

MEETING SUMMARY

**JOINT SUBCOMMITTEE ON
PUBLIC SCHOOL EMPLOYEE HEALTH INSURANCE
OF THE
HOUSE AND SENATE INTERIM COMMITTEES ON EDUCATION**

Friday, November 30, 2012

9:00 A.M.

**Room 171, State Capitol
Little Rock, Arkansas**

Senator Johnny Key, the Senate Co-Chair of the Joint Subcommittee on Public School Employee Health Insurance of the House and Senate Interim Committees on Education, called the meeting to order at 9:00 a.m.

MEMBERS OF THE SENATE INTERIM SUBCOMMITTEE ON PUBLIC SCHOOL EMPLOYEE HEALTH INSURANCE IN ATTENDANCE: Senator Johnny Key, Co-Chair; and Senator Joyce Elliott.

MEMBERS OF THE HOUSE INTERIM SUBCOMMITTEE ON PUBLIC SCHOOL EMPLOYEE HEALTH INSURANCE IN ATTENDANCE: Representative Randy Stewart, Co-Chair; Representative Homer Lenderman; and Representative Tommy Wren.

OTHER MEMBERS OF THE GENERAL ASSEMBLY IN ATTENDANCE: Senator Linda Chesterfield; Senator Randy Lavery; Senator David Wyatt; Representative Tommy Lee Baker; Representative Nate Bell; Representative Lori Benedict; Representative David Branscum; Representative Bruce Cozart; Representative Jon Eubanks; Representative Billy Gaskill; Representative Kim Hammer; Representative Kelley Linck; Representative Uvalde Lindsey; Representative Buddy Lovell; Representative Betty Overbey; Representative Mike Patterson; Representative Tracy Pennartz; Representative Bobby Pierce; Representative James Ratliff; Representative Tiffany Rogers; Representative Garry Smith; Representative Nate Steel; Representative Butch Wilkins; Representative Jon Woods; and Representative Marshall Wright.

MEMBERS-ELECT OF THE GENERAL ASSEMBLY IN ATTENDANCE: Representative-Elect Charles Armstrong; Representative-Elect Harold Copenhaver; Representative-Elect Charlotte Douglas; Representative-Elect John Hutchison; Representative-Elect Joe Jett; Representative-Elect Micah Neal; Representative-Elect Sue Scott; and Representative-Elect Brent Talley.

Remarks by the Co-Chairs:

Senator Key welcomed the Members-Elect to the meeting and asked that they introduce themselves.

Representative Randy Stewart, the House Co-Chair of the Joint Subcommittee on Public School Employee Health Insurance of the House and Senate Interim Committees on Education, commented that the Arkansas Supreme Court's November 29, 2012, ruling in the *Kimbrell v. McCleskey* case regarding the uniform rate of tax (URT) may have some impact on funding and could be a topic for a future meeting.

Discussion of the Issues Related to Public School Employee Health Insurance from the Employee Perspective

Presenter & Synopsis:

Ms. Shelley Branscum, Teacher, Mountain View School District, was recognized. Ms. Branscum shared background information on what had prompted her involvement in the issue of increasing premiums costs and on why public school employees are paying so much more than state employees for the same health insurance coverage. She said the issue is not only about teachers, but about all the people who work in the public schools, including cafeteria workers, bus drivers, teacher's aides, secretaries, superintendents, and principals, all of whom have the same coverage. She commented on the 4,189 signatures, to date, on petitions she has received in support of her efforts, and on a map indicating areas of Arkansas from which the petitions had been received. In her presentation, Ms. Branscum discussed what she has learned during her investigation, and provided a list of requests for action on this issue.

Contributor to the Discussion:

Mr. Jason Lee, Executive Director, Employee Benefits Division, Department of Finance and Administration

Issues Discussed:

- cost of insurance influencing a teacher's decision to retire,
- costs of private policies vs. costs through the Employee Benefits Division (EBD),
- clarification of surplus amounts in state employee and teacher insurance funds,
- effect of combining state employee and public school employee plans,
- effect of blending state and public school employee contributions,
- surplus in the public school employee's group being used this year to offset premiums, and
- amount of increase in funding for public employees factored into proposed budget.

Handouts:

Arkansas State Teachers Association (ASTA) Member Survey Summary: 2013 Health Insurance Premium Increase

Public School Employee Health Insurance Petition & Ideas

Arkansas Democrat-Gazette Opinion Article, dated 9/17/12

Monthly Premiums for Arkansas State Active Employees – 2013 Plan Year Rates

Monthly Premiums for Public School Active Employees – 2013 Plan Year Rates

Continued Review of Issues Related to Public School Employee Health Insurance

Presenter & Synopsis:

Mr. Jason Lee, Executive Director, Employee Benefits Division, Department of Finance and Administration, was recognized, and discussed administration costs paid on state employee and public school employee plans.

Issues Discussed:

- ♦ base administration costs,
- ♦ administration fees assessed on rates,

- ♦ additional funding stream for state employees received through employer's Federal Insurance Contributions Act (FICA) savings due to pre-tax deductions of employees' premiums,
- ♦ description of FICA savings on pre-tax withholding,
- ♦ effect of uniform cafeteria plan for state employees; public school districts have own cafeteria plan and own pre-tax premiums,
- ♦ availability of a comparison of benefits packages for state employees and public school employees,
- ♦ cafeteria plans structured at the employer-designated level,
- ♦ unintended consequences resulting from a common cafeteria plan vs. a private plan,
- ♦ public funds received for the purpose of offsetting health insurance premiums have to be used for the plan designated by the board,
- ♦ potential impact of Medicaid expansion on public school employees, and
- ♦ continually increasing disparity between state employee and public school employee plans.

Mr. Rich Nagel, Executive Director, Arkansas Education Association, was recognized. Mr. Nagel provided a brief historical perspective on the health insurance issue, and then stated that public school employees and state employees in Arkansas do not fare as well with regard to employer contributions for health insurance as those employees in other states. He addressed the three (3) main problems this year with the Public School Employees Health Insurance Program: insufficient overall funding, a different distribution of the state and plan contributions by the EBD, and the inadequate contribution of local school districts. With regard to the latter, he said ways need to be found to incentivize school districts to increase their share of contributions. He provided a general breakdown on state and local school district costs, and commented that the Arkansas Education Association (AEA) believes the primary responsibility for health insurance rests with the employer. Mr. Nagel additionally discussed cultural beliefs that contribute to the problems of the program and provided alternatives for improving funding.

Issues Discussed:

- o original rationale for setting up the public school employee program,
- o ways to increase participation in the program,
- o *funding* Matrix, not a *spending* Matrix,
- o making health insurance a categorical in the Matrix, and
- o distribution of funds that have not been spent.

Handout:

Arkansas Education Association (AEA) Memo, dated 12/5/12, regarding Written Copy of Remarks

Next Scheduled Meeting:

Thursday, December 20, 2012, at 3:00 p.m. in Room 171 of the State Capitol in Little Rock

Adjournment:

The meeting adjourned at 10:49 a.m.

Approved: 12/20/12