April 23, 2010

Health insurance premium increase for the five largest school districts in the United States, 2004-2008

Kane Partners, Inc. is please to announce our Partner/Associate Mr. John Cantillo has been published in the American Health and Drug Benefit, March/April 2010 publication.

Mr. Cantillo is a Partner and Managing Director of Kane Partners Florida office. John has been in the health insurance industry for fifteen years with focus on strategic planning, underwriting, pricing, research and analysis, and product development for both private and public sector managed care organizations. He earned his MBA from the University of Florida in 2002. He has served as executive for nine years and is as an adjunct professor teaching health care policy at the University of Phoenix.

The following link will take you to American Health and Drug Benefit. John’s article will be available on their website:

www.ahdbonline.com
Local school districts are one of the largest employers in the United States, employing roughly 8 million employees in 2008. Locally, they are often one of the largest (if not the largest) employers in the communities they serve. Like many large employers, school districts offer health insurance to their employees. There is a lack of information about the rate of health insurance premiums in US school districts relative to other employers.

## Objective
To assess the change in the costs of healthcare insurance in the 5 largest public school districts in the United States, between 2004 and 2008, as representative of large public employers in the country.

## Methods
Data for this study were drawn exclusively from a survey sent to the 5 largest public school districts in the United States. The survey requested responses on 3 data elements for each benefit plan offered from 2004 through 2008; these included enrollment, employee costs, and employer costs.

## Results
The premium growth for the 5 largest school districts has slowed down and is consistent with other purchasers—Kaiser/Health Research & Educational Trust and the Federal Employee Health Benefit Program. The average increase in health insurance premium for the schools was 5.9% in 2008, and the average annual growth rate over the study period was 7.5%. For family coverage, these schools provide the most generous employer contribution (80.8%) compared with the employer contribution reported by other employers (73.5%) for 2008.

## Conclusions
Often the largest employers in their communities, school districts demonstrate a commitment to provide choice of benefits and affordability for employees and their families. Despite constraints typical of public employers, the 5 largest school districts in the United States have decelerated in premium growth consistent with other purchasers, albeit at a slower pace. [AHDB. 2010;3(2):98-104.]

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the specific experience related to health insurance premiums in major school districts has not been analyzed.

This article reviews the health insurance premium and employee costs for the 5 largest school districts in the United States, from 2004 through 2008. The school districts included in this survey are:

- New York School District (NYSD)
- Los Angeles Unified School District (LAUSD)
- Chicago Public Schools (CPS)
- Miami-Dade County Public Schools (MDCPS)
- Clark County School District (CCSD), which represents the greater Las Vegas, Nevada, area.

NYSD, MDCPS, and CCSD are the largest employers in their respective communities. The 5 school districts reflect large, diversified metropolitan communities.

The combined 2008 health insurance premium for these school districts was nearly $4.9 billion, which provided coverage for 534,237 insured enrollees. In comparison, according to James Loftin, Research Program Specialist for the California Public Employees’ Retirement System (CalPERS), CalPERS is the third largest purchaser of employee health benefits in the United States, providing coverage for 388,019 enrollees and $5.5 billion in premiums in 2008.

Echoing Carolyn Watts and colleagues’ commentary, public employers have the ability to influence the market because of their purchasing power. Similarly, school districts have the potential to be market leaders in their communities and leverage their purchasing power to maximize coverage and affordability for their employees and dependents.

Study Data and Methods

Data for this study were drawn exclusively from a survey sent to the 5 largest school districts in the United States. The survey requested 3 data elements for each benefit plan offered from 2004 through 2008, including enrollment, employee costs, and employer costs. All 5 school districts responded.

Enrollment

Enrollment figures for each distinct benefit plan and rate tier were requested. As used in the survey, rate tier represents the distinct monthly rate charged based on the number of dependents covered by an employee.

For example, a 3-tier rate charges a different monthly premium for employee-only coverage, for employee plus 1 dependent coverage, and for employee plus ≥2 dependents coverage. Single coverage is health insurance that covers the employee only. The study defined family coverage as coverage for a family of 4. If a rate for a family of 4 is not offered, family coverage is considered coverage other than single coverage. Average single and family premiums were weighted by number of employees.

