



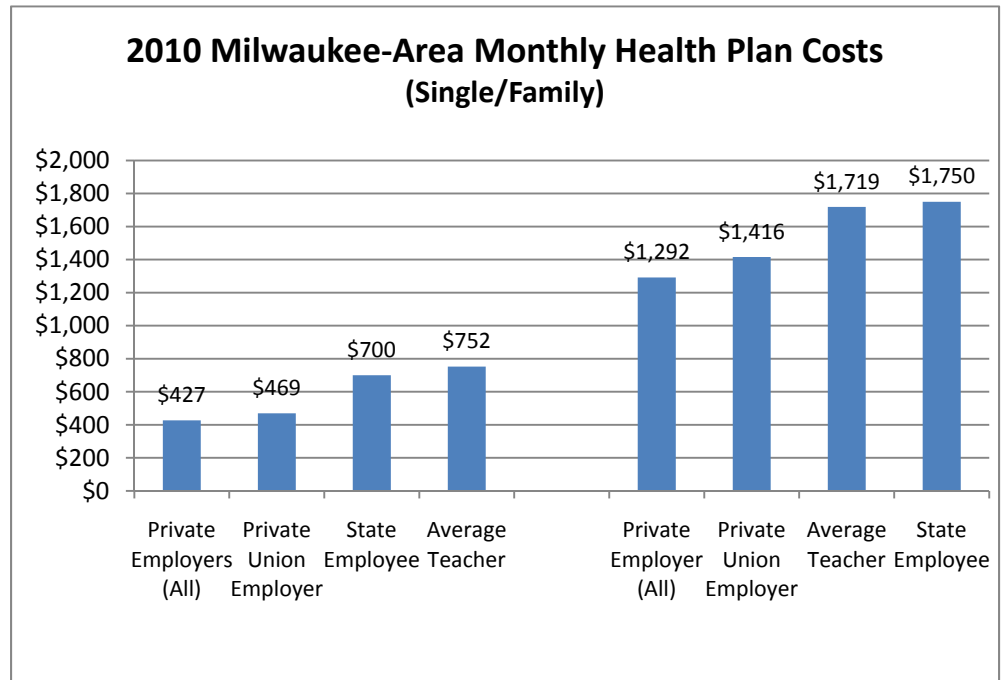
# How Teacher Health Plans Compare with Plans Offered by Milwaukee-Area Employers

## EXECUTIVE SUMMARY

- In 2010, school districts paid twice as much as Milwaukee-area employers to provide health care coverage to their employees and 16 percent more than state government
- Seventy-five percent of school districts have family coverage costs that exceed \$20,000 per year, compared to 6 percent of private-sector companies
- More than half of the region's school districts do not require their teachers to contribute any money toward their health plan premium
- School districts in southeastern Wisconsin spend approximately \$1,400 per student on health insurance for their teachers and support staff; Almost half of this cost (\$685) is due to the extraordinary benefits teachers receive when compared to the average Milwaukee-area employer
- Redesigning teacher health plans so that they mirror the region's average private-sector plan would save Milwaukee-area school districts an estimated \$221 million per year
- A less ambitious initiative – enrolling teachers in the state health plan and requiring them to contribute 12.4 percent of the premium costs – would save \$64 million, or approximately \$190 per student

## THE RELATIVE COSTS OF TEACHER HEALTH PLANS

It costs school districts in the seven-county southeastern Wisconsin region approximately \$1,400 per student to pay the health care costs of teachers and support staff.<sup>1</sup> This is significantly more expensive than health plans offered in the private sector, even at private-sector companies with labor representation.<sup>2</sup> Health plan costs for the region's teachers are 60 percent higher, on average, than the plans offered at private-sector companies with some union representation, and 76 percent higher than the average single-coverage cost for all private-sector plans.<sup>3</sup>



In fact, public-sector unions are in a class of their own when it comes to the health care benefits they receive. There are few similarities between health benefits negotiated by private-sector and public-sector unions. Employee contributions, deductibles, copays and out-of-pocket maximums negotiated by labor organizations in the private sector more closely resemble benefits offered to non-union, private-sector employees than they do the benefits received by public-sector employees (Appendix A).

Public-sector unions have contended that their generous health and pension benefits offset the lower pay they receive as government workers. Several recently published studies offer conflicting conclusions as to whether public-sector pay is lower than private-sector pay for similar jobs, but teachers' pay has grown faster than other workers' pay in Wisconsin for most of the past decade. Since 2003, teachers' pay has increased 33 percent, compared to 26 percent for all non-farm wages in Wisconsin, according to data from the Wisconsin Association of School Boards and the U.S. Bureau of Labor Statistics. The gap widened significantly once the recession started. Between 2007 and 2010, teacher salaries increased by an average of 10.5 percent, more than three-fold the growth in private-sector earnings (Appendix B).

