

- 7 Reasons why the Board of Education and employee representatives should work together to reduce future health insurance costs.

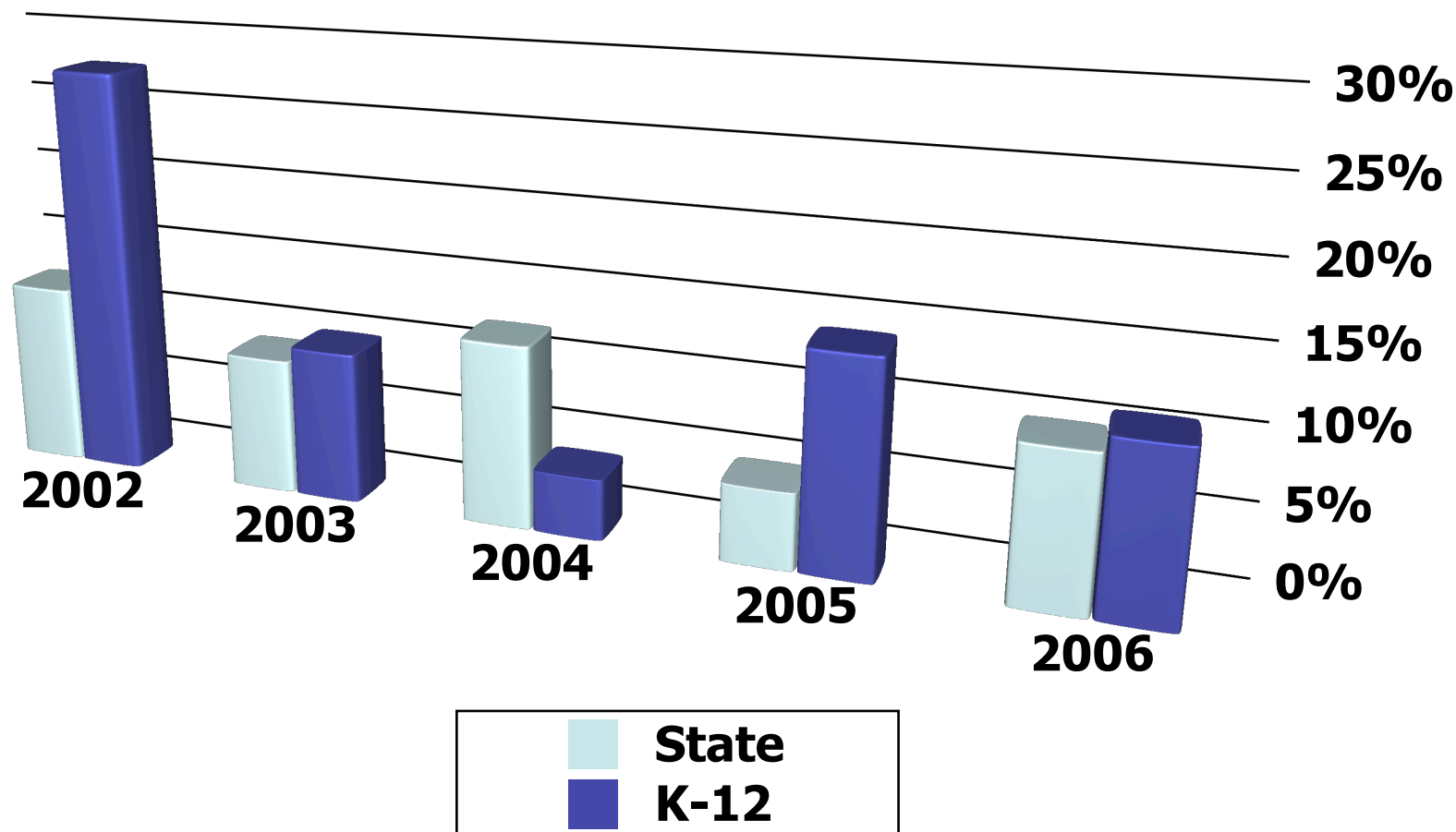
1. Health insurance costs for school districts are increasing at higher rates than for the private sector or other government employers in Wisconsin.