LAUSD offers a composite rate, which charges the same rate regardless of dependent coverage. Because LAUSD offers only a composite rate, it was unable to provide enrollment figures by dependent status. The enrollment distribution for LAUSD was estimated by determining the enrollment mix for single and family coverage for the remaining 4 school districts for each policy year. The resulting weighted average was used as the assumed enrollment mix for LAUSD.

NYSD is part of the City of New York benefits program, which provides coverage for 3 categories of employees—civilian nonpedagogical, uniformed, and the Department of Education. Enrollment data for the Department of Education employees, however, were unavailable. The analyzed enrollment data reflect all the employees covered by the City of New York’s health insurance policy. Rates and benefits are the same for all 3 categories of employees, and therefore are included in the survey.

For CCSD, the analysis includes rates, benefits, and enrollment for the Clark County Teachers Health Trust. This is a self-funded health trust that provides benefits to all licensed employees (ie, teachers) of the

KEY POINTS

- School districts are among the largest employers in the country and offer health insurance to their employees, but little information is available about the rate of their insurance premiums relative to other employers.
- This study is based on a survey of 5 of the largest public school districts in the United States, aimed at assessing the change in their health insurance rates between 2004 and 2008.
- Health insurance represents 10.9% of total compensation for school employees.
- Results of this study show that the average annual growth rate in health insurance during the study period for the 5 schools was 7.5%.
- On average, the school districts’ share of health insurance premium for family coverage is more generous than other health insurance purchasers, with the exception of 1 school.
- These 5 school districts have managed to slow the rate of premium growth in health insurance, albeit at a slower pace than other employers reviewed in this analysis.
The welfare trust is funded by the CCSD, and therefore is included in this analysis.

**Premium Rates**

The survey captured the monthly premium rates charged by insurers for each benefit plan and rate tier. If the benefit plan was self-funded, the survey requested the equivalent fully insured monthly rates. Rates are inclusive of medical, pharmacy, and behavioral health benefits.

The survey requested the cost of health insurance charged to employees, by benefit plan and rate tier, net of any employer subsidy. Employee costs are referred to as employee premiums. CPS employee premiums vary depending on employees’ salaries. Employee premiums are determined as a percentage of the employee’s salary. To estimate employee cost, the analysis calculated the average salary for all district employees using financial records from CPS. Aggregate salary data for all school district personnel were divided by the total number of positions as reported in the financial records.

The employer’s share of premium was determined by calculating the net difference between employee premiums and insurance premiums. This calculation provides the implicit school district employer contribution toward employee health insurance, because some school districts provide additional financial contribution (i.e., “flex” dollars) in excess of the premium rates charged.

The analysis utilized premium and enrollment data for policy periods from 2004 through 2008, summarized on a calendar-year basis. Not all the policy periods reviewed were on a calendar-year basis. In such instances, premiums for policy periods that overlap a calendar year were calculated by using the enrollment and premium rates for the corresponding months of the policy within the analyzed calendar year.

LAUSD, CCSD, and MDCPS policy years coincide with a calendar-year period. MDCPS was primarily on a calendar year policy, except for 3 months in 2006 during which there was a midyear premium change. CPS changed to a calendar-year policy beginning in 2005; only calendar year 2004 was calculated using 2 distinct policy periods. NYSD is on a July through June policy-year basis for the study period.

**Data Analysis**

Premium growth trends are compared with other purchasers—the 2008 Kaiser/HRET (Health Research & Educational Trust) Employer Health Benefits Survey of all firm sizes and the Federal Employee Health Benefits Program (FEHBP), the largest purchaser of employee health benefits. Premium costs, employer contribution, and employee costs, however, are compared only with the Kaiser/HRET survey. Data provided from the school districts were not independently verified.

This study does not analyze the value of the benefits offered by the school districts. Product types were disclosed; they included HMOs, exclusive provider organizations, point of service plans, and preferred provider organization plans.

Regarding funding mechanism, NYPS, LAUSD, and CCSD offered both fully insured and self-insured bene-
fits. MDCPS’s benefits were exclusively offered on a fully insured basis, whereas CPS’s products were exclusively on a self-insured basis.

