

Schools now required to seek bids for health insurance coverage

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BY BETH HEINEN BELL

bbell@grandhaventribune.com

A bill passed by the Michigan Legislature last fall promises to change the way insurance coverage for public school teachers is handled in the future.

The Public Employees Health Benefit Act (Public Act 106) was part of a series of bills adopted by state legislators during the night on Oct. 1 to help resolve the state budget crisis. Among other things, PA 106 will require school districts to solicit at least four bids for employee health insurance coverage.

As the dust settles around the state budget crisis, school leaders across the state and in the Tri-Cities are starting to look at what the new law will mean for them the next time contracts will need to be negotiated.

"We have absolutely been looking at (PA 106), getting to the meat of it and figuring out what it really says," said Amy Cahalan, president of the Grand Haven Education Association and a teacher at Lakeshore Middle School. "We have yet to see how it will be interpreted."

PA 106 is seen by some as a way to address the growing matter of health insurance coverage for teachers — often a sticking point during contract negotiations.

Teachers have sometimes been criticized for their so-called "Cadillac" insurance, which historically has been provided by MESSA (Michigan Education Special Services Association), a nonprofit health insurance pool for state teachers and an arm of the Michigan Education Association. Critics say other insurance carriers would be able to provide similar coverage for less money. However, MESSA has been the health plan of choice for teachers due to its large pool of insured individuals and its rate plans, say local teacher union leaders.

Under PA 106, a school district must now solicit a minimum of four bids from insurance carriers for any of its pooled groups of 100 or more employees. Districts must make the bids public, although they do not have to take the lowest bid offered.

The bill does not affect school employees' collective bargaining rights — all future contracts will still need to be decided at the negotiation table with both sides being able to review the insurance bids.

In the Tri-Cities, support for PA 106 has fallen along traditional lines: District administrators see promise in the new bill, while teacher union representatives have voiced some concerns.

"We want to maintain as close to the level of benefits as we have now, while cutting costs," said Spring Lake Public Schools Business Manager Debra Miller, citing the state's budget crisis and reduced education funding as large reasons to start saving money. "I think (PA 106) is going to help with that, because it will allow districts to get competitive bids. When you have competition, that tends to drive the cost down and open things up a little. Anytime you have competitive bidding, the purchaser comes out in a better position."

Grand Haven Area Public Schools Assistant Superintendent of Human Services John Thatcher agreed with Miller, saying the new law has the potential to save local communities money.

"I think this could be a good thing for the community because we can get true financial savings," Thatcher said. "There hasn't been a lot of competition with MESSA, but now a lot of companies are gearing up for the bid process in order to offer competitive packages."

Both Miller and Thatcher acknowledged they have yet to extensively look into the bill, but only because they haven't had to. Neither district has a teacher contract ending within the next year; both are operating under contracts that extend through the 2008-09 school year.

However, Miller already sees one specific benefit of PA 106: the fact that each school district will now be able to access its insurance claims data.

"MESSA was the policy holder before — not the district — and the policy holder holds the claims data," Miller explained. "So (MESSA) did not have to share that information with us. But with that data, we are able to provide a much more accurate picture of our district to the insurance companies when it comes time to bid."

Critics of PA 106, including Cahalan and Spring Lake Education Association President Kent Higgs, are concerned that the claims data could cause insurance companies to "cherry pick" which districts it bids on — selecting only those districts with low claims history and, therefore, lower risks for the insurance provider.

"I understand the intent to get districts to look at lower insurance costs, but I'm not sure (PA 106) did that," said Cahalan. "When talking about insurance pools, the largest pool by far is MESSA. Because our pool is so large, we can keep costs down throughout the state, and if someone has a 'million-dollar baby' (a large health crisis), we can spread the costs out over thousands of people and then the individual costs aren't so bad.

"A bigger pool is a safer pool to be in," she added.

Both Cahalan and Higgs said they understand why districts would want to look at other insurance carriers with lower costs, but said the risks could be greater than the cost savings.

"Once a school changes insurance companies, a large claim could affect the whole pool," said Higgs. "I think insurance companies would really be taking a risk. ... One catastrophic event could cause costs for everyone to start going up."

Higgs said initially he was "a bit worried" when PA 106 was adopted, but upon further review doesn't view it as a huge threat.

"I don't really see this as hurting us too much," said Higgs. "It sounds like we're really going to have some good choices, and ultimately it still comes down to negotiations.

"I hope our superintendent can see the big picture," Higgs added. "MESSA has been doing this a long time — they've really offered us good coverage at a good cost and it's going to be hard for another company to offer the same insurance at a lower rate. ... I feel, as president of the SLEA, that MESSA would be our best bet."

Calling MESSA "a better setup," Cahalan also defended the long-time teacher insurance carrier.

"The bottom line is that teachers have, for a long time, given up huge pay increases in order to maintain the (insurance) benefits we have," said Cahalan. "We feel we've paid for it and it's within our rights to have that coverage."

Although GHAPS has over a year before its teacher contract comes up for negotiations again, Thatcher, the assistant superintendent, wants to be as prepared as possible when it comes to the new law. He's already attended an informational seminar put on by the Ottawa Area Intermediate School District, and has thought about "practicing" the insurance bid process with the district's secretaries agreement this spring (the secretary group has less than 100 individuals and does not legally have to go out for bid).

One of the biggest challenges facing school districts, said Thatcher, is obtaining bids to match the lengthy MESSA health plans.

"Our current MESSA plan is 170 pages long," he said. "We have to make sure when the bids go out, that we include all of the technical stuff that's currently included, so we have a lot of work to do. We'll likely have to hire a consultant to help us develop our (request for proposals) when that time comes, so we don't screw something up."

Of paramount importance, Thatcher noted, is working together with the teachers union to explore the rules and ramifications of PA 106.

"We will make sure our bargaining groups are a part of figuring this all out," he said. "Our goal as an administration is to have good insurance for our employees, but to be fiscally responsible to the community as well. It's so important to bring the union with us so that it's not a 'gotcha' situation — but instead, more that we are truly working hand in hand to work this all out."

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