

Summary of H.B. 66 Provisions  
Relating to Public School Health Care Benefits Pooling

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On June 21, 2005, the Ohio House of Representatives and the Ohio Senate approved the Conference Committee report on the state budget (HB 66). The budget now goes to Governor Taft for his signature. Governor Taft does have the authority to line-item veto any provision he finds objectionable, however, it is not anticipated that he will veto the school pooling language. **The pooling language creates a School Employees Health Care Board and authorizes it to set the framework to implement a statewide pooling system. However, the language also states that the Legislature must pass future legislation to formally authorize the implementation of a statewide health care benefits pool for public school employees.** [*emphasis added*]

Below is a summary of the school pooling language in the budget.

- I. Establishment of School Employees Health Care Board
  - A. Nine Members with experience with public school benefit programs, health care industry providers, and medical plan beneficiaries; three members appointed by each of the Governor, President of the Senate, and Speaker of the House of Representatives. No member shall be employed by, represent, or in any way be affiliated with a private entity that is providing services to the Board, an individual school district, employers or employees in the state.
  - B. The Board, in consultation with the Superintendent of Insurance, shall negotiate with and in accordance with the competitive selection procedures, contract with one or more insurance companies for the issuance of medical plans. Any or all of the medical plans may be self-insured.
    1. Prior to soliciting proposals, the Board shall determine what geographic regions exist in the state based on the availability of providers, networks, costs and other factors relating to providing health care benefits. The Board shall determine what medical plans are offered by school districts and existing consortiums in the state and which offer the lowest premium cost plan in the regions of the state.
    2. The Board shall develop a request for proposal for medical plans for school districts in a region similar to the existing plans. The Board shall determine the benefits offered by existing medical plans, the employees' costs, and the cost-sharing arrangements used by public schools

participating in a consortium.

### C. Duties of School Employees Health Care Board

1. Design multiple medical plans, including regional plans, to provide the optimal combination of coverage, cost, choice and stability of health care benefits.
2. The Board may establish more than one tier of premium rates for any medical plan. The Board shall establish regions as necessary for the implementation of the Board's medical plans. Plans and premium rates may vary across the regions established by the Board.
3. Set an aggregate goal for employee and employer portions of premiums.
4. Set employer and employee plan co-payments, deductibles, exclusions, limitations, formularies, premium shares and other responsibilities.
5. Include disease management and consumer education programs.
6. Create and distribute to the Governor, Speaker of the House, and President of the Senate an annual report covering:
  - a. plan background,
  - b. plan coverage options,
  - c. plan administration, including procedures for monitoring and managing objectives, scope, and methodology,
  - d. plan operations,
  - e. employee and employer contribution rates and the relationship between the rates and the School Employees Health Care Fund balance,
  - f. a means to develop and maintain identity and evaluate alternative employee and employer cost-sharing strategies,
  - g. an evaluation of the effectiveness of cost-saving services and programs,
  - h. an evaluation of efforts to control and manage member eligibility and to insure that proper employee and employer contributions are remitted to the trust fund,
  - i. efforts to prevent and detect fraud,
  - j. efforts to manage and monitor Board contracts.
7. Utilize cost containment measures aligned with patient, plan and provider management strategic in developing and managing medical plans.

## II. School Employees Health Care Fund

- A. Public schools shall pay all School Employees Health Care Board plan premiums for deposit into the fund.
- B. All funds shall be used solely for the provision of health care benefits to public school employees and related administrative costs.
- C. Premiums received by the Board or contributing insurers are not subject to the State Insurance Premium Tax.

III. School Employees Health Care Board shall hire independent consultant.

A. Consultant to analyze costs related to employee health care benefits provided by existing school district plans. The consultant shall determine the benefits offered by existing medical plans, employees' costs and the cost-sharing arrangements used by public schools, either participating in a consortium or by other means. The consultant shall determine what strategies are used by the existing medical plans to manage health care costs and shall study the potential benefits of state or regional consortiums offering multiple health care plans. The consultant shall submit recommendation to the Board for the development and implementation of a successful program for pooling school districts' purchasing power for the acquisition of employee medical plans.

B. Consultant recommendations shall address:

1. The establishment of regions for the provision of medical plans, based on the availability of providers and plans in the state;
2. the use of regional preferred provider and close panel plans, health savings accounts, and alternative medical plans, to stabilize both costs and the premiums charged school districts and district employees;
3. the development of a system to obtain eligibility data and data compiled pursuant to COBRA;
4. the use of the competitive bidding process for regional medical plans;
5. the development of a timeline planning for the design and use of Board medical plans not later than Dec. 31, 2007;
6. the use of information on claims and costs and of information reported by districts pursuant to COBRA in analyzing administrative and premium costs;
7. the experience of states that have mandated statewide medical plans for public school employees, including the implementation strategies used by those states;
8. recommended strategies for the use of first-year roll-in premiums in the transition from district medical plans to School Employees Health Care Board plans;
9. the option of allowing school districts to join an existing regional consortium as an alternative to School Employees Health Care Board plans;
10. mandatory and optional coverages to be offered by the Board's medical plans;
11. potential risks to the state from the use of medical plans developed pursuant to this section;
12. any legislation needed to ensure the long-term financial solvency and stability of a health care purchasing system;
13. the potential impacts of any changes to the existing purchasing structure on all of the following:
  - a. existing health care pooling and consortiums;
  - b. school district employees;
  - c. individual school districts;
14. issues that could arise when school districts transition from the existing purchasing structure to a new purchasing structure;

15. strategies available to the Board in the creation of fund reserves and the need for stop-loss insurance coverage for catastrophic losses;
16. any legislation needed to establish and maintain medical plans designed pursuant to Revised Code Section 9.901. The consultant shall submit all legislative recommendations not later than December 31, 2005, in writing, to the School Employees Health Care Board and to the Governor, the Speaker of the House of Representatives, and the President of the Senate.