<sup>1</sup> Total health care costs for teachers and support staff divided by number of students; based on budget and enrollment data from Wisconsin Department of Public Instruction

<sup>2</sup> Average private-sector health plan costs based on HCTrends Greater Milwaukee Employer Health Care Benefits Survey 2010 results for employers with more than 100 employees

<sup>3</sup> Based on 2009-2010 health insurance data from the Wisconsin Association of School Boards

In 75 percent of southeastern Wisconsin school districts, the premium for family coverage is more than \$20,000 per year. Only 6 percent of the health plans sponsored by the private sector exceed this threshold. Ten percent of the region’s school districts have single coverage costs that already exceed the federal government’s threshold for a luxury health plan – seven years before the definition takes effect.<sup>4</sup> In addition, while most companies require employees to pay at least 25 percent of the total premium cost, more than half of the region’s school districts do not require teachers to make any financial contribution.

<b>MILWAUKEE-AREA HEALTH PLANS (2010)</b>	<b>School Districts</b>	<b>Private Employers</b>
<b>SINGLE COVERAGE</b>		
Plan Costs in Excess of \$6,500 per year	<b>99%</b>	<b>13%</b>
Employee Contribution Less than 10 Percent	<b>100%</b>	<b>15%</b>
<b>FAMILY COVERAGE</b>		
Plan Costs in Excess of \$20,000 per year	<b>75%</b>	<b>6%</b>
Employee Contribution Less than 10 Percent	<b>99%</b>	<b>13%</b>

This combination of above-average plan costs and below-average employee contributions significantly increases the school district’s health care costs. While the average teachers’ plan costs 80 percent more than the average private-sector plan, the per-employee cost borne by the school district is twice as much as the cost borne by the average employer. Depending on the district, this “extra-ordinary” expense adds between \$500 and \$800 to the cost of educating every student and between \$100 and \$200 to the property taxes for a home assessed at \$150,000 (Appendix C).

Teachers’ health plans in southeastern Wisconsin are also 16 percent more expensive, on average, than the health plans offered to state employees.

Kenosha County teachers have the most expensive plans in the seven-county region, with health care costs that equal \$1,465 per student. The average district pays 2.1 times more than the average private-sector employer in the Milwaukee area and 27 percent more than the state pays in health care costs for employees working in southeastern Wisconsin. Waukesha County had the lowest per-student costs (\$1,253). Walworth County had the lowest employer costs, but school districts still paid 1.9 times more than the average private-sector employer and 11 percent more than the state.

Redesigning teacher health plans to mirror the costs and benefits of the average private-sector plan would save Milwaukee-area school districts an estimated \$221 million per year. More than a third of these savings (\$78 million) would come from Milwaukee Public Schools, which has the most teachers

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<sup>4</sup> Effective Jan. 1, 2018, health insurers that offer health plans exceeding \$10,200 for single coverage and \$27,500 for family coverage will be subject to a luxury tax under the Patient Protection and Affordable Care Act of 2010. Nine of the 85 school districts in southeastern Wisconsin have plans that already exceed the single-coverage threshold.

and support staff, as well as one of the most expensive plans, with employer costs that are 2.3 times greater than the private-sector average.<sup>5</sup>

A less ambitious initiative – enrolling teachers in the state health plan and requiring them to contribute 12.4 percent of total premium costs – would save \$62 million, or between \$100 and \$300 per student for most school districts.

## THE TEACHERS' INSURANCE CORPORATION

The health insurer most likely to be impacted by the budget-repair legislation is the WEA Insurance Corp., which was established in 1970 by the Wisconsin Education Association (WEA), the state teachers' union, to sell health care plans to school districts.

For many years, WEA was the leading group health insurance provider in Wisconsin. At its peak in 2005, it wrote \$887 million in group health premium, which represented 11.4 percent of the state's total group market. WEA's share of the market has declined since 2006 as other insurers aggressively target the school market. By 2009, the last year for which records are available, WEA's market share had dropped to 8.7 percent with \$858 million of premium written, the lowest amount written by the insurer since 2004.<sup>6</sup>

Several school districts have been critical of the high cost of WEA insurance.<sup>7</sup> Given the relationship between health plan designs, the health status of the employees covered and premium costs, it is difficult to make meaningful comparisons of health care plans unless they are providing coverage for the same population. Fortunately, the state employee health plan provides an opportunity to make an “apples-to-apples” comparison. WEA Insurance Corp. is one of two dozen insurance plans that participate in the state plan, which is administered by the Wisconsin Department of Employee Trust Funds. Because the department requires insurers to bid on a common benefit design, premiums within a geographic region can be compared.

