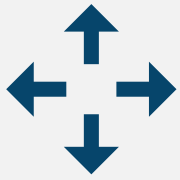


Health Insurance

Kyle Arnone

Director, AFT Center for Collective Bargaining

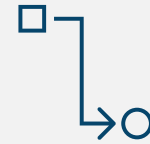
Framework for Assessing the District Proposal



What is the **SCOPE** of the proposed health insurance increases?



Are the increases **APPROPRIATE** under the Chapter 447 process?



Why, if at all, are the increases **NECESSARY**?



What other **OPTIONS** are available?

Scope of the Proposed Changes

- 1 Establishing **higher premium contributions** for CTA-represented employees
- 2 Changing the premium methodology from a **flat dollar** amount to a **percent** of total premium
- 3 Creating a **two-tier premium contribution structure** separating current and new employees (higher rates for new employees)
- 4 Modifying **plan design** with respect to out-of-pocket costs at the point of service
- 5 Moving up the **Plan Year** from October to July to force the issue within the reponer

The Four Plans

Plan	Name	Description
Plan A	Local Plus	Narrow local network with no out-of-network coverage.
Plan B	Open Access Plus HRA	High-deductible plan with out-of-network coverage and a health reimbursement account.
Plan C	Open Acces Plus	Exclusive provider network with no out-of-network coverage.
Plan D	Surefit AdventHealth	Very narrow network with no out-of-network coverage.

Proposed District Increases (Annual) for CURRENT Employees

	<u>2023-24</u>	<u>2024-25</u>	<u>Increase (\$)</u>	<u>Increase (%)</u>
Plan A:				
Employee	\$0	\$545	\$545	N/A
Employee + Spouse	\$3,522	\$4,754	\$1,232	35%
Employee + Children	\$704	\$1,387	\$683	97%
Employee + Family	\$4,227	\$5,596	\$1,369	32%
Plan B:				
Employee	\$525	\$1,172	\$647	123%
Employee + Spouse	\$11,837	\$14,690	\$2,853	24%
Employee + Children	\$8,504	\$10,706	\$2,202	26%
Employee + Family	\$14,947	\$18,406	\$3,459	23%

	<u>2023-24</u>	<u>2024-25</u>	<u>Increase (\$)</u>	<u>Increase (%)</u>
Plan C:				
Employee	\$525	\$1,172	\$647	123%
Employee + Spouse	\$8,262	\$10,418	\$2,156	26%
Employee + Children	\$5,217	\$6,780	\$1,563	30%
Employee + Family	\$11,103	\$13,812	\$2,709	24%
Plan D:				
Employee	\$0	\$0	\$0	0%
Employee + Spouse	\$3,522	\$4,754	\$1,232	35%
Employee + Children	\$500	\$1,142	\$642	128%
Employee + Family	\$4,000	\$5,325	\$1,325	33%

2023 national average premium increase for single and family coverage:

7%

(Source: Kaiser Family Foundation)

Change in Premium Methodology and Two Tiering

Employees hired before July 1, 2024 (Employee Only)

	District	Employee
Plan A	95%	5%
Plan B	90%	10%
Plan C	90%	10%
Plan D	100%	0%

Employees hired on or after June 30, 2024 (Employee Only)

	District	Employee
Plan A	85%	15%
Plan B	85%	15%
Plan C	85%	15%
Plan D	100%	0%

In other words, **NEW** employees who enroll in Plan A will pay triple what current employees pay (15% v. 5% of total premium). **NEW** employees who enroll in Plan C will pay 50% more than what current employees pay for Employee Only coverage (15% v. 10%). Because employee contributions would be based on a percentage, they would likely increase every year if the total premium increases.

Proposed District Increases (Annual) for NEW Employees

	<u>2023-24</u>	<u>2024-25</u>	<u>Increase (\$)</u>	<u>Increase (%)</u>
Plan A:				
Employee	\$0	\$1,759	\$1,759	N/A
Employee + Spouse	\$3,522	\$5,341	\$1,819	52%
Employee + Children	\$704	\$1,973	\$1,269	180%
Employee + Family	\$4,227	\$6,183	\$1,956	46%
Plan B:				
Employee	\$525	\$1,759	\$1,234	235%
Employee + Spouse	\$11,837	\$11,293	-\$544	-5%
Employee + Children	\$8,504	\$15,277	\$6,773	80%
Employee + Family	\$14,847	\$18,993	\$4,146	28%

	<u>2023-24</u>	<u>2024-25</u>	<u>Increase (\$)</u>	<u>Increase (%)</u>
Plan C:				
Employee	\$525	\$1,759	\$1,234	235%
Employee + Spouse	\$8,262	\$11,005	\$2,743	33%
Employee + Children	\$5,217	\$7,366	\$2,149	41%
Employee + Family	\$11,103	\$14,399	\$3,296	30%
Plan D:				
Employee	\$0	\$0	\$0	0%
Employee + Spouse	\$3,522	\$5,927	\$2,405	68%
Employee + Children	\$500	\$2,315	\$1,815	363%
Employee + Family	\$4,000	\$6,498	\$2,498	62%

2023 national average premium increase for single and family coverage:

7%

(Source: Kaiser Family Foundation)

Premiums & Enrollment (Plan A)

Plan A - Local Plus	Annual Deduction per Enrolled				<u>Total</u>
	<u>EE Only</u>	<u>EE + Spouse</u>	<u>EE+Child(ren)</u>	<u>EE+ Family</u>	
2023/24 Premium	\$ -	\$ 3,522	\$ 705	\$ 4,227	
2024/25 Premium	<u>\$ 545</u>	<u>\$ 4,754</u>	<u>\$ 1,387</u>	<u>\$ 5,596</u>	
Increase	<u>\$ 545</u>	<u>\$ 1,232</u>	<u>\$ 682</u>	<u>\$ 1,369</u>	
Enrollment	4,148	374	1,927	1,007	7,456

Premiums & Enrollment (Plan C)

