Washington State Health Care Authority
SCHOOL EMPLOYEES BENEFITS BOARD

Current K-12 School Employees Benefits Structure

—Excerpted from "K-12 Employee Benefits—Equity, Affordability, and the Impacts of System Consolidation: A Report to the Governor, Legislature, and Joint Legislative Audit and Review Committee," submitted by Washington State Health Care Authority, June 1, 2015. Offered here to explain the state of K-12 benefits before the SEBB Program.

The K-12 employee population differs significantly from the state employee population covered by PEBB [the Public Employees Benefits Board]. All eligible state employees are offered the same benefits packages; most work full-time.

K-12 employees fall into two distinct groups: certificated employees, and classified staff. Part-time status for certificated and classified positions depends on the specific district; for the purposes of this report, part-time is anything less than 1.0 FTE. For the 2012-13 school year, school districts employed 65,581 certificated staff and 56,053 classified staff. 49 percent of the classified employees worked part-time; by contrast, only 8 percent of certificated employees worked part time.

There are additional differences between certificated and classified employees. A 2009 actuarial study found that certificated employees were 3.6 years younger than classified staff, earned 2.3 times more (an average of $64,493 annually as compared to $27,947), and retired six years earlier. Washington has 295 school districts. Each district receives approximately 72 percent of its funding for employee benefits from the State, but is responsible for determining its own benefits packages. For the 2013-2015 biennium, the State allocated $768 per month to districts for each funded full-time equivalent (FTE) certificated employee and $884 per month for each FTE classified employee allocation.

Key Terms

Certificated employees "hold certificates as authorized by rule of the Washington professional educator standards board." These employees are predominantly teachers.

Classified employees are employed in positions that do not require a certificate, such as paraeducators, teacher's aides, custodial staff, bus drivers, and administrative staff.

FTE is an abbreviation for *full-time equivalent*. Districts are allocated benefits funding for the total number of apportioned FTE positions within a district: many classified positions within districts are part-time.

Collective bargaining plays a large role in defining benefits packages within districts and determining the actual distribution of the benefit allocations. Certificated and classified employees have separate unions, and within each union there may be multiple bargaining units. Employee contributions vary between districts and between bargaining units within a single district. The most significant variation is in the share of costs paid by employees who insure only themselves and those who insure their families.

In 2013 the average monthly contribution for full-time employees covering only themselves was $41 while employees selecting full family coverage paid an average monthly premium of $477—nearly 11 times what individuals with employee-only coverage paid. Part-time employees paid an average of $71 for employee-only coverage and $545 for full-family coverage, with employees paying more than 7.5 times more for full family than employee-only coverage.

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In many districts, the differences between employees' coverage extend beyond how much they pay to the relative *richness* of the benefits they receive. There are also differences in the richness of health plans—meaning the value of the benefits—between districts, between different employee classes within the same district, and between K-12 employees and state employees in the PEBB system. For the 2013-14 school year, the OIC reported that over half of the plans offered to K-12 employees were gold-level plans, and over a third of the plans were platinum-level. Reallocated pool funds make it possible for some employees—particularly employees who are paying for coverage only for themselves—to purchase richer plans and, sometimes, pay lower premiums, while employees with dependents often choose plans with a lower relative value while paying much higher premiums.

Key Terms

Benefits fund pools are the accounts where districts hold unspent benefits money from employees who are ineligible for coverage or who waive insurance coverage. These funds are reallocated quarterly as reductions to covered employees' premiums.

Coverage richness describes the value of the benefits offered by a particular health insurance plan.

Relative value describes the differences between various health insurance plans.

Legislative efforts to provide oversight for the administration of K-12 employee benefits and improve equity between employees insuring only themselves and those covering dependents began in 1988 with Engrossed Substitute House Bill 2038. ESSB 2038 directed HCA to evaluate K-12 employee benefits administration. The resulting report prompted Engrossed Substitute House Bill 2230 in 1990, which established annual reporting requirements for K-12 districts and their carriers.

ESHB 2230 also initiated a "pooling" mechanism, with the aim of minimizing differences in expenses for employees with and without covered dependents. State law now requires districts to "pool" benefits money not used by employees who are ineligible for benefits or waive coverage. These funds are redistributed to enrollees to subsidize their premium costs. Each fund operates differently, but in all cases the money is held in local funding pools until it is distributed to enrollees. Some districts reallocate the funds once a year; others redistribute the funds multiple times during each year. While these pools are tied to specific employee groups, they are strictly places to temporarily hold funds; they are not the same as insurers' risk pools.[1]

The districts use nine different insurance carriers and 764 different plans. The most prevalent plan sponsor is Premera–WEA (Washington Education Association), which covers 55 percent of the State's K-12 employees—mostly certificated employees. Other carriers include Aetna, Group Health Cooperative, Kaiser Permanente, KPS Health Plans, Providence Health Plans, Regence BlueShield, and United Healthcare. Districts have the option of selecting the Public Employees Benefits Board (PEBB) as their carrier; approximately 2 percent do so.

In 2013, K-12 districts paid a total of $96.7 million (approximately 9.5%) in administrative fees to the carriers. $6.6 million of these costs went to pay brokers' commissions, $25.4 million was used to pay state premium taxes and other assessments, and $64.6 million paid carriers' administrative costs.[2] Additionally, K-12 reported payments of $4.6 million for external administration, $2.2 million for internal administration, and $20.3 million for additional compensation to brokers.[2]

[1] State Auditor's Office, K-12 Employee Benefits Performance Review, Feb. 2011, p. 6.

[2] Office of the Insurance Commissioner K-12 School District Health Benefits Information: Year 2 Report: Nov. 24, 2014. pp. 7-8