WEA participates in two regions – Northeast Wisconsin and Southeast Wisconsin. In both, it is the second-most expensive plan offered. In northeast Wisconsin, the WEA insurance plan's family premium is 9 percent higher than the average Tier 1 plan and 19 percent higher than the least-expensive plan offered. In southeastern Wisconsin, WEA's family premium is 3 percent higher than the average Tier 1 plan and 6 percent higher than the least-expensive plan offered.<sup>8</sup>

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<sup>5</sup> This calculation is based on data from the 2009-2010 school year. In late 2010, Milwaukee Public Schools and the Milwaukee Teachers Education Association approved a contract that will lower plan costs and increase employee contributions. HCTrends did not have sufficient information to calculate the impact of these changes.

<sup>6</sup> Wisconsin Commissioner of Insurance Report Business of 2003, 2004, 2005, 2006, 2007, 2008 and 2009 (Table E), Wisconsin Office of the Commissioner of Insurance

<sup>7</sup> See “A Crucial Challenge for Wisconsin Schools: Escaping the Financial Shackles of WEA Trust Insurance,” published by Education Action Group Foundation with support from the Maclver Institute.

<sup>8</sup> “It's Your Choice: 2011 Decision Guide,” Wisconsin Department of Employee Trust Funds

## CONCLUSION

Because teachers' health care benefits are negotiated in each school district, changes in benefit plans and the timing of those changes will vary widely. During the public debate on the budget-repair bill, teacher unions pledged to contribute 12.4 percent of their health care costs to help offset the state's budget deficit. However, it is not clear if teachers will honor this pledge because they have not been able to remove other collective bargaining restrictions from the legislation. In addition, several school districts have extended their existing contracts in anticipation of the budget-repair legislation, which will delay changes unless they re-open the contracts.

As the data outlined in this study suggest, considerable savings can be realized with even modest changes to teachers' health care plans, including an increase in employee contributions or other cost-sharing. Significant savings could be realized by making the health plans more comparable to the benefits received by private-sector employees, including those with labor representation.

## APPENDIX A

COMPARISON OF MILWAUKEE-AREA HEALTH CARE COSTS AND PLAN DESIGNS				
Health Plan Component	Private Sector <sup>1</sup>	Private Sector - Labor <sup>2</sup>	State Health Plan	Milwaukee Public Schools <sup>3</sup>
<b>SINGLE PREMIUM</b>				
Total Cost	\$5,125	\$5,625	\$8,400	\$10,590
Employee Share	\$1,280 (25%)	\$1,406 (25%)	\$372 (4.4%)	0% <sup>4</sup>
<b>FAMILY PREMIUM</b>				
Total Cost	\$15,500	\$16,000	\$21,000	\$23,400
Employee Share	\$3,625 (25%)	\$4,000 (25%)	\$936 (4.4%)	0% <sup>5</sup>
<b>COST SHARING</b>				
Single Deductible	\$875	\$1,125	\$0	\$75
Family Deductible	\$1,750	\$2,250	\$0	\$225
Co-Insurance (In-Network)	20%	20%	0%	10%
Single Out-of-Pocket Maximum	\$2,500	\$3,500	\$0	\$200
Family Out-of-Pocket Maximum	\$5,000	\$6,000	\$0	\$600
Drug Copays	\$10/\$35/\$55	\$10/\$30/\$50	\$5/\$15/\$35	\$3/\$15/\$30

### Sources:

- HCTrends 2010 Employer Health Care Benefits Survey (private-sector plans)
- It's Your Choice 2010 Decision Guide (state plan)
- Summary of Milwaukee Teacher Health and Fringe Benefit Plans (Milwaukee Public Schools plan design)

