K-12

Health Care Package

PURPOSE

Develop an accessible, affordable, and efficient system of health care for K-12 employees while maintaining local control and choice. This package permits the State of Montana to support this system of health care through the funding formula while leveraging existing means of managing health care costs on a sustainable basis in partnership with the private sector.

BACKGROUND

The 400+ existing school districts in Montana currently access health insurance on an individual basis as distinct employers. They participate in every aspect of the insurance market from those districts that do not provide insurance for their employees (uninsured), to those who are small groups (3-50 employees), all the way to those who are large enough to assume the risk of self-insuring their own employees and retirees health care risk. Currently there is no single school district that is large enough to fully assume their entire risk, therefore many districts or their insurance carriers purchase re-insurance on their behalf to cover excess risk associated with groups of their size.

In early 2005, the Office of Budget and Program Planning began discussions to determine if there were viable alternatives to the status quo of health insurance versus the alternative of bringing all districts together into a single large plan as proposed by the K-12 SHIP bill and the attendant financial liability to the State.

The Department of Administration provided information regarding techniques used to manage the State Employee Benefit Plan. In addition, industry representatives shared concepts such as looking at providing stop-loss coverage for schools and providing wellness programs to the K-12 population in lieu of assuming the entire responsibility for health care coverage for K-12 districts.

The OBPP worked with the Department of Administration, the Quality Interim Committee on Schools and industry representatives to develop a way to access and analyze data to determine if some of the techniques and infrastructure in place for State Employees could be extended to K-12 employees and retirees. The result of those discussions and analysis is the following proposal for schools in Montana.

MAJOR COMPONENTS OF
K –12 Health Care Package

- **Excess-of-loss reinsurance for any active employee/spouse/dependent that hits $150,000 annually.** The State will assume responsibility for covering health care costs up to$1M per claim for an individual whose total health care claims hit $150,000 in a year. This is similar to what is known in the industry as specific stop loss, but a slightly better benefit. Districts will be offered a free and voluntary contract for participation in the catastrophic claim stop-loss coverage. In return, they will agree to work with the State (and their carrier or claims administrator will assist) to provide sufficient notice of claim activity, necessary eligibility information, and will participate in the benefit under the contract, much in the manner they currently do with a re-insurer now.

  Retirees will not be covered by the State stop-loss however individual districts may use the local tax dollars to provide coverage for retirees. In part, this decision to not include retirees is due to the local differences in whether districts currently cover retirees, whether retiree health care is an educationally relevant cost for purposes of state funding of schools, and because of the high cost of retiree coverage.

- **Comprehensive Risk Management.** The State will provide a risk management program that consists of the following components;

  Health Screening that is free to the active employee every other year (enrolled spouses/dependents will be allowed to participate on a self-pay basis at a nominal fee). This program offers confidential individual health risk screenings and assessments for: glucose, cholesterol, HDL, LDL, triglycerides, blood pressure and body mass index. Optional test include PSA, TSH tests as well as other lab tests.
  Health Screenings are scheduled through an on line information/enrollment tool that can be accessed from home or work. A Health Risk Assessment (HRA) is also completed at the time of enrollment.
  Participants that receive abnormal findings are provided follow up calls and information from an Ask A Nurse program.

  Utilize an analytic claims evaluation tool that provides worldwide leading (DxCG) predictive modeling services to help improve the delivery and management of health care. This tool assists with understanding the health risk of populations so we can identify and then solve complex financial and medical management issues. We are able to take available health care data and transform it into actionable and confidential information about the health of our population.
  Examples of how we use this tool:
  Identify which high dollar cases from last year will continue to be high dollar cases this year.
  Identify new high dollar cases early.
  Aggregate risk driver information to identify and eliminate core source issues.
  Benchmark disease specific indicators to regional and national benchmarks to assist with focused member education or plan design enhancements.

  Case Management Coordination with our Medical Management team of case managers. Our case managers work in conjunction with at risk member's health plan program to offer a best practices solution in the overall management of the case. This

effort has proven to be successful for the State of Montana Employee health plan, as well as the individual member's specific needs.

- **Pharmacy Purchasing Contract.** The State belongs to a large employer purchasing pool and through the pool accesses a contract with a pharmacy benefit manager, PharmaCare. This contract could be made available to school districts that belonged to the pool and wished to access the PharmaCare contract. Currently most school districts carriers or administrators (BCBS of MT, MUST, and Allegiance Benefit Management Plan) use Express Scripts as their pharmacy benefit manager. School districts would need to compare pricing to see if moving to PharmaCare would be advantageous to them.

- **Office of Insurance Assistance** – One of the most pertinent questions is if the State assumes the cost of these high dollar claims, how can we assure that the premium savings flows back to the schools and not merely into the bottom line of insurers? There are three major areas that will be leveraged to maximize the savings on behalf of schools.
  - **Market Competition** – Currently there are two major entities that insure schools (not administer self-insured district plans). Those are Blue Cross and Blue Shield of Montana (BCBSMT) and Montana Unified School Trust (MUST). They compete for the existing pool of schools that purchase insurance. A third insurer, New West Health Services has not entered into the school market. By removing a significant portion of the risk from schools, the competition for these districts will increase. New West will be better positioned to enter the market with the reduced risk. Other insurers such as United HealthCare, John Alden, etc. are likely to enter this market as well.

  - **Targeted Products** – Currently BCBSMT and MUST specifically structure benefit plans to schools needs. We intend to work with these insurers as well as New West to develop specific product offerings that are designed to coordinate with the State's stop-loss coverage and meet the market needs of schools. The goal is to target accessibility and affordability very quickly and pressure the insurers to compete for this pool once it become largely free to shop.

  - **Office of Insurance Assistance** – Competition and marketing are good tools, but an informed consumer is an even better tool for making sure the dollars are maximized. The State proposes to hire staff and contract with actuarial/benefits consulting expertise that would be made available to assist school districts in learning about insurance, assessing their purchasing decisions, underwriting expertise, and providing advocacy for districts in health insurance purchasing. This ombudsman position would permit small districts access to knowledge and expertise to make informed decisions about health care purchasing that is currently only available to a few larger districts.