All data were reviewed for reasonableness and consistency, and it was determined that these data were sufficiently reliable.

Results

Growth Rates, Premium

The 5 public school districts’ premium data were aggregated to form the school district index (SDI). The average annual growth rate for the SDI was 7.5% for the study period. This average rate of growth is higher than the other purchasers reviewed in this analysis. The Kaiser/HRET survey reports an average annual growth rate of 6.9%. The FEHBP has managed an average annual growth rate of 4.6%, nearly 3% less than the SDI. The SDI demonstrates a slowing in annual premium growth consistent with the Kaiser/HRET survey and FEHBP.

Premiums for the SDI increased by 5.9% in 2008, which is the lowest annual premium increase in the study period. However, annual premium growth has not slowed as rapidly as for other purchasers. The Kaiser/HRET survey reflects a 4.5% reduction in the rate of annual premium growth, from a high of 9.2% in 2005 to 4.7% in 2008. The FEHBP rate of growth has slowed by 5.9%, from 7.9% in 2005 to 2.0% in 2008. The SDI showed just a 2.9% decrease in the rate of growth from a peak of 8.8% in 2005 to 5.9% in 2008 (Figure).

The SDI’s employer share of health insurance premium totaled approximately $3.96 billion (ie, $3968 million), or $7428 per employee per year (PEPY) in 2008 (Table 1), a 32.4% increase over the amount school districts spent in 2004.

Overall inflation, as measured by the Consumer Price Index, increased by 14.3% during the same time period. Employees paid the balance of the health insurance bill. SDI employees paid $1646 PEPY for health insurance in 2008—39.9% more than employees spent in 2004, or 2.8 times the rate of inflation over the same time period.

The SDI’s 2008 average premium for single coverage was $5665 PEPY, or 20.4% more than the Kaiser/HRET survey average of $4704 PEPY. Premiums for family coverage were $12,178 PEPY, or 4.3% less than the Kaiser/HRET survey for 2008 (Table 2).

Employer Share

The school districts’ share (84%) of premiums for single coverage is slightly less than the Kaiser/HRET average of 84.7% in 2008. The school districts’ cost for their share of a premium for single coverage increased by 27.4% since 2004. This is roughly equal to the 27% increase in employer costs for single coverage reported by the Kaiser/HRET survey since 2004.

For family coverage, the SDI provides the most generous employer contribution (80.9%) compared with the employer contribution reported by the Kaiser/HRET survey (73.5%) in 2008. However, the school district’s cost for its share of family coverage is increasing at a faster rate than the other purchasers reviewed in this analysis. The SDI employer cost for family coverage premium has increased by 36.6% since 2004. This is substantially more than the 27.8% increase in employer costs for family coverage reported by the Kaiser/HRET survey (Table 3).

Employee Costs

School district employees pay more for health insurance for single coverage than the national average, but pay considerably less for family coverage. In 2008, school district employees paid $908 PEPY for single coverage
Table 3: Average Annual Employer and Worker Premium Contributions for Single and Family Coverage

<table>
<thead>
<tr>
<th></th>
<th>Employer contribution, $</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Single coverage</td>
<td>Family coverage</td>
<td>SDI</td>
<td>Kaiser/HRET*</td>
<td>SDI</td>
<td>Kaiser/HRET*</td>
</tr>
<tr>
<td>2004</td>
<td>3733</td>
<td>7192</td>
<td>3136</td>
<td>7298</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>3923</td>
<td>7810</td>
<td>3413</td>
<td>8167</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>4182</td>
<td>8479</td>
<td>3615</td>
<td>8508</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>4484</td>
<td>9180</td>
<td>3785</td>
<td>8824</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>4757</td>
<td>9823</td>
<td>3983</td>
<td>9325</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

HRET indicates Health Research & Educational Trust; SDI, school district index.