Plan C - OAPIN	Annual Deduction				<u>Total</u>
	<u>EE Only</u>	<u>EE + Spouse</u>	<u>EE+Child(ren)</u>	<u>EE+ Family</u>	
2023/24 Premium	\$ 525	\$ 8,262	\$ 5,217	\$ 11,103	
2024/25 Premium	<u>\$ 1,172</u>	<u>\$ 10,418</u>	<u>\$ 6,780</u>	<u>\$ 13,812</u>	
Increase	<u><u>\$ 647</u></u>	<u><u>\$ 2,156</u></u>	<u><u>\$ 1,563</u></u>	<u><u>\$ 2,709</u></u>	
Enrollment	2,924	108	480	157	3,669

Clarifying a Weighted Average (Illustrative Only)

	Increase	Enrollment
Employee Only	90%	700
Employee + Spouse	20%	100
Employee + Children	40%	100
Employee + Family	35%	100

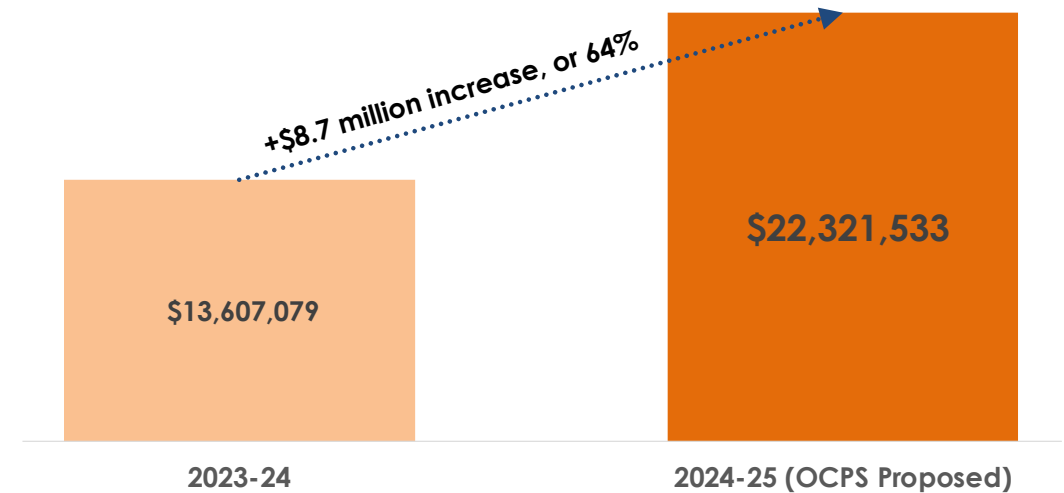
Average 46%
Weighted Average 73%

Total Contributions Across Plan A/C Amount to 64% Average Increase

Total Employee Contributions Across Plan A and Plan C

	2023-24 EE Contributions	2024/25 EE Contributions	Increase (\$)	Increase (%)
EE Only	\$ 1,535,100	\$ 5,687,588	\$ 4,152,488	270.5%
EE + Spouse	2,209,524	2,903,140	693,616	31.4%
EE + Children	3,862,695	5,927,149	2,064,454	53.4%
EE + Family	5,999,760	7,803,656	1,803,896	30.1%
TOTAL	\$ 13,607,079	\$ 22,321,533	\$ 8,714,454	64.0%

Total Annual Health Insurance Premium Contributions Paid by CTA-Represented Educators as a Group



Note on Assumptions

1. Employees will not change plans or drop coverage.
2. Enrollment remains the same.
3. Based only on current employees.
4. New employees hired on or after June 30, 2024, will pay an even higher share of total premium. Therefore the 64% increase likely understates the total increase.

Plan Design Changes a Wash

Plan A/Plan C:	<u>2023-24</u>	<u>2024-25</u>	<u>EE-O Change</u>
Medical OOP Max	\$6,500/\$13,000	\$4,500/\$9,000	\$ (2,000.00)
Rx OOP Max	\$2,000/\$4,000	\$4,000/\$8,000	\$ <u>2,000.00</u>
		Total	\$ <u><u>-</u></u>

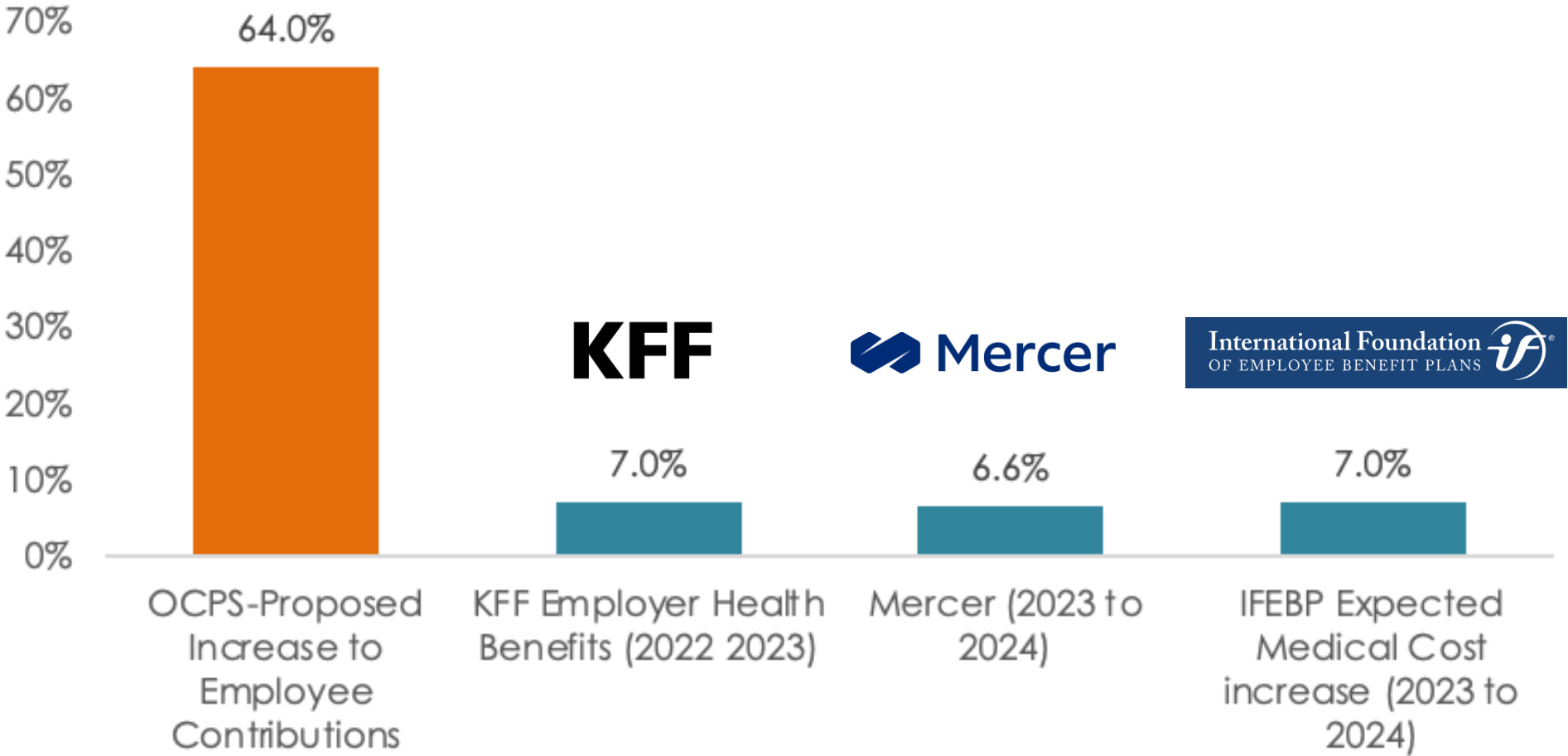
While the Medical OOP Max would decrease, the Rx OOP max would increase by the same amount. There are other smaller changes to copays/coinsurance.