# **K-12 v. Private Sector Premium Costs in Wisconsin**

- 2005: Avg. Private Sector family health insurance premium: \$1,054 per month
- 2005: Avg. K-12 family health insurance premium: \$1,230 per month
- Average K-12 premiums were \$2,112 more per year than the average private family health insurance premium in the State

*Source: Wisconsin Hospitals Association; WASB Database*

# State Health Insurance Plan Percent Increases Compared to K-12



Source: Department of Employee Trust Funds, WASB Database

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2. The percentage of the district's operating budget that goes to health insurance is large and growing rapidly.

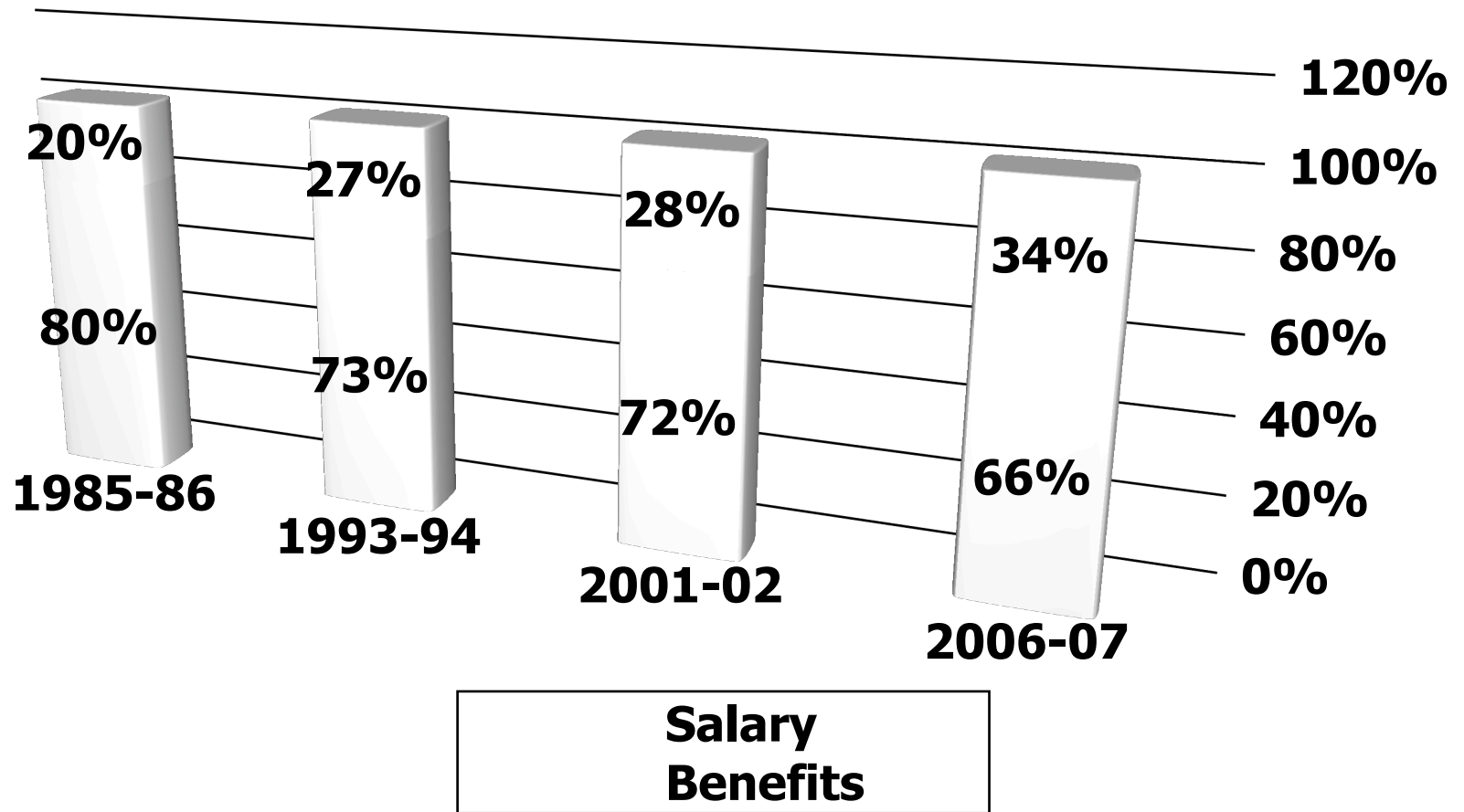
- \$43,303,350 will go to employee health insurance for 2006-07
- 13% of the total budget for 2006-07 will go to employee health insurance
- 17% of the budget under revenue limits will go to employee health insurance

