



Price of teachers' benefits soars

\$4-billion cost pinches state; lawmaker wants to widen insurance options in quest to fix budget deficit

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Caryn Jimenez went from hairdresser to Spanish teacher nine years ago.

Mentoring young people at Woodhaven High School -- not money -- is what motivates her, she said last week.

Still, Jimenez, 40, who has a master's degree in bilingual education, appreciates her excellent health insurance and pension benefits that are typical among Michigan's 200,000 public school employees. Three years ago, Woodhaven-Brownstown schools' 300 teachers agreed to smaller pay increases to keep health insurance that is, by most measures, generous. Jimenez pays no premiums to insure herself, her husband and two children. A doctor visit costs \$5, and drug co-pays are \$10 for generic, \$20 for brand name.

"We deserve some good health care. We're raising our future," said Jimenez, whose salary tops \$70,000 a year.

She speaks for teachers who regard good benefits as proper compensation for the demands of nurturing young minds. But the \$4-billion annual cost to taxpayers for school employees' health care and pensions is squeezing the state between political demands to spend more on education and to cut government costs.

Sen. Wayne Kuipers, R-Holland, chair of the Senate Education Committee, said last week he hopes to unveil legislation this spring to reduce health care costs for school and other public employees. That may include allowing districts to form insurance pools that would include cities or other governments.

"The larger the pools, the better the price," Kuipers said.

Teachers and other union-represented school employees draw attention because of their sheer numbers. There are more than three times as many school employees as state employees, and teachers' contract benefits typically set the standard for administrators and support staff.

The pressure to contain costs is palpable as the state wrestles with a \$940-million deficit this fiscal year. One-third of the deficit is in the School Aid Fund and unless the Legislature and Gov. Jennifer Granholm -- who sparred over a Senate-approved school funding cut last week -- agree on a bailout, schools face the loss of \$220 for each student by June.

Pressure also is coming because of growing disparities in health insurance costs between private and public sector employees. Private companies increasingly are forcing workers to pay stiff monthly premiums and higher co-pays for prescriptions, and office and emergency room visits.

The same is happening in school districts but not fast enough, say administrators, who cite double-digit increases in health insurance costs over the past decade.

"Our employees are entitled to a fair health care package, but the way it's been escalating, it's out of control," said Wayne-Westland Community Schools Superintendent Gregory Baracy.

This illustrates the cause for concern:

- Benefits in 2004 cost Michigan school districts 42% more than the national average, according to a survey by Standard & Poor's.

- Michigan school districts paid an average of \$11,300 for health benefits for each employee in 2006, according to a study by the state Senate. Health and retirement benefits eat up about 18% of Michigan school districts' budgets.
- Districts this year pay 17.7% of payrolls to a state-run teacher retirement system, including retiree health care -- up from 10.7% in 1998. That share could rise to 25% by 2015, according to the Citizens Research Council of Michigan.

Big issue in contracts

Health insurance has been the pivotal issue in local teacher contracts either recently completed or in negotiations, according to a Free Press survey of 16 school districts in metro Detroit. In the past few years, some teachers unions have accepted lesser wage increases to keep co-pays low and avoid sharing with schools the cost of monthly premiums.

Some districts have switched to less expensive plans that still have good benefits. But in some districts, teachers still pay just a \$5 co-pay for generic drugs and no deductibles or insurance premiums, no matter how many family members are covered.

In two-income households, spouses with lesser insurance benefits often waive their company-paid plan to join a school-paid plan, raising costs to school districts and taxpayers. For example, Jimenez's husband, Sammy, chose his wife's teacher health care plan because his own employer, Federal Express, would charge him a monthly premium.

Raising co-pays

Still, the trend in schools is toward higher co-pays and other employee payments toward medical costs. Raising drug co-pays from a \$5 generic and \$10 name brand plan to a \$10-\$20 plan can save more than \$1,100 per employee.

In 2005, Senate Republicans tried and failed to cut teacher health care costs because of disagreement over how much the change would save.

One proposal was to create a state-run teacher health insurance program, similar to what state employees have. That would take health care out of negotiations between local schools and teacher unions.

The influential Michigan Education Association, the state's largest teachers union, opposed the legislation, saying the state-run medical plan could save money only by cutting teacher benefits.

Changing insurance

The MEA's health insurance subsidiary, the Michigan Educational Services Association (MESSA), has long been a target of conservatives who say it's too expensive and is forced upon school boards by the MEA. MESSA insures three-fourths of Michigan's school districts, covering 55% of all school employees. (See related story.)

MESSA officials counter that they have reduced rates by offering a cheaper preferred providers plan, saving schools \$268 million statewide the past two years. They also say that some districts may not find cheaper rates from other insurers because they have a history of large and numerous claims, which makes them more of a risk.

This year, MESSA's premiums will rise less than 3%, said spokesman Gary Fralick. He said more districts and their teachers are choosing MESSA's lower-cost plan, a preferred provider organization (PPO) with more limits on payments.

A MESSA PPO plan for a family of four cost a district about \$12,000 a year, and employees typically pay a nominal premium or nothing.

Among private employers in the United States, the average cost of a PPO plan for a family of four is \$11,765. Of that, employees pay an average of \$2,915, according to a study by the Kaiser Family Foundation. Detroit Public Schools, the state's largest district, is self-insured and doesn't use MESSA.

Southfield schools and teachers are in mediation for a new contract, largely because of disagreements over health care benefits and classroom size. In the contract extension that expired last August, Southfield teachers are covered by a MESSA plan.

Teachers had accepted smaller pay increases to keep a health insurance plan that costs the

district 14% of its budget. A \$2 minimum drug co-pay was raised to \$5, and deductibles were increased.

(Southfield's 730 teachers' salaries ranges from \$37,534 for a beginning teacher to \$80,766 for a teacher with a master's degree and 10 years seniority.)

Still, health insurance for all 1,300 employees -- including dental and vision care -- costs Southfield schools \$16,300 per employee, said assistant superintendent Ken Siver, nearly twice what it cost in 1997.

"We can't afford to absorb these health care costs. They're overwhelming," Siver said.

Pat Haynie, executive director for the Southfield teachers union -- an MEA affiliate -- said teachers are willing to cut costs but not benefits.

Southfield teacher David Miller, 31, said his family, including his wife and two children, uses many prescription drugs, and he's thankful for a \$5 co-pay. When he taught at a Catholic school, his minimum drug co-pay was \$20.

"Health care is very, very, very important to me," said Miller, 31, who teaches math and science at Lathrup High.

Miller said those who grumble about teacher pay and benefits often don't realize the extra time teachers put into their jobs, including summer classes required to upgrade skills.

Grosse Pointe Public Schools spends \$10.4 million a year on employee health care directly through Blue Cross and Blue Shield of Michigan -- about 10% of its budget, said Larry Lobert, assistant superintendent.

Teachers pay a \$7 co-pay for generic drugs (\$15 for brand names), \$10 office co-pays and no monthly premiums.

"Everybody knows health care is right up at the top of the list" for savings, Lobert said.

In Detroit, it costs the district from \$4,300 to \$14,000 per employee, depending on the coverage. Teachers pay 10% of their premiums.

Wayne-Westland teachers settled for smaller pay increases to maintain their health benefits in 2005. Besides higher drug co-pays, teachers will pay a \$480 premium toward their health insurance premiums next school year for the first time.

"I come from a long line of UAW members," said Pat DeVoy, who was on the bargaining team. "Any time there's a step backwards, it's always difficult to regain something. It opens the door to paying more and more."

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