Are the increases appropriate?

How do the increases proposed by the District compare to:

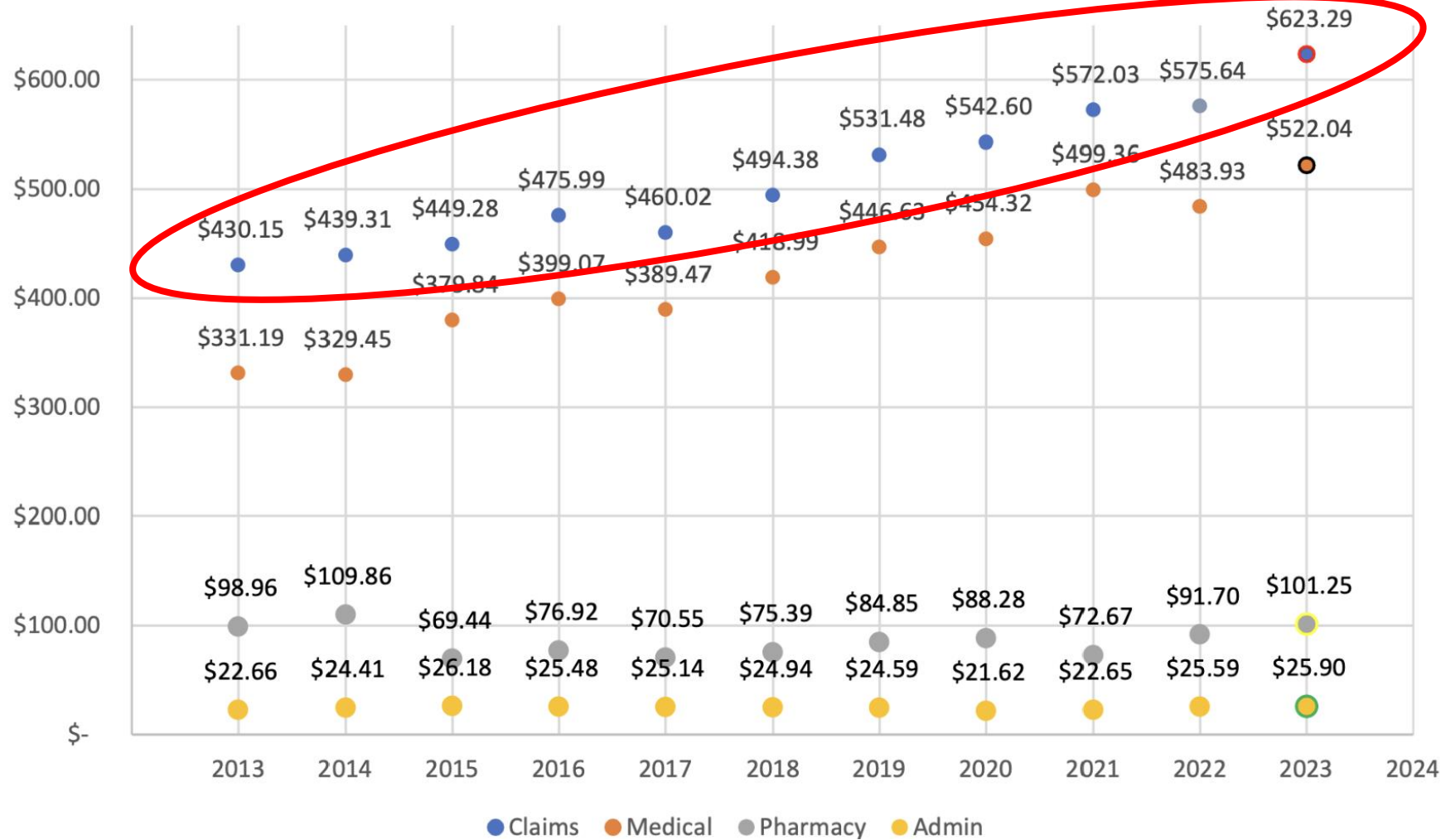
1. the average cost increase among employer-sponsored plans?
2. the increase in the *per member per month* (PMPM) expenses of the OCPS Employee Benefit Trust?
3. the average percentage increase of comparable districts?
4. raises offered by the District?