3. Spending more and more on health insurance means that the district must go to strategies such as cutting positions, not replacing employees that retire, increasing class sizes, or creating positions that do not qualify for health insurance in order to balance budgets.

4. Health insurance costs are drastically reducing dollars that can go to pay competitive wages.



# Benefits as a Percentage of Total Compensation - MMSD Historical Trend



Source: WASB Database

# If the Percentage Spent on Benefits had remained at 1985-86 Levels

- **2006-2007**: Average Madison Teacher Salary would be **\$59,941**
- An increase of **\$8,119** more than present salary levels
- Increased Wisconsin Retirement System Pension and Social Security Payments

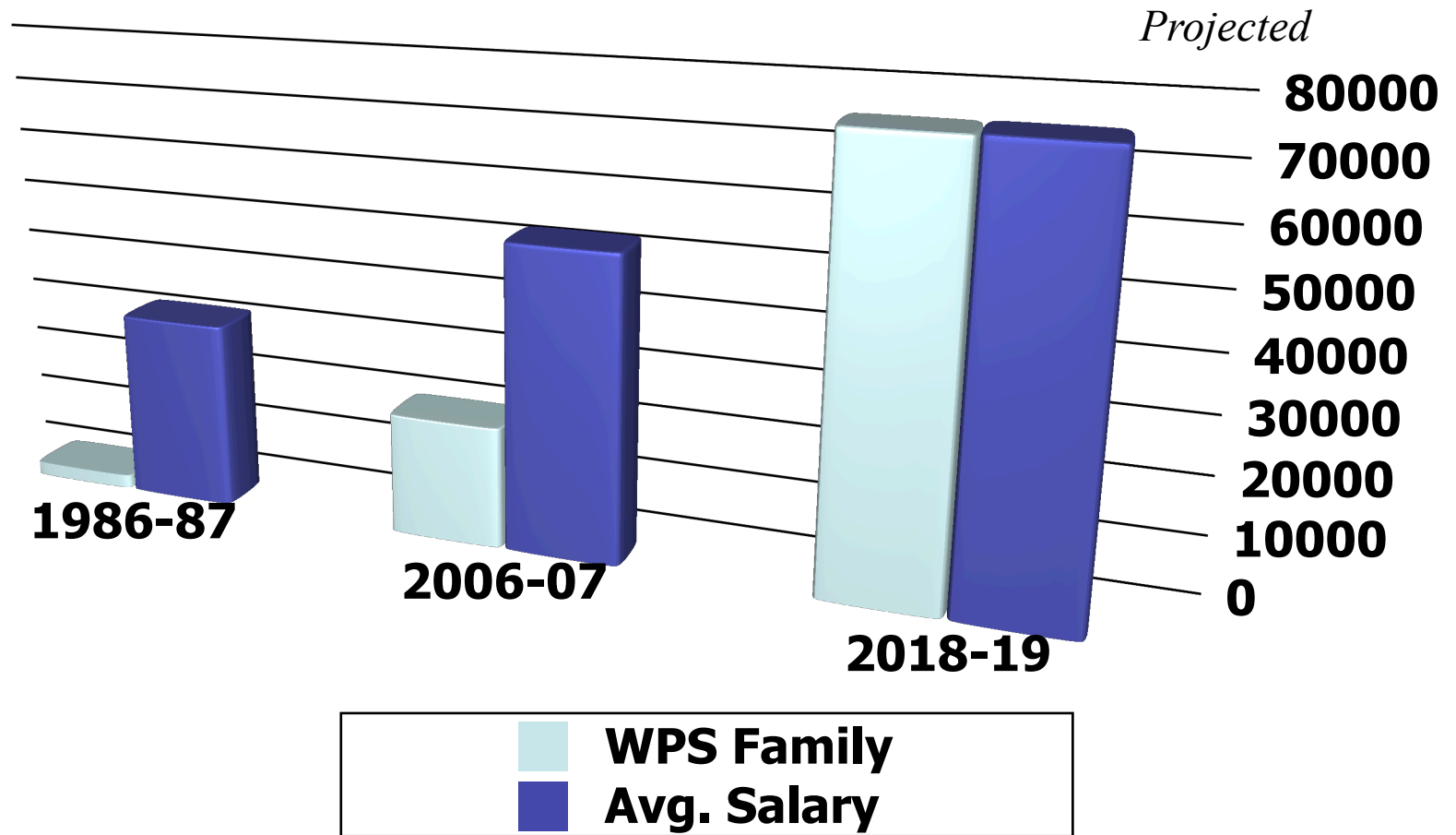
*Source: WASB Database*

# If the Percentage Spent on Benefits had remained at 1993-94 Levels

- **2006-2007**: Average Madison Teacher Salary would be **\$56,786**
- An increase of **\$4,964** more than present salary levels
- Increased Wisconsin Retirement System Pension and Social Security System Payments

*Source: WASB Database*

# Average Salary and Health Insurance Increases – MMSD Comparison



Source: WASB Database

# Wisconsin

## Average Teacher Salary & Benefits Rankings

- 3<sup>rd</sup> highest on benefit costs per pupil
- 27<sup>th</sup> on average teacher salary for 2003-04
- 24<sup>th</sup> on average teacher salary in 2001-02
- 14<sup>th</sup> on average teacher salary in 1991-92