Table 4: Average Annual Employee Premium Contributions for Single/Family Coverage, by Region, 2008

<table>
<thead>
<tr>
<th></th>
<th>SDI PEPY, $ (% )</th>
<th>Kaiser/HRET PEPY, $ (% )*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single coverage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northeast-NYSD</td>
<td>1410 (25)</td>
<td>899 (18)</td>
</tr>
<tr>
<td>Midwest-CPS</td>
<td>918 (22)</td>
<td>755 (16)</td>
</tr>
<tr>
<td>South-MDCPS</td>
<td>–66 (–1)</td>
<td>722 (16)</td>
</tr>
<tr>
<td>West-LAUSD, CCSD</td>
<td>53 (1)</td>
<td>538 (12)</td>
</tr>
<tr>
<td>All regions</td>
<td>908 (16)</td>
<td>721 (15)</td>
</tr>
</tbody>
</table>

| Family coverage |                  |                           |
| Northeast-NYSD  | 2825 (21)        | 2949 (22)                 |
| Midwest-CPS     | 1185 (11)        | 3049 (25)                 |
| South-MDCPS     | 4482 (30)        | 3760 (32)                 |
| West-LAUSD, CCSD| 123 (2)          | 3375 (28)                 |
| All regions     | 2318 (19)        | 3354 (27)                 |

CCSD indicates Clark County School District; CPS, Chicago Public Schools; LAUSD, Los Angeles Unified School District; MDCPS, Miami-Dade County Public Schools; NYSD, New York School District; PEPY, per employee per year; SDI, school district index.

analyzed school districts, and 19.2% higher than other purchasers in the region.

Regional total premium costs for family coverage were calculated using employee premium contributions for the South region ($37,660 PEPY) from the Kaiser/HRET survey, and the corresponding employee share of total premium. The total calculated premium for family coverage in the South is $11,750 PEPY. Not surprisingly, family coverage enrollment for MDCPS was extremely low. The SDI reports 47.6% of employees electing family coverage in 2008.

The Kaiser/HRET survey reports that 36% of the workforce is enrolled in family coverage. Only 8.4% of MDCPS employees elected family coverage in 2008. Compared with the other school districts surveyed, MDCPS supports the highest annual premium cost ($14,793 PEPY) for family coverage (Table 5). The drivers responsible for these high costs could not be determined from the data provided by the schools and are beyond the objectives and scope of this article.

Finally, the school districts’ health insurance benefit offerings reflect a high level of importance given to the need to provide various benefit choices to their employees. With the exception of MDCPS, all the school districts reviewed offered more than 1 insurance carrier. MDCPS is unique in allowing employees to select 1 benefit plan, and the dependents can select a different plan. All the 5 school districts offer their employees at least 4 benefit options, with an average of 7 options for the SDI.

**Table 5** Average Annual Premiums, by School District and Coverage Type, 2008

<table>
<thead>
<tr>
<th></th>
<th>SDI premium, $</th>
<th>Employee premium, $</th>
<th>Employer share, $ (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single coverage</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NYSD</td>
<td>5696</td>
<td>1410</td>
<td>4286 (75)</td>
</tr>
<tr>
<td>LAUSD</td>
<td>6823</td>
<td>0</td>
<td>6823 (100)</td>
</tr>
<tr>
<td>CPS</td>
<td>4163</td>
<td>918</td>
<td>3245 (78)</td>
</tr>
<tr>
<td>MDCPS</td>
<td>5392</td>
<td>–66</td>
<td>5457 (101)</td>
</tr>
<tr>
<td>CCSD</td>
<td>5290</td>
<td>171</td>
<td>5120 (97)</td>
</tr>
<tr>
<td>SDI</td>
<td>5665</td>
<td>908</td>
<td>4757 (84)</td>
</tr>
<tr>
<td>Kaiser/HRET</td>
<td>4704</td>
<td>721</td>
<td>3983 (85)</td>
</tr>
<tr>
<td><strong>Family coverage</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NYSD</td>
<td>13,320</td>
<td>2825</td>
<td>10,495 (79)</td>
</tr>
<tr>
<td>LAUSD</td>
<td>6823</td>
<td>0</td>
<td>6823 (100)</td>
</tr>
<tr>
<td>CPS</td>
<td>10,741</td>
<td>1185</td>
<td>9555 (89)</td>
</tr>
<tr>
<td>MDCPS</td>
<td>14,793</td>
<td>4482</td>
<td>10,311 (70)</td>
</tr>
<tr>
<td>CCSD</td>
<td>8593</td>
<td>1550</td>
<td>7043 (82)</td>
</tr>
<tr>
<td>SDI</td>
<td>12,141</td>
<td>2318</td>
<td>9842 (81)</td>
</tr>
<tr>
<td>Kaiser/HRET</td>
<td>12,680</td>
<td>3354</td>
<td>9325 (74)</td>
</tr>
</tbody>
</table>