OCPS Proposed Increase to Employee Premium Contributions Towers over National Trends



Sources: [Kaiser Family Foundation Employer Health Benefits 2023 Annual Survey](#); [Mercer National Survey of Employer Sponsored Health Plans](#); [IFEBP Health Care Costs Pulse Survey 2024 Cost Trend](#)

Expenses 2013-2023 (PMPM)



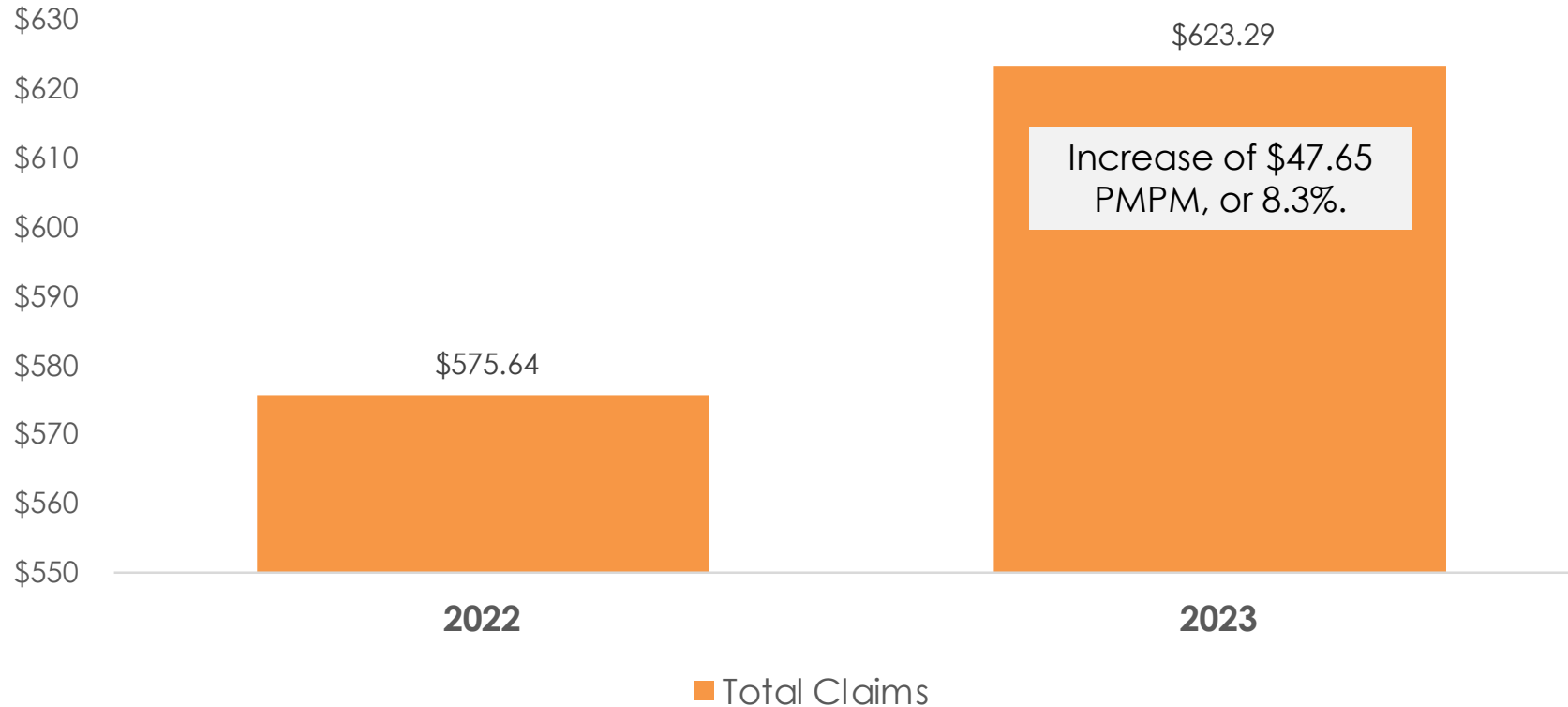
November 2023
Employee Benefits
Trust Trustee
Meeting report.

The "per member per month" (PMPM) metric is commonly used to assess growth in plan spending by removing the effect of enrollment.

The **BLUE** dots show PMPM claims inclusive of Medical and Rx.

