



School Employee Health Insurance

Health insurance for school employees continues to rise at a faster pace than salaries and at a much faster pace than health insurance costs for AR state employees. With rates set to rise approximately 21% starting January 1, 2013, it is imperative that the 89th General Assembly address this issue. This one issue has huge implications for school districts to attract and retain quality employees. The Arkansas Association of Educational Administrators (AAEA) provides the recommendations that follow in an effort to provide quality health insurance for school employees at a reasonable cost.

Looming on the horizon is an even greater issue that could dramatically increase district costs in health insurance benefits for employees. America's Affordable Health Care Act, starting January 1, 2014, requires all school district employees to be enrolled in an affordable health insurance program by their employer -- unless they choose to opt out. Districts that currently have only 60-70% of their employees accessing school health insurance will potentially see significant increases in district costs for employee health insurance premiums. The current statewide participation rate is 65% and EBD has projected that rate to reach 85% under the new law. With this in mind, it is even more crucial for the General Assembly to provide additional funding for school employee health insurance.

It needs to be noted that many school districts, when considering salary increases or benefit enhancements each year, make decisions that will benefit the greatest number of their employees, both certified and classified personnel. If the number of district employees that have school health insurance is low, the districts may very well be putting available funds into salaries and other employee benefits that impact a greater number of employees.

1. Increase the amount of funding that goes directly from the State to the Employee Benefits Division (EBD) to offset the rising cost of school employee health insurance.

Rationale: While it is never a good time to increase government costs, the investment in school employee insurance coverage should be of high priority to Arkansas. Past General Assemblies have, after much deliberation, established secure funding streams to offset these costs and the need to do so again has become critical. In addition, the Interim Study on Educational Adequacy in 2008 recognized the need for additional funding for public school employee health insurance. The Adequacy Subcommittee determined that employee health insurance is one factor that impacts teacher recruitment and retention in Arkansas. The Adequacy Subcommittee recommendation at that time was \$63,000,000 for the upcoming biennium. In addition, upon release of the November 2012 monthly revenue report by DF&A, state officials indicated that a surplus of \$100,000,000 is likely for FY2013.

Thoughtful consideration should be given to earmarking a portion of these surplus funds to EBD reserves to offset premium increases in future years.



2. **If the State provides a cost-of-living-increase (COLA) to foundation funding, apply that same increase to the mandated monthly district-paid premium (currently \$131).**

Rationale: A steady increase to the mandated monthly amount, when districts do receive COLA adjustments, would make a gradual, but eventually significant, impact to employee costs over a period of time.

3. **Apply a yearly cost-of-living-increase (COLA) to the \$50,000,000 supplemental funding currently flowing directly to EBD.**

Rationale: A steady increase in the amount of supplemental funding that flows directly to EBD would be a small increase in the state overall budget each year but, over time, would be a significant increase in funds to offset the rising costs of health insurance.

4. **Pull the funds provided in the Matrix for health insurance out of Foundation Funding and send directly to EBD. At this point the State would be responsible for the employer contribution to school employee health insurance premiums.**

Rationale: The State and school districts would be better off in the long run if districts were completely out of the health insurance business. Testimony provided at the November 14th meeting of the Health Education Subcommittee indicates that 41,065 positions are funded through the Matrix. This would result in approximately \$59,000,000 being sent to EDB rather than school districts.

5. **AAEA does not support permitting school districts to access state categorical funds (commonly called NSLA funds) to pay above the currently mandated \$131 per month for employee health insurance premiums.**

Rationale: Several years ago, the Legislature made it very clear that NSLA funds should not be used to supplement educator salaries, even if it was for salaries above the minimum state requirements. This funding stream should be protected for its intended purpose -- to enhance student learning opportunities, especially for children of poverty.