#### IV. Creation of Public Schools Health Care Advisory Committee

- A. Committee created to make recommendations to School Employees Health Care Board related to the Board's accomplishment of the duties assigned to the Board. The eighteen member committee shall be comprised as follows: the Governor, the Speaker of the House, and the President of the Senate shall each appoint a representative from: the Ohio Education Association, the Ohio School Boards Association; the Ohio Association of School Business Officials, the Ohio Association of Health Underwriters, an existing health care consortium serving public schools and a health insuring corporation recommended by the Ohio Association of Health Plans.
- B. Appointees shall be appointed to a one year term not later than July 31, 2005.

#### V. School Employees Health Care Board Study

Not later than January 15, 2006, the Board shall submit a plan of operation and governance, including audit provisions, to the Governor and the General Assembly. The study shall include the Board's recommendations on any legislation needed to enforce the recommendations of the Board on implementing the provisions of Revised Code Section 9.901.

#### VI. School Employees Health Care Board Annual Reports

Not later than January 15, 2009 and not later than the same day of each subsequent year, the Board shall submit a written report to the Governor and each member of the General Assembly, which evaluates the performance of School Employees Health Care Board medical plans during the previous year.

#### VII. School Employees Health Care Board Miscellaneous Provisions

- A. School districts offering employee health care benefits through a plan offered by a consortium of two or more districts, or a consortium of one or more districts and one or more political subdivisions, representing 5,000 or more employees as of January 1, 2005, may request permission from the School Employees Health Care Board to continue offering consortium plans to the districts employees. The Board shall base its initial or continued approval on an actuarial evaluation of the existing consortium plan offerings and other criteria.
- B. Any districts providing medical plan coverage for the employees of public schools, or that have provided coverage within the past two years, shall provide non-identifiable aggregate claims data for the coverage to the School Employees Health Care Board within 30 days of receiving a written request from the Board.
- C. The School Employees Health Care Board may contract with other state agencies it deems necessary for the implementation and operation of the provisions of Revised Code Section 9.901. The Board shall contract with the Department of Administrative Services for central services until the Board is able to obtain such services from other sources.
- D. The Board's administrative functions shall include:
  - 1. Maintaining reserves in the School Employees Health Care Fund, reinsurance, and other measures that in the judgment of the Board will result in the long-term stability and solvency of the medical plans designed by the Board.
  - 2. Bill the school districts in proportion to a district's premium payments to all premium payments paid into the School Employees Health Care Fund during the previous year in order to maintain necessary reserves, reinsurance, and administrative and operating funds.
  - 3. Each school district contributing to a Board medical plan shall share any losses due to the expense of claims paid by the plan.
  - 4. The state is not liable for any obligations of the School Employees Health Care Board or the School Employees Health Care Fund, or for expenses of public schools or school districts related to the Board's medical plans.
  - 5. Providing health care information, wellness programs, and other preventative health care measures to medical plan beneficiaries, to the extent that the Board determines to be appropriate.
  - 6. Coordinating contracts for services related to the Board's medical plans. Contracts shall be approved by the School Employee Health Care Board.
- E. Not less than ninety days before coverage begins for public school employees under medical plans designed by the School Employees Health Care Board, a school district's board of education shall provide detailed information about the medical plans to the employees.
- F. Nothing in Revised Code Section 9.901 shall be construed as prohibiting public schools or school districts from consulting with and compensating insurance agents and brokers for professional services.

## **VIII. Higher Education Feasibility Report**

- A. The Department of Administrative Services shall report to the Governor, the Speaker of the House, and the President of the Senate within eighteen months after the effective date of H.B. 66 of the feasibility of achieving all of the following:**
- 1. Designing multiple medical plans to cover persons employed by public institutions of higher education that achieve an optimal combination of coverage, cost, choice and stability, which plans include both state and regional preferred provider plans, set employee and employer premiums, and set employee plan co-payments, deductibles, exclusions, limitations, formularies, and other responsibilities.**
  - 2. Maintaining reserves, reinsurance, and other measures to insure the long-term stability and solvency of the medical plans.**
  - 3. Providing appropriate health care information, wellness programs, and other preventative health care measures to medical plan beneficiaries.**
  - 4. Coordinating contracts for services related to the medical plans.**

*[emphasis added]*

IX. Delayed Implementation of Centralized Public School Employees Health Care Benefits System

- A. H.B. 66 delays implementation of the proposed public school employees health care benefit system until the General Assembly enacts future legislation that would:
1. Require public school districts to obtain employee and school board member health insurance benefits from plans designed and obtained by the School Employees Health Care Board through a process of competitive bidding for medical plans;
  2. Require premium payments by a school district to a Board plan;
  3. Require written reports to the Governor and the General Assembly starting in year 2009;
  4. Make special provision for dealing with school districts that utilize consortiums to furnish employee health care benefits; and
  5. Any provision conferring a duty on the new Board that involved the actual administration of a centralized health care plan system.