Employee Benefit Trust PMPM spending increased 8.3% in 2023

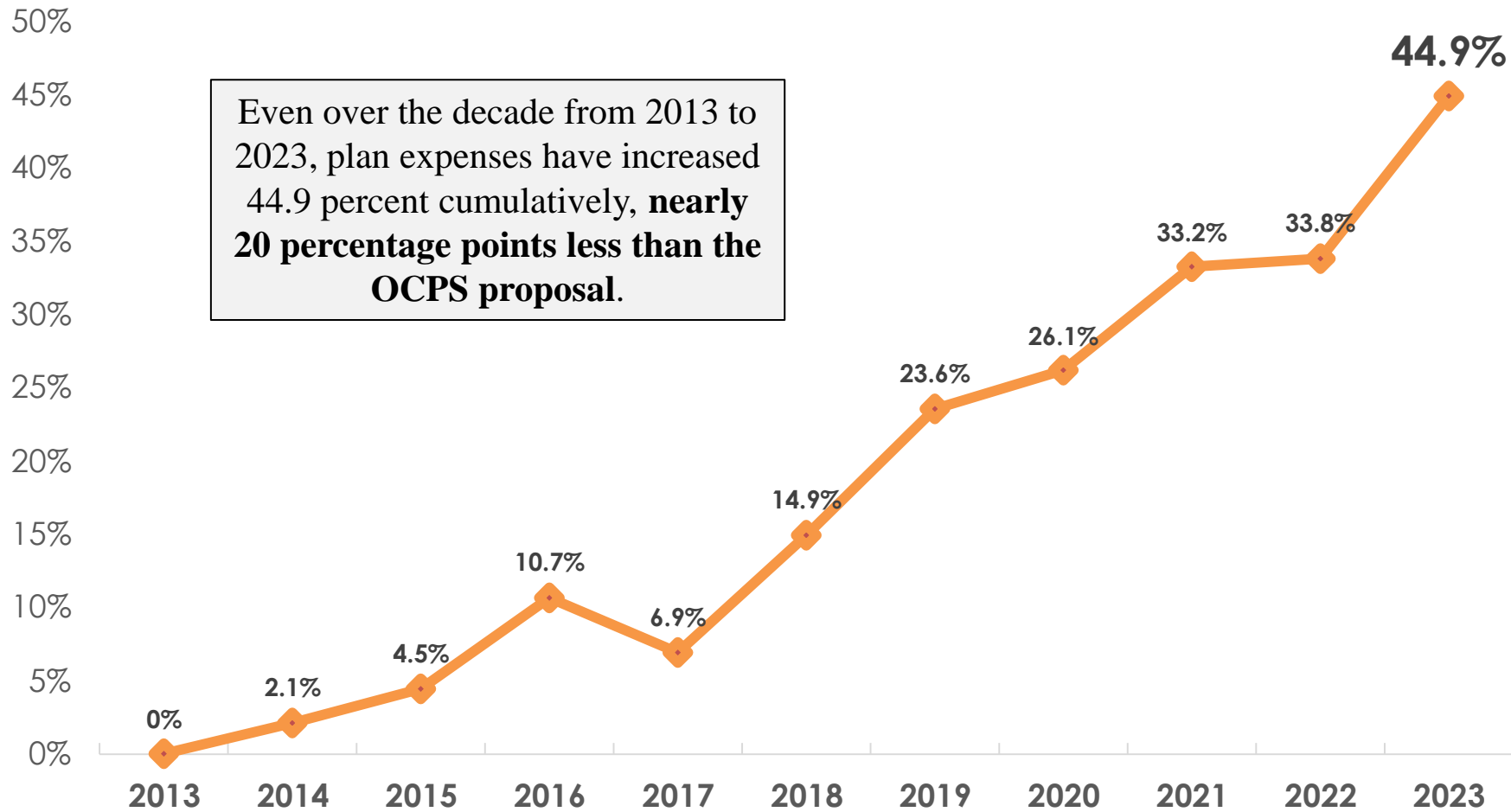
2022-23 Claims PMPM



Source: OCPS Employee Benefits Trust, Trustee Meeting, Nov. 2023

Even over a decade of PMPM claims growth, cost increases well short of 64%

Cumulative Growth in PMPM Claims, 2013-2023



Proposed District Increases (Annual) for CURRENT Employees

	<u>2023-24</u>	<u>2024-25</u>	<u>Increase (\$)</u>	<u>Increase (%)</u>
Plan A:				
Employee	\$0	\$545	\$545	N/A
Employee + Spouse	\$3,522	\$4,754	\$1,232	35%
Employee + Children	\$704	\$1,387	\$683	97%
Employee + Family	\$4,227	\$5,596	\$1,369	32%
Plan B:				
Employee	\$525	\$1,172	\$647	123%
Employee + Spouse	\$11,837	\$14,690	\$2,853	24%
Employee + Children	\$8,504	\$10,706	\$2,202	26%
Employee + Family	\$14,947	\$18,406	\$3,459	23%

	<u>2023-24</u>	<u>2024-25</u>	<u>Increase (\$)</u>	<u>Increase (%)</u>
Plan C:				
Employee	\$525	\$1,172	\$647	123%
Employee + Spouse	\$8,262	\$10,418	\$2,156	26%
Employee + Children	\$5,217	\$6,780	\$1,563	30%
Employee + Family	\$11,103	\$13,812	\$2,709	24%
Plan D:				
Employee	\$0	\$0	\$0	0%
Employee + Spouse	\$3,522	\$4,754	\$1,232	35%
Employee + Children	\$500	\$1,142	\$642	128%
Employee + Family	\$4,000	\$5,325	\$1,325	33%

2023 national average premium increase for single and family coverage:

7%

(Source: Kaiser Family Foundation)

Average Highly Effective Teacher with Family Coverage: Decrease in Standard of Living

As proposed by the District:

	<u>2023-24</u>	<u>2024-25</u>	<u>Increase</u>
Average Teacher Salary	\$54,910	\$60,129	9.5%
Plan A - Family Coverage (Annual)	\$4,227	\$5,596	32.4%
Take-home Pay	\$50,683	\$54,533	7.6%
Health Insurance as Share of Salary	7.7%	9.3%	

Note: 2024-25 Average Teacher Salary Based on District Proposal. Assumes 90% Highly Effective and 10% Effective

A NEW teacher in 2024-25 with Family Coverage would have lower take-home pay than new teacher in 2023-24

As proposed by the District:

	<u>2023-24</u>	<u>2024-25</u>	<u>Change (%)</u>
Starting Teacher Salary	\$ 48,400	\$ 49,100	1.4%
Plan A - Family Coverage (Annual)	\$ 4,227	\$ 6,686	58.2%
Take-home Pay	\$ 44,173	\$ 42,414	-4.0%
Health Insurance as Share of Salary	8.7%	13.6%	

OCPS has proposed a **two-tier** premium structure. New employees hired on or after June 30, 2024, would pay 15% of the employee-only premium, compared to 5% for current employees. For dependent coverage, employees would be responsible for any amount over the OCPS contribution for employee-only coverage. **For a new teacher who elects Plan A family coverage, net earnings after health insurance contributions would decrease compared to a new teacher in 2023-24.**

