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## Jackson School Board members say insurer switch could wipe out district's deficit

*By Claire Cummings*

Some school board members said Monday that Jackson Public Schools' budget deficit could be wiped clean if only the district's unions switched insurance carriers.

All employees are insured under the Michigan Education Special Services Association — the health-care wing of the Michigan Education Association school employees union — which has been called both comprehensive and costly.

But a union representative said Wednesday the suggestion of making the switch was oversimplified.

"We feel like we are willing to engage in the complete consideration of what needs to be done to help the district make it through the loss of revenue and the loss of students," said Gay Shaw, a field representative for the MEA in Jackson County. "But it's not automatic that everybody's going to flat out agree to a board demand to change insurance."

Jackson Public Schools employees contribute \$550,000 toward the \$9.3 million cost of MESSA insurance.

Support staff pay 10 percent of their medical premium, or \$1,200 to \$1,300 per year. Administrators pay 8 percent, or \$1,100 per year. Teachers pay \$720 per year, or the equivalent of 5.3 percent, the district says.

Administration has asked all groups to consider paying 10 percent of the medical premium and doubling their deductibles from \$100 per person/\$200 per family for in-network to \$200/\$400 starting in January. Co-pays would increase from \$5 to \$10 per office visit to \$20.

The district says these concessions would save \$436,205. Some units are still polling membership, and it is unclear when a decision might be made.

District leaders believe they could save even more money by switching insurance carriers, a move that would have to be negotiated by the unions.

About five years ago, the district sought information on a self-funded insurance option and was told it could amount to a savings of \$2 million annually, said Bill Hannon, deputy superintendent for finance and operations.

For example, the district could set aside \$7 million for insurance, with individual maximums of \$50,000 or \$100,000. Then, it could purchase an umbrella policy that would go into effect after one reaches the maximum to protect against catastrophic losses.

It's more of a pay-as-you-go approach, Hannon said.

"When you're fully insured, like a MESSA program, you're paying premiums to the insurance carrier no matter if benefits are utilized or not," said David Rice, vice president of sales at The Craft Agency, speaking generally about self-funded options.

"The average person typically doesn't fully utilize the capacity of the benefits they're being offered. That's where the savings can potentially come in."

But Rice said it is important for a company or organization to know their claims history in order to estimate how much money might be needed in the future, and that information is difficult to get from insurance carriers, he said.

"Obviously there's not a magic solution or everybody would be doing it," Rice said. "When you go self-funded, there's certainly a risk involved. But the rewards can outweigh the risks."

Self-funded plans also can be built to provide the same coverage as a group's current carrier, Rice said.

MESSA was able to keep what was expected to be a 10 percent rate increase this year to just 4.9 percent by using \$59 million in reserves.

Critics of MESSA, especially the Muskegon-based Education Action Group, say those reserves total more than \$360 million. And MESSA has transferred more than \$10 million to the MEA in the past two years for marketing its brand in negotiations, according to the Education Action Group.

Gary Fralick, MESSA's spokesman, says those fees — \$3 million annually — go toward things such as training of regional directors who explain MESSA products and plans to employees. The fee is about one-tenth of a comparable commission fee in the market, Fralick said.

Employees prefer MESSA for its high quality and service, Fralick said, adding that the benefits help retain and recruit quality teachers.

Shaw said the unions are willing to talk about ways to save money, and are at the beginning of those discussions.

"And I think some board members think we are at the end of these discussions," she said.

But the cuts cannot be put fully on the backs of employees when the state is giving fewer dollars per student to schools, Shaw said.

"We've got to work on the revenue side," she said.