who represents school employees,
- a trigger mechanism be put in place to raise a red flag when a proposal seems out of line with actuarial recommendations, industry norms, or current best practices,
- the EBD Board minutes reflect conversations, key questions, and thought processes that lead to the decisions made,
- actuaries be required to make proposals based on the legislated, mandated mission, and to keep the EBD Board and public apprised of how plans compare to other public sector plans,
- there be a requirement to provide a side-by-side comparison, as well as a financial summary, that allows participants to see their out-of-pocket expenses had they been on other plans,
- there be education to understand the promises and pitfalls of a Health Savings Account (HSA),
- there be better funding, and
- the state invest in buying down rates in order to attract younger and healthier participants.

Dr. Ballentine-Linch said the ASTA members believe this is a recruitment and retention issue, a quality-of-life issue, and an Adequacy issue that impacts rural districts, charter schools, single parents, two-educator homes, and support staff. She said much more is at stake than health insurance.

Presenter:

Dr. Tony Prothro, Executive Director, Arkansas School Boards Association, was recognized. Dr. Prothro stressed the importance of running scenarios for unintended consequences in order to see how people would be affected before moving forward on adopting any option.

Presenter:

Mr. Danny James, Executive Director, Arkansas State Employees Association (ASEA), was recognized. Mr. James stated this is not an issue of public school teachers vs. state employees. He said we are all working together to make Arkansas a better place. He stated this is a serious issue and demands serious questions and answers. Mr. James discussed how state employees have been hit hard financially over the last year and that morale is low. He stated the ASEA knows the General Assembly wants to do what's best and what's in the best interest of all state employees. He said we must look up from the numbers on the page and realize what a negative impact the decision will make on state employees and their families and, ultimately, on the state's economy, just as we must be in charge of doing the same thing for public school employees. He said having less money means spending less money in local communities which affects revenues. Mr. James continued, on behalf of the ASEA and the more than 27,000 state employees, we do not support an option that will increase health insurance premiums. He referenced a comment made by Mr. Bob Alexander in the last meeting about the merging of the two entities potentially causing upwards of a 33% increase in state employees' premiums. Mr. James stated the ASEA feels the numbers are not there. He said the ASEA supports the work of the Task Force; but when it comes down to dollars and cents, state employees can't afford the potential negative financial impact of combining both plans into a single plan. Mr. James also commented that the ASEA was not interested in combining the retirement systems.

Contributor to the Discussion:

Mr. John Bridges, Assistant Executive Director, Arkansas State Employees Association

Issues Included in the Discussion:

- working out a choice of plans if a family has members in each plan,
- actuarial data on changes to premiums should a merger take place,
- achieving confidence in the numbers,
- shopping around for negotiated health insurance rates based on a large pool of employees,
- necessity for an expanded look outside the box to fix the situation,
- funding efforts at the local level, and
- need for further discussion of Adequacy funding that's rolled over from year to year.

Presenter:

Ms. Donna Morey, Executive Director, Arkansas Retired Teachers Association (ARTA), was recognized. Ms. Morey provided written testimony on funding differences between state positions and public school positions. She said with the information we have, we know the public school plan is underfunded compared to that of the state. Ms. Morey expressed ARTA's position that it would appreciate better funding for the PSE plan and more support for Non-Medicare retirees.

Handout:

Arkansas Retired Teachers Association, Letter, dated September 15, 2014

Presenter:

Mr. Bill Abernathy, Executive Director, Arkansas Rural Education Association (AREA), was recognized. Mr. Abernathy stated the bottom line is to have quality school employees, teachers, and leadership in order to give the

best educational opportunities to students in Arkansas. He said, judging by the testimony, the merger would be a good investment but not at the expense of state employees.

The Honorable Bill Gossage, State Representative, District 82, was recognized. Representative Gossage presented a proposal for a five-year plan for covering health insurance premiums for first-year teachers which would dramatically increase the health of the pool and stabilize or decrease premiums. He requested that the Task Force explore this idea.

The Honorable Jason Rapert, State Senator, District 35, and **The Honorable Douglas House**, State Representative, District 40, were recognized, and, in turn, requested certain speakers on pertinent topics be placed on an upcoming agenda.

Next Scheduled Meeting:

Representative Copenhaver announced that the next meeting of the Task Force would not take place until after the November 4th elections.

Adjournment:

The meeting adjourned at 3:25 p.m.