<sup>1</sup> All non-government employers with more than 100 employees

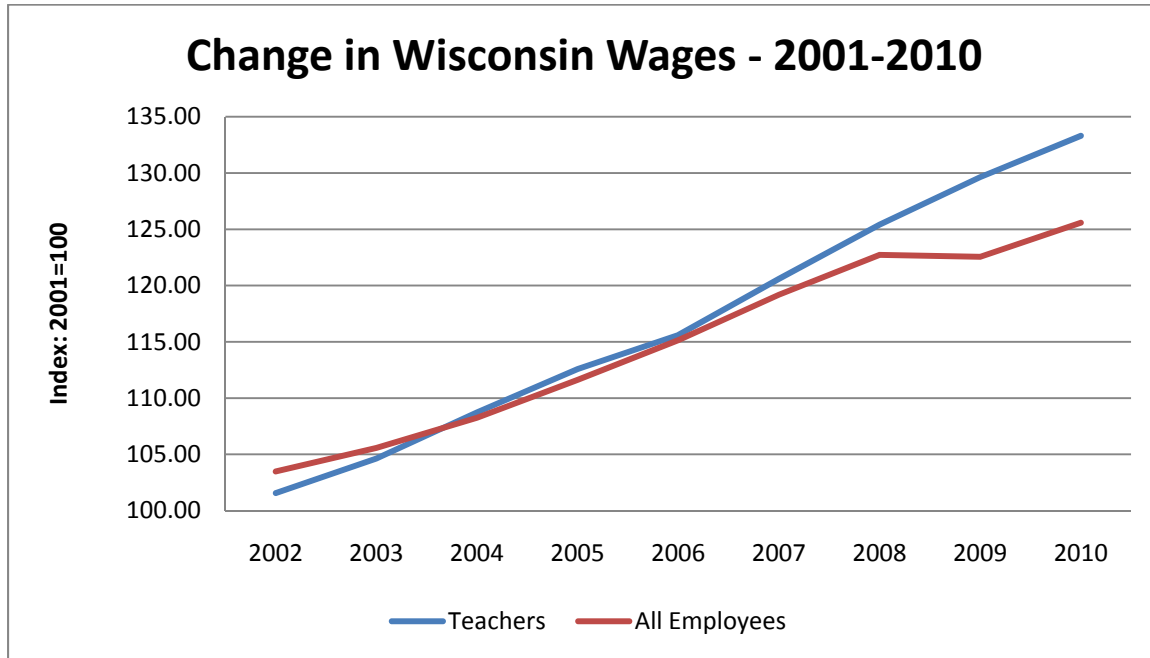
<sup>2</sup> Non-government employers with more than 100 employees who reported having some labor representation

<sup>3</sup> Teacher benefits based on contract ratified in December 2010 and made retroactive to July 1, 2009; plan is UnitedHealthcare Choice Plus Network

<sup>4</sup> Effective August 1, 2011, teachers will contribute 1% of base salary toward their health care benefit. This would equal \$600, or 5.5% of the total single premium for a teacher making \$60,000 in base pay per year.

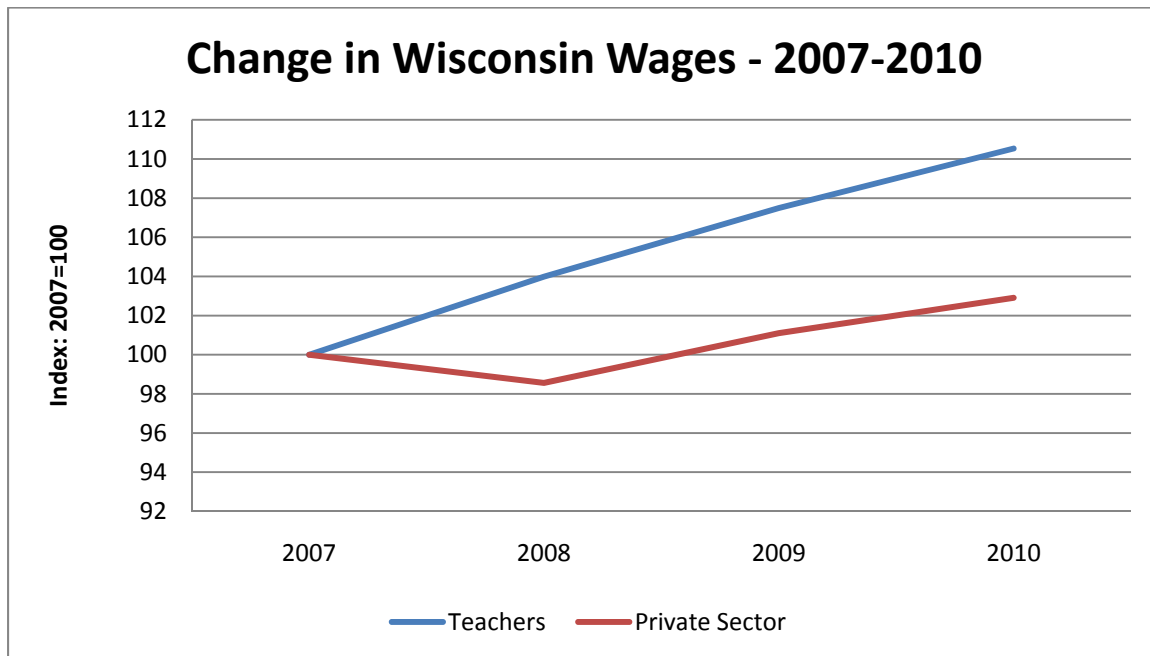
<sup>5</sup> Effective August 1, 2011, teachers will contribute 2% of base salary toward their health care benefit for family coverage. This would equal \$1,200, or 5% of the total family premium for a teacher making \$60,000 in base pay per year.