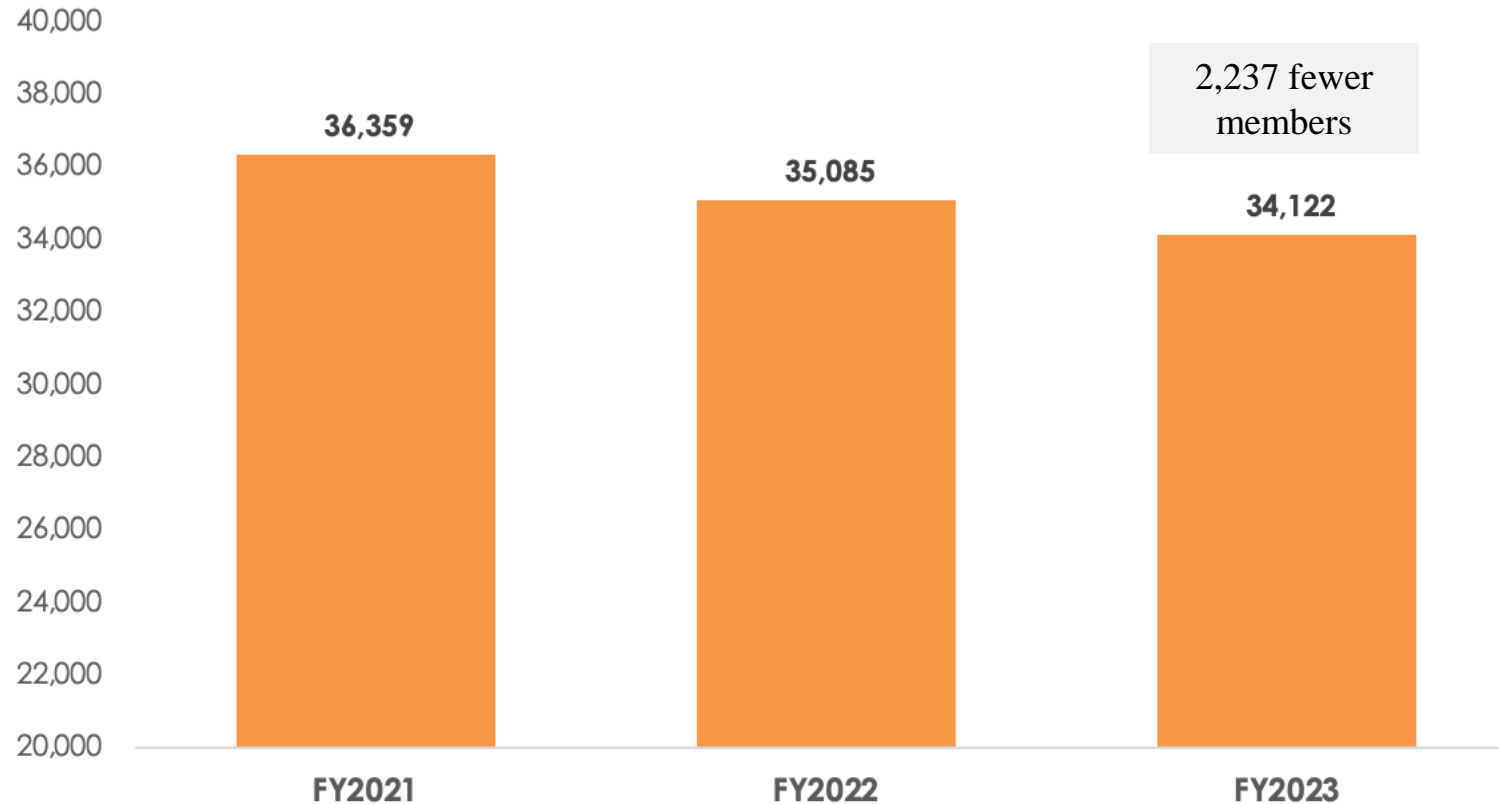
A NEW teacher in 2024-25 with Employee Only Coverage would have lower take-home pay than new teacher in 2023-24

As proposed by the District:

	<u>2023-24</u>	<u>2024-25</u>	<u>Change (%)</u>
Starting Teacher Salary	\$ 48,400	\$ 49,100	1.4%
Plan A - Employee Only (Annual)	\$ -	\$ 1,759	
Take-home Pay	\$ 48,400	\$ 47,341	-2.2%
Health Insurance as Share of Salary	0.0%	3.6%	

Plan membership has been declining

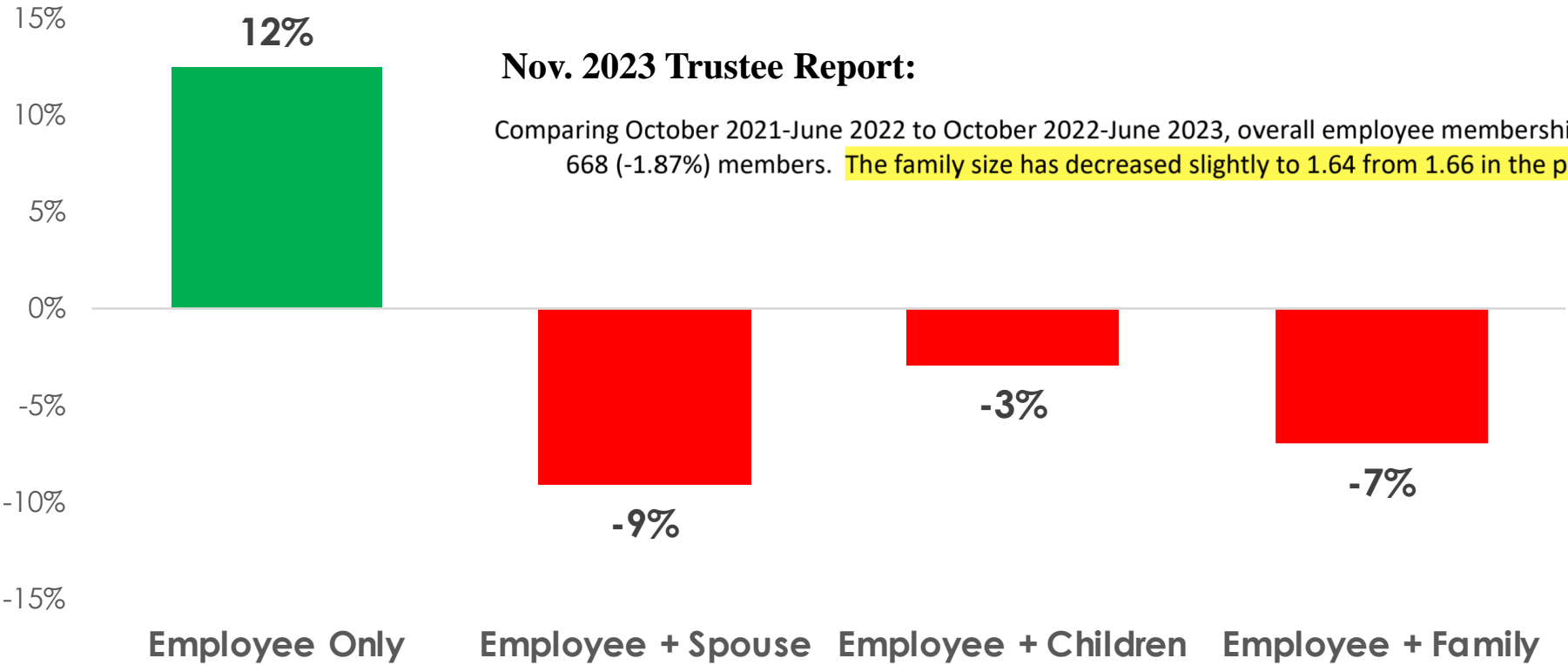
Employee Benefits Trust Plan Membership



Source: OCPS Benefit Trust Forecast (February 2023)

Much of the decline is from employees with dependents

Change in Enrollment, Plan A, September 2021 to April 2023



Nov. 2023 Trustee Report:

Comparing October 2021-June 2022 to October 2022-June 2023, overall employee membership decreased by 668 (-1.87%) members. The family size has decreased slightly to 1.64 from 1.66 in the prior year.