*Source: 2004 U.S. Census Bureau Data; [www.aft.org](http://www.aft.org)*

5. Health insurance costs are also drastically reducing post-retirement benefits for our employees.

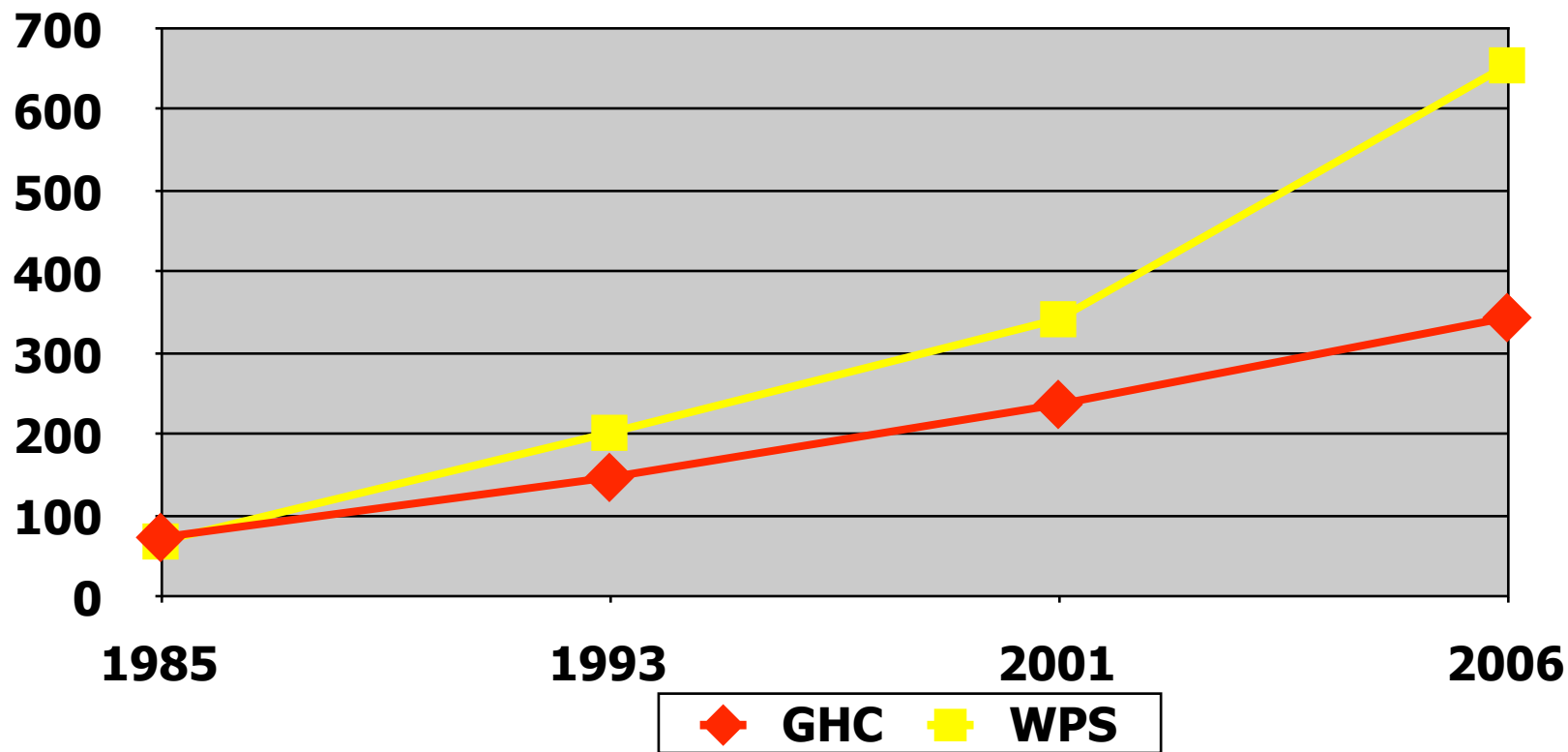
# Salary and Pension Impact

	Gross Salary		Health Contribution		Net Salary
Status Quo	54,489		2,000		52,489
Health Plan Change	56,839		1,900		54,939
Net Salary Gain					2,450
	2006-07 Salary	2007-08 Salary	2008-09 Salary	Estimated Monthly Benefit	Lifetime Benefit
Status Quo	54,489	54,489	54,489	\$2,344	\$618,816
Health Plan Change	56,839	56,839	56,839	\$2,455	\$645,480
Net Pension Gain					\$26,664