## APPENDIX B



#### Sources:

- Teacher Wages: Salary Information (benefits excluded), Wisconsin School District Teacher Settlement Trends, Wisconsin Association of School Boards
- All Employee Wages: Average weekly wages for all Wisconsin workers covered by unemployment compensation, 2nd quarter data, Bureau of Labor Statistics



#### Sources:

- Teacher Wages: Salary Information (benefits excluded), Wisconsin School District Teacher Settlement Trends, Wisconsin Association of School Boards
- Private-Sector Wages: Hourly Earnings, Wisconsin Private-Sector Employers (December; 2010 data preliminary), Bureau of Labor Statistics

# APPENDIX C

District Information				Compared to Average Milwaukee Employer						Compared to State Employee Health Plan						
County	Insurance Cost	Per Student	Premium Share		Relative Cost of Plan			Excess Cost Compared to Avg.			Relative Cost of Plan			Excess Cost Compared to Avg.		
			Single	Family	Single	Family	Wght	Total	Per Student	Per House	Single	Family	Wght	Total	Per Student	Per House
Milwaukee County	\$199,348,485	\$1,438	\$718	\$1,663	224%	168%	190%	\$106,536,857	\$615	\$147	117%	109%	112%	\$41,771,991	\$142	\$35
Waukesha County	\$77,324,621	\$1,253	\$744	\$1,728	233%	175%	197%	\$35,530,295	\$587	\$94	121%	113%	116%	\$6,530,540	\$158	\$24
Ozaukee County	\$21,908,507	\$1,355	\$745	\$1,675	233%	169%	194%	\$10,664,784	\$579	\$139	122%	110%	114%	\$2,811,087	\$152	\$36
Washington County	\$20,400,690	\$1,424	\$769	\$1,771	240%	179%	203%	\$10,286,488	\$697	\$92	125%	116%	120%	\$3,290,175	\$223	\$29
Racine County	\$47,447,770	\$1,409	\$753	\$1,711	235%	173%	197%	\$22,044,825	\$698	\$124	123%	112%	116%	\$4,469,744	\$201	\$34
Kenosha County	\$56,498,415	\$1,465	\$827	\$1,856	259%	187%	215%	\$24,678,761	\$756	\$139	135%	121%	127%	\$2,622,469	\$287	\$47
Walworth County	\$23,874,379	\$1,441	\$723	\$1,637	226%	165%	189%	\$11,041,037	\$659	\$127	118%	107%	111%	\$2,116,056	\$136	\$33
<b>Seven-County Region</b>	<b>\$446,802,867</b>	<b>\$1,393</b>	<b>\$752</b>	<b>\$1,719</b>	<b>235%</b>	<b>174%</b>	<b>198%</b>	<b>\$220,783,047</b>	<b>\$684</b>	<b>\$124</b>	<b>123%</b>	<b>112%</b>	<b>116%</b>	<b>\$63,612,062</b>	<b>\$189</b>	<b>\$34</b>

**Definitions:**

Insurance Cost	Total insurance cost for teachers and support staff (does not include administrative and other non-union positions)
Premium Share	School district's share of premium costs
Relative Cost of Plan to Avg. Employer	Relative cost of plan compared to average Milwaukee employer with at least 100 employees (247% = 2.47 times more expensive than average)
Excess Cost Compared to Average	Dollar cost of plan in excess of Milwaukee employer average
Relative Cost of Plan to State Plan	Relative cost of plan compared to average of state health plan costs for southeastern Wisconsin (123% = 23 percent more expensive)
Excess Cost Compared to Average	Dollar cost of plan in excess of state health plan
Per Student	Excess cost per student enrolled
Per House	Excess cost per average home assessed at \$150,000

**Sources:**

Insurance Cost	DPI Budget Reports 2009-2010 (Account 240)
School District Premium Share	2009-2010 Health Insurance Data Report (Wisconsin Association of School Boards)
Average Large Business Premium Share	HCTrends 2010 Survey Results - Employers with more than 100 employees
Student Enrollment	Wisconsin DPI Public Enrollment Data (2009-2010)
State Health Plan Premiums	Based on 12.4% employee contribution, Southeast Wisconsin, 2010 premiums