Comparison to Neighboring Districts

District	Plan	Coverage Tier	YOY Increase (%)
Brevard	Gold	Employee Only	0%
Brevard	Gold	Employee + Spouse	0%
Brevard	Gold	Employee + Children	0%
Brevard	Gold	Employee + Family	0%
Brevard	Silver	Employee Only	0%
Brevard	Silver	Employee + Spouse	0%
Brevard	Silver	Employee + Children	0%
Brevard	Silver	Employee + Family	0%

Increase from \$0 to \$27 PPD

Orange	Plan A	Employee Only	N/A
Orange	Plan A	Employee + Spouse	35%
Orange	Plan A	Employee + Children	97%
Orange	Plan A	Employee + Family	32%
Orange	Plan C	Employee Only	123%
Orange	Plan C	Employee + Spouse	35%
Orange	Plan C	Employee + Children	97%
Orange	Plan C	Employee + Family	25%

This table shows a “heat map” of the year-over-year (YOY) percentage increase in employee premium contributions by county and plan.

District	Plan	Coverage Tier	YOY Increase (%)
Osceola	Healthy Essentials	Employee Only	0%
Osceola	Healthy Essentials	Employee + Spouse	0%
Osceola	Healthy Essentials	Employee + Children	0%
Osceola	Healthy Essentials	Employee + Family	0%
Osceola	Healthy Advantage Plus	Employee Only	100%
Osceola	Healthy Advantage Plus	Employee + Spouse	17%
Osceola	Healthy Advantage Plus	Employee + Children	41%
Osceola	Healthy Advantage Plus	Employee + Family	8%
Seminole	HDHP	Employee Only	0%
Seminole	HDHP	Employee + Spouse	7%
Seminole	HDHP	Employee + Children	0%
Seminole	HDHP	Employee + Family	5%
Seminole	OAP Buy-up	Employee Only	0%
Seminole	OAP Buy-up	Employee + Spouse	6%
Seminole	OAP Buy-up	Employee + Children	0%
Seminole	OAP Buy-up	Employee + Family	8%
Seminole	Local Plus	Employee Only	0%
Seminole	Local Plus	Employee + Spouse	6%
Seminole	Local Plus	Employee + Children	0%
Seminole	Local Plus	Employee + Family	5%

Increase from \$25 to \$50 PPD

Comparison to Broward

District	Plan	Coverage Tier	YOY Increase (%)
Orange	Plan A	Employee Only	N/A
Orange	Plan A	Employee + Spouse	35%
Orange	Plan A	Employee + Children	97%
Orange	Plan A	Employee + Family	32%
Orange	Plan C	Employee Only	123%
Orange	Plan C	Employee + Spouse	35%
Orange	Plan C	Employee + Children	97%
Orange	Plan C	Employee + Family	25%
Broward	Aetna - Premier HMO	Employee Only	0%
Broward	Aetna - Premier HMO	Employee + 1	12%
Broward	Aetna - Premier HMO	Employee + 2 or more	12%
Broward	Aetna - Premier Plus HMO	Employee Only	0%
Broward	Aetna - Premier Plus HMO	Employee + 1	12%
Broward	Aetna - Premier Plus HMO	Employee + 2 or more	12%
Broward	Premier Choice HSA	Employee Only	0%
Broward	Premier Choice HSA	Employee + 1	14%
Broward	Premier Choice HSA	Employee + 2 or more	13%

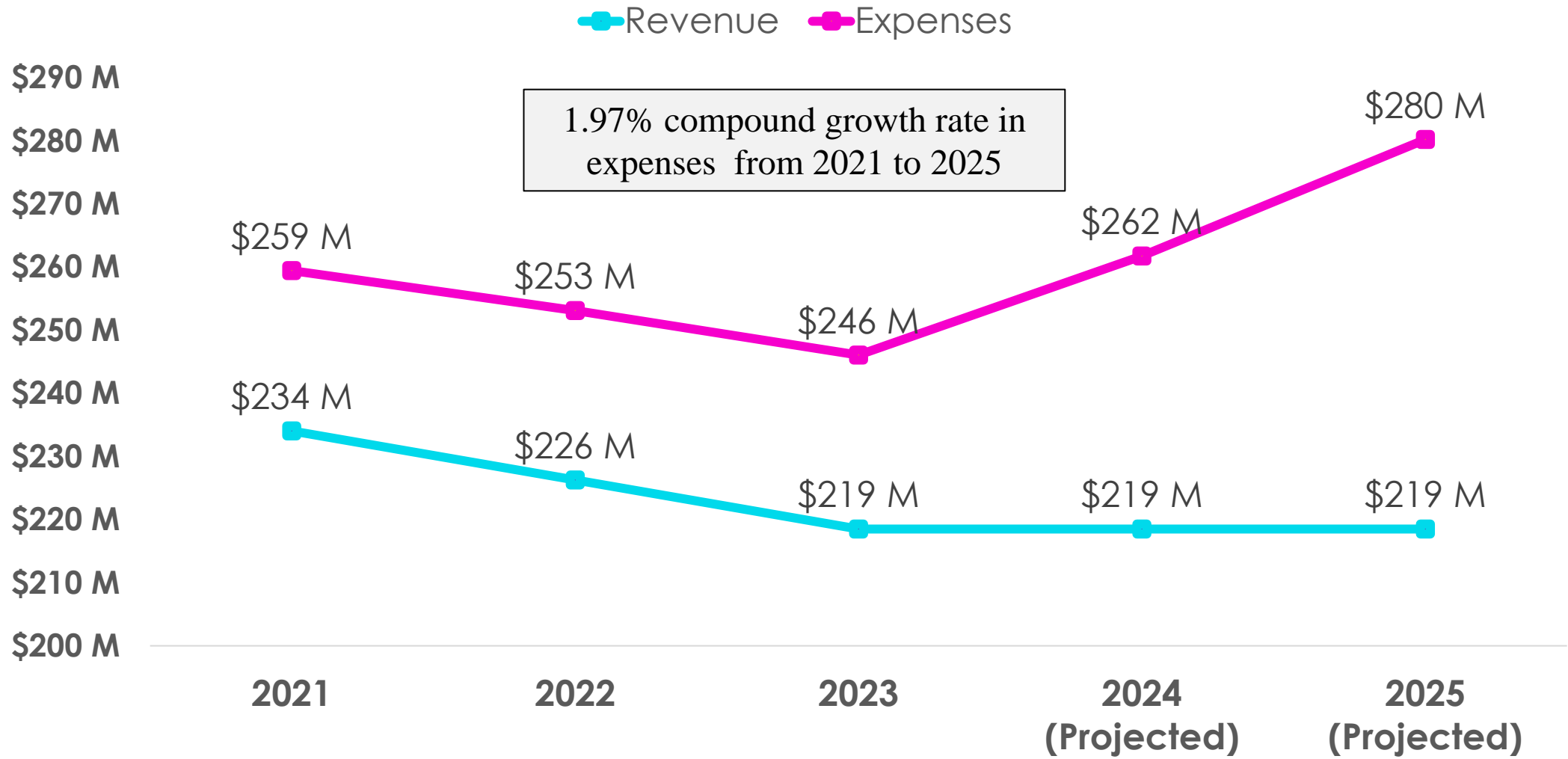
Increase from \$0 to \$27 PPD, or \$545 annually