CCSD indicates Clark County School District; CPS, Chicago Public Schools; HRET, Health Research & Educational Trust; LAUSD, Los Angeles Unified School District; MDCPS, Miami-Dade County Public Schools; NYSD, New York School District; PEPY, per employee per year; SDI, school district index.


**Discussion**

The premium growth for the 5 largest school districts in the country has slowed and is consistent with other health insurance purchasers. However, the decline in premium growth in these school districts has been less than the experience of other purchasers. Although this study does not analyze the value of the benefits offered, it is the experience of this author, and is also suggested by Carolyn Watts and colleagues, that school districts generally offer benefit plans that are considered richer than private companies. As a percentage of premiums, the school district contributions toward single health insurance coverage are on par with other purchasers.

On average, the school district’s share of health insurance premium for family coverage is more generous than other purchasers, with the notable exception of MDCPS. An opportunity exists to increase take-up rates for family coverage in this South Florida school district, which is the largest employer in a community with the highest uninsured rate (28.7%) in the state.

Two school districts, LAUSD and CPS, reflect progressive approaches toward maximizing coverage and affordability. LAUSD’s decision to subsidize 100% of the insurance premium is the most generous contribution method of any of the school districts reviewed.

CPS’s use of a variable contribution strategy minimizes the regressive impact of a defined contribution model on low-wage earners. CPS employee contributions, as a percentage of salary, range from a low of 1.3% to a maximum of 2.5%, depending on rate tier and plan selection. The Kaiser/HRET survey reports that 10% of employers vary employee contribution based on salary.

**Conclusion**

The 5 school districts surveyed demonstrate a commitment to provide affordable health coverage for employees and their families, by offering a choice of benefits and innovative contribution strategies. These school districts have managed to slow the rate of premium growth, albeit at a slower pace than other purchasers. Declines in tax revenues will increase the challenge for school districts to accelerate the decline in premium growth, while maintaining coverage levels. School districts need to balance these budget constraints without undermining the various social obligations school dis-
sticts have. Policymakers are encouraged to look at cost-management initiatives of other purchasers, and even some of their peers, for possible solutions.

References
11. Personal e-mail correspondence, March 20, 2009.

STAKEHOLDER PERSPECTIVE

Health Insurance Premium Increases for Large Employers

When it comes to employers, although most attention is placed on Fortune 500 companies, large local employers are key players in healthcare policy and benefits. As Mr Cantillo points out in his article, school districts are among the largest employers in the country, but little has been published about their experience with healthcare benefits and premium costs.

Results from the just-released 15th Annual National Business Group on Health/Towers Watson Survey on Purchasing Value in Health Care provide a comparative context for the study results reported by Mr Cantillo. The 507 employers surveyed in the Business Group on Health/Towers Watson study reported healthcare cost increases of 7% in 2009 and an expected 6.5% in 2010. Comparing these percentages with those of the school districts, schools had slightly higher cost increases in 2009, but they share some of the same concerns with other employers regarding employees’ poor health habits, employee resistance to change, and lack of employee engagement related to health.

School districts, like most companies, continue to invest in the health of their employees and are seeking to engage them in healthier behaviors through the use of various incentives, including financial. Schools, like municipalities and healthcare systems or hospitals, are encouraged today to look more closely at other purchasers of the healthcare benefits as a result of recessionary impacts on local fiscal budgets. As many employers had shifted health benefit cost-sharing to employees in the past, and it is becoming increasingly more important to better engage employees and their families in healthier behaviors if cost trends are to be tamed in the future.

Health plan strategies by these large self-insured employers are beginning to drive changes by traditional health insurance plans that serve the majority of insured lives in the United States. As more objective information and insight become available about health cost trends, as well as premium increases in all sectors, employers and employees will have a greater opportunity to strive toward, then achieve, their shared goal of a healthier, happier work environment.

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