The employer contribution, or funding rate, that school districts, educational school districts, and charter schools pay to the Health Care Authority for each eligible employee represents an average portion of the state’s total contribution to school employee benefits. The funding rate also assumes a certain number of employees will waive medical coverage, based on previous enrollment data.

Say there are a total of 10 employees statewide. We know that one of them will waive medical benefits, but we don’t know which one.

The total cost per month of benefits for the nine employees who enroll in medical coverage is $10,000.

The districts would be given a monthly funding rate of $1,000 per employee. If the district with the one employee who waives medical doesn’t pay the $1,000 for that employee, the total funding coming to HCA would only be $9,000 — and the program would be underfunded.

By the same token, if the employee who waives medical was not factored at the statewide level, the per-employee funding rate would be adjusted accordingly.

In this example, each district would receive a monthly funding rate of $1,111.12 per employee, and would pay the $1,111.12 employer contribution for benefits, to come to a total of $10,000. This process would result in additional administrative complexities for each district, each month.

Why assume the number of employees who will waive coverage instead of calculating the funding rate using actual enrollment figures?

Assuming the number of employees who will waive medical coverage is a core component of HCA’s collective purchasing structure. The policy in place requires employers to make contributions for all eligible employees. That way, making contributions — or not making contributions — doesn’t create an incentive or a barrier to employees choosing to enroll in medical coverage.