Note: Could not locate two years' worth of data for the following Districts: Miami-Dade, Palm Beach, and Hillsborough.

Employee Benefit Trust Funding

- Fund revenue consists of **Employer Contributions** and **Employee Contributions, COBRA participants, and retirees**
- Fund is administered by the School Board of Orange County. While legally separate, it is integrated within the OCPS operating budget.
- Other sources of revenue include **transfers in** from the **General Fund** if established Plan Rates do not fully cover plan expenses.
- **Trust funding has more to do with established rates that determine contribution levels rather than the availability of funds**

Despite Normal YOY Increases in Trust Expenses, OCPS Suppresses Fund Contributions



Trust underfunding the direct result of setting artificially low rates

FY2023-24 Adopted Budget (p. 769 of PDF):

The rates for FY24 for the various health plans will not change.

FY2022-23 Adopted Budget (p. 78 of PDF):

The rates for FY23 for the various health plans will not change.

FY2021-22 Adopted Budget (p. 78 of PDF):

The rates for FY22 for the various health plans will not change.

*The last time rates changed was FY2021.

Why hasn't OCPS increased contribution rates?

- OCPS promised to not increase contribution rates for educators during FY2022, FY2023, and FY2024.
- OCPS has taken the position that they will not make premium contributions toward dependent coverage beyond the contribution they make toward employee only coverage.
- If OCPS has increased rates over the last three fiscal years, then they would have contributed toward dependent coverage.
- Rather than doing that, they starved the Trust and then attempted to claw back a promise made to educators by proposing many years worth of increases in a single year.

Simple Example

	Last FY	This FY
Total Premium		
Single	\$500	\$542
Family	\$1,000	\$1,083
Employer Contribution		
Single	\$450	\$492
Family	\$450	\$533
Employee Contribution		
Single	\$50	\$50
Family	\$550	\$550

8.3% increase

Instead of increasing OCPS contributions consistent with the agreement with the Union, OCPS froze Trust OCPS contribution rates for at least 3 years.

Current language creates a reasonable expectation about gradual increases for employees

Current CBA language (p. 80):

“Annual individual premium cost increases exceeding 8% [10%] over the prior year will be equally shared by the District and employees. Such shared costs may be accomplished by either employee premium cost sharing or plan revisions, or both.”

How the CBA cost share *should* work

Steps:

1. District fully covers the first 10% increase.
2. Any amount over 10% is then split 50/50 between the employee and the District.

For example, Plan A, EE + Family is currently \$4,227 annually. The District covers the first 10%, or \$423, leaving a difference of \$946. That amount is then split 50/50, resulting in a \$473 annual increase for the employee, compared to the \$1,369 increase proposed by the District.

	2023-24	As proposed by the <u>District</u> :	Consistent with <u>CBA</u> language:	District-Proposed Increase over Current CBA Lanugage
		2024-25	2024-25	
PLAN A:				
EE Only	\$0	\$545	\$273	\$273
EE + Spouse	\$3,522	\$4,754	\$3,962	\$792
EE+Child(ren)	\$705	\$1,387	\$1,011	\$376
EE+ Family	\$4,227	\$5,596	\$4,700	\$896

	2023-24	As proposed by the <u>District</u> :	Consistent with <u>CBA</u> language:	District-Proposed Increase over Current CBA Lanugage
		2024-25	2024-25	
PLAN C:				
EE Only	\$ 525	\$ 1,172	\$ 822	\$350
EE + Spouse	\$ 8,262	\$ 10,418	\$ 8,927	\$1,491
EE+Child(ren)	\$ 5,217	\$ 6,780	\$ 5,738	\$1,042
EE+ Family	\$ 11,103	\$ 13,812	\$ 11,902	\$1,910

Options

Option #1

Across-the-board increases in employee contributions that are consistent with year-over-year increases in Trust spending in the 5-8% range.

Option #2

Increases consistent with existing contract language. Current language states that “**Any individual premium cost increases exceeding 8% (now: 10%) over the prior year will be equally shared by the District and employees.**”

Review

- **SCOPE:** OCPS proposed major changes to educator health insurance, including higher contributions (64% on average), percentage-based premiums, and the creation of a higher-cost second tier for newly hired educators at a time when Districts are struggling to fill positions.
- **APPROPRIATENESS:** The proposed increases are significantly higher than the national average increase for employer-sponsored plans, nearly 8X greater than the year-over-year increase in PMPM Trust expenses, and greater than year-over-year percentage increases in comparable FL districts.
- **NECESSITY:** Despite reasonable and expected increases in Employee Benefits Trust expenses, the District has **decreased** total contributions, creating the conditions for its own underfunding by setting low rates.
- **OPTIONS:** There's a lot of daylight between 0% and 64%. Options include increases consistent with growth in Trust expenses and applying existing contract language regarding cost sharing for annual premium increases.