

# **Southeastern Wisconsin Schools Alliance Partners for Health Care Cost Containment February 2006**

*The Southeastern Wisconsin Schools Alliance is a coalition of public school districts in southeastern Wisconsin formed to study educational issues and respond to policy decisions that affect public education.*

## **Executive Summary**

School Districts in Wisconsin, and particularly in the southeastern part of the State, are facing spiraling increases in health care costs which have a significant impact on school district budgets and the overall economy in Southeastern Wisconsin. According to the Wisconsin Association of School Boards, the average cost of family health insurance for teachers nearly doubled between 1989-90 and 2002-03. The cost of health insurance for a typical teacher in Wisconsin has risen from 14% of annual salaries in 1985-86 to 46% in 2002-03.

The cost of health insurance has been negatively impacting teacher salaries. Since 1989-90, Wisconsin's average teacher salaries have increased a cumulative 9.4% while fringe benefits have increased by 35.6%. Wisconsin average teacher salaries are below the average salaries in surrounding states such as Minnesota, Illinois, and Michigan, and 9% below the national average. In addition to impacting teacher salaries, increasing health insurance costs have also resulted in reductions in school personnel and programs and fewer dollars being available for overall classroom improvements.

In order to mitigate these ever increasing health insurance costs, it is imperative that school districts in conjunction with other sectors of the southeastern Wisconsin economy collaborate on strategies to reduce the economic drain that high health insurance costs place on the region. The Southeastern Wisconsin Schools Alliance believes that the following strategies can have a significant impact on health insurance costs and recommend that our economic partners in the region join us in supporting these strategies to curb health insurance costs:

- 1) Transparency of Costs and Services**
- 2) Reducing High Cost, Duplicative Services**
- 2) Consumer Choices**
- 3) A Focus on Wellness**
- 4) Increased Competitive Options**

## **Background Information on the Recommendations**

- 1) Health care costs and services should be more transparent and encourage consumerism and informed utilization of health care services.**

In a free market, transparency of costs and quality of care information are important factors in placing market pressure on providers to drive down the costs of services in order to be competitive. Under the current health care system in southeastern Wisconsin, comparison of medical fees and drug costs is virtually impossible. Medical fee schedules of various providers and drug costs of comparable drugs are

not placed in a format that allows the consumer to make a comparison among providers. By making health care costs transparent, providers would be able to measure their competitiveness with other providers and health care consumers would become better informed as they approach health care decisions. In order for consumers of health care services to be able to make wise health care decisions that factor in actual cost of health care services and drug costs, the consumer must have unimpaired access to the actual costs of these services and drugs. To achieve this level of transparency within the State of Wisconsin, the Southeastern Wisconsin Schools Alliance recommends that the State Legislature develop consumer friendly legislation that gives consumers unimpaired access to the actual costs of health care services and cost of drugs.

**2) Area health care regulation should target reducing high cost duplicative services.**

Health care costs are being driven upward, in part, as a result of new, high cost technological health equipment, new facilities, and routine services that are being provided by multiple medical facilities in southeastern Wisconsin. Competition tends to compel businesses within a sector to become more efficient in order to compete with other businesses within that sector. In the area of health care, in which health care costs are not transparent and supply is driven by the provider rather than market forces, a degree of regulation needs to be added to the system so that the duplicative health costs for technology, facilities and routine services are not borne by the consumer. The Southeastern Wisconsin Schools Alliance supports regulatory legislation and/or a regulatory agency that would monitor and reduce inefficiencies and duplicate services in the areas of health technology, medical facilities and routine medical services.

**3) Health plans should provide the consumer choices in plan design and structure.**

In order to encourage informed health care choices, the Southeastern Wisconsin Schools Alliance supports health care plan offerings that balance plan design changes to minimize the total cost of health care while providing options to plan participants. Many of the current health care plans available to employees within a school district are put together as one-size-fits-all packages. Because multiple options are not available within the design of most policies within school districts, employees are left with little or no options in choosing a plan that matches their specific individual and/or family needs during varying stages of their teaching careers. Not having multiple options within a school district's health care plan inhibits employees from understanding that they are consumers of health care. In addition, this imposed structure does not give employees the ability to choose options that are less costly with the savings being shared by the employee as well as the school district in which they are employed. The Southeastern Wisconsin Schools Alliance encourages member districts to move toward multiple health care options within their plan care design and to educate staff on how to be more engaged consumers of health care within an expanded health plan care design.

**4) We must work together to build a healthier workforce by encouraging employees to become involved in wellness and disease management programs.**

As educational enterprises, school districts need to promote wellness activities among their employees in an attempt to reduce the use of high cost health services and to model healthy lifestyles for students and the community. Studies have shown that for every \$1 invested in wellness programs that over \$3 of cost savings are subsequently seen. Comprehensive staff wellness programs which include regular health monitoring and screenings, workshops on proper nutrition, healthy cooking classes, lifestyle decisions, a regular exercise regimen and a variety of recreational fitness programs are examples of the spectrum of wellness activities that need to be promoted. Financial incentives for employees who participate in

wellness activities aimed at prevention of high cost medical procedures and identification of potential health risk areas are beneficial to the employee and may potentially impact health insurance costs for school districts and their employees. The Southeastern Wisconsin Schools Alliance supports working with insurance providers and networking with community groups/agencies in the development and promotion of comprehensive staff wellness programs that can be readily accessible to educators within the southeastern Wisconsin region.

5) **Competitive options must exist for School Districts selecting and acquiring health care plans.**

We believe that a competitive bidding process is required in order to seek health care insurance providers who offer adequate coverage at the lowest cost. Health care insurance plans within school districts are dominated by the preeminent position that Wisconsin Education Association Insurance Trust (WEAIT) plays within the school district marketplace. As noted by Niederjohn (2005), 78% of the 426 school districts within the State of Wisconsin contract with the WEAIT. Although most school districts theoretically are free to solicit competitive bids for health insurance, in practice, collective bargaining agreements and rulings by the Wisconsin Employment Relations Commission severely deter school districts from realistically participating in a competitive bidding process. This competitive selection process needs to be well coordinated with union representatives so that employees within each affected bargaining unit understand how they could benefit financially, through increased salaries, by changing to a health care plan which provides comparable coverage to their current plan at a reduced cost. The Southeastern Wisconsin Schools Alliance supports more creative, market approaches that reduce the barriers for school districts to participate in the competitive bidding process for health care insurance plans.

**Summary of Health Care Cost Containment Recommendations**

School Districts within southeastern Wisconsin are continually faced with double-digit health insurance costs which not only place a drain on school districts' budgets and the overall economy within southeastern Wisconsin, but also impact the dollars available for staff salaries. In order to continue to attract and retain high-quality teachers, school districts throughout Wisconsin must pursue health care cost containment strategies so that more dollars are available to teacher salaries and other employee groups within a school district. The tools to achieve this are at hand and available today.

Collectively, members of Southeastern Wisconsin Schools Alliance are one of the largest employers within the region and as such need to be a major player in the promotion of health care cost containment within the region. The Southeastern Wisconsin Schools Alliance supports transparency in health care provider fees and drug costs, reducing high cost, duplicative services, consumer choices in health care plan designs, staff wellness programs and a competitive bidding process for health care. These strategies have the greatest potential for giving school districts the tools necessary to manage ever rising health care costs.