6. Changes in providers and plans can significantly affect future costs.

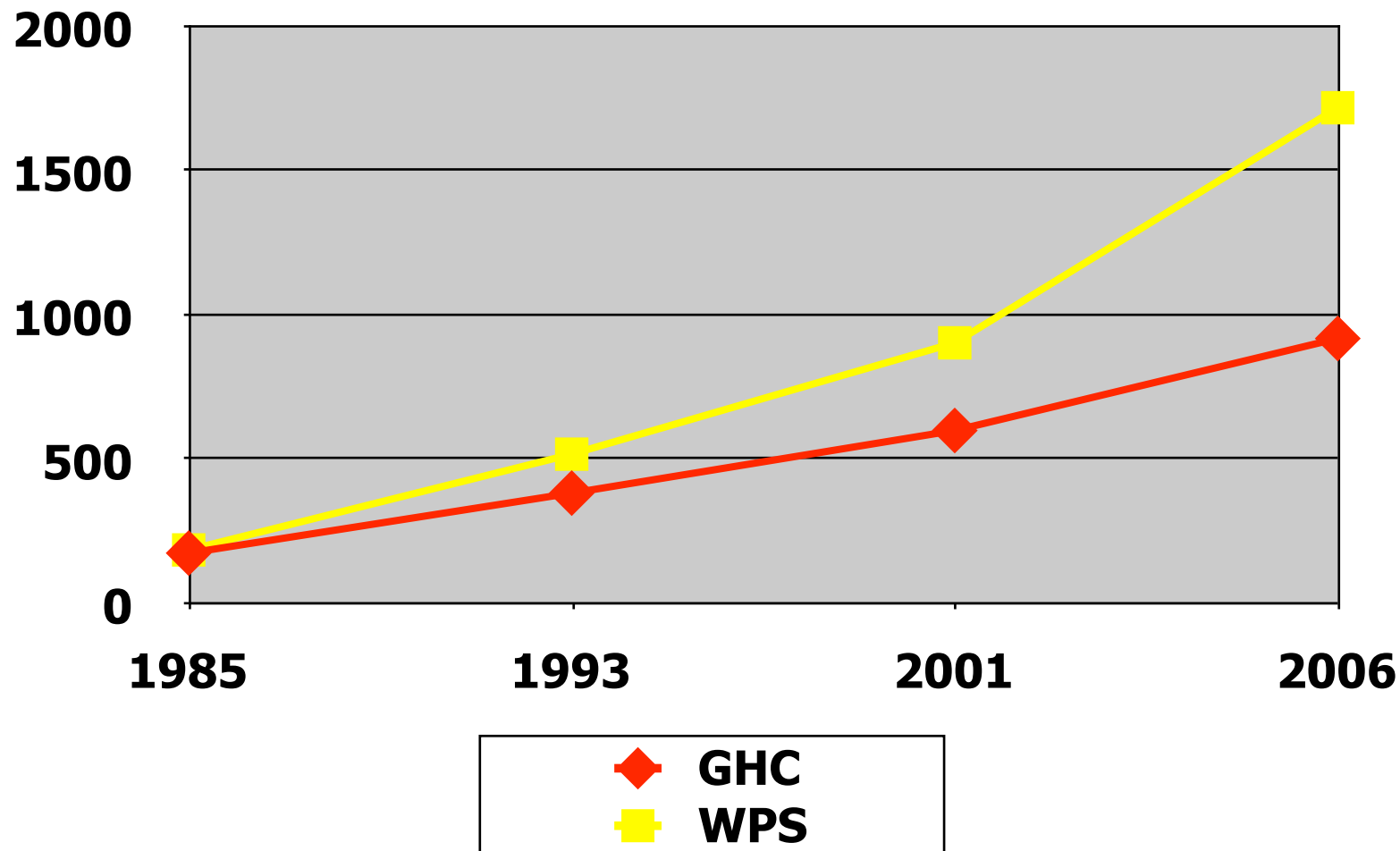


# MMSD Monthly Premium Comparisons – Single Premium for WPS and GHC



*Source: MMSD*

# MMSD Monthly Premium Comparisons – Family Premium for WPS and GHC



7. Districts can have a significant impact on future health insurance costs by working with employer representatives to propose changes in plan designs, providers, and wellness plans.

# Provider Modifications

- Point of Service
  - *Sun Prairie School District*
- Preferred Provider Options
  - *Verona School District*
- Health Maintenance Organizations (Vertically integrated health insurance providers)
- Multiple Choice Health Insurance Providers
  - *Middleton School District*
- State Health Insurance Plan
  - *Monona Grove School District*
- Cooperative Health Insurance Purchasing Arrangements
  - *Waukesha County School Districts*

# Plan Design Changes

- Employee Contributions
- Deductibles – exemptions for preventive care, i.e. pre-natal, physicals, etc.
- Three-Tiered Drug Card – Percentage Based Co-Payment in Third Tier
- Co-Payments
  - Emergency Room
  - Office Visit
  - Mental Health/AODA
- Health Reimbursement Account/Health Savings Account
- Alternative Benefit Plans
- Medicare Carve Out Plans for Retirees – Medicare Part D