

Health Care Discussion

Purpose

As part of our effort to encourage members to discuss our ongoing policy on total compensation the PAEA Board has gathered information and scenarios on salary and health benefits. We are facing serious adjustments to our health benefits in the VERY near future, and we are seeking input from the members on the direction that we as a union would like to go. Please use this information along with the October 09 and November 09 Buzz available on line at paeacta.org. We realize this is not any easy decision. It will affect each of us. A good compromise is one for which each gives something and each gets something.

What is in the current contract?

- The District covers the costs of health benefits up to the cost of Blue Cross HMO Family coverage plus dental, vision and life insurance for each eligible employee. This coverage averages close to \$13,000 per year per eligible employee with a range from approximately \$7,000 (Kaiser Single) to \$20,000 (Blue Cross HMO family).
- Part timers hired before July 2004 who work 50% or greater also receive the above benefits.
- Part timers hired after July, 2004 pay a pro rated portion of their benefits or can refuse coverage.
- No employee can be covered by more than one plan as that would double the costs.
- Opt Outs - Employees with full time coverage, who can provide proof of insurance through a Non-District spouse or partner may choose to opt out and receive \$2500. This saves anywhere from \$4,500 to \$17,500 per opting out employee.

How do we compare to other school districts?

- We are third of fifteen in San Mateo County and ninth of twenty-eight in Santa Clara County. It is difficult to compare benefits. We can look up what another district pays in dollar amounts towards health benefits but we do not know what services are provided. We don't have access to their co-pay or deductible information.
- Most other districts do not cover full benefits for part timers. There are a few that do.

Why not put the average amount of money spent on the salary schedule?

Districts that have taken money for health benefits and added it to the salary schedule have been very unhappy with that decision.

- **Cons** - Remember our health costs have risen 240% in just this decade. Our salaries have not risen anywhere close to that amount.
- Health dollars put on the salary schedule are fully taxable.
- Younger and traditionally healthier employees opt out thereby driving up the costs for all employees
- Due to the rising costs of insurance many employees don't buy insurance and end up uncovered in an emergency.
- **Pros** – Everyone gets the same amount of money.

- Singles, living on only one income, get a much needed salary boost.
- Money for health benefits, given as salary, boosts STRS earnings and therefore retirement earnings.

Scenarios use numbers which apply to PAEA only:

1. Everyone gets the same amount of money placed in a Health Savings Account -HSA (see - http://en.wikipedia.org/wiki/Health_savings_account). The pros and cons are similar to the answer for the question immediately above. However the money is not taxable unless it is not spent on health costs. The money has no effect on STRS. The money can be rolled over and accumulated each year if not spent. HSAs are used for HIGH deductible plans.
2. Part timers pay a pro rated portion of their benefits. Saves about \$430,000 per/year
3. Families and Employees Plus One pay a monthly contribution towards health benefits.
 - \$100 per month per all Emp. + One = \$217,200 per year
 - \$200 per month per all Families = \$640,800 per year
4. **The numbers used in the following example are for illustration purposes only.** The District pays approximately 76% in salary and health benefits annually with currently 11% going towards health and 65% for salary for all units; PAEA, CSEA and Admin. We can set a goal of changing the equation so that 8% goes towards health and the remaining 68% goes towards salary. We can alter contributions by part timers or Families and Emp. Plus One until the desired formula is attained.
 - **Current** – Salary 65% + Health %11 = 76% of General Fund Expenditures
 - **Goal** - Salary 68% + Health %8 = 76% of General fund Expenditures
5. We are expensive in part because we use Palo Alto Medical Foundation, (PAMF). Disallowing PAMF could save 8% or approximately \$500,000. A surcharge can be added to cover the costs of PAMF. A surcharge could be \$75 to \$200 per month.
6. We only cover Kaiser and have the additional costs for Blue Cross born by the employee.

Cost Benefit Analysis

We use the average salary of \$84,000 and assume federal tax bracket of 20%, State 9%.

Scenario #2 Part timers

This would gain \$434,000 per/year or 0.61% on the salary schedule. For the average teacher earning \$84,000 a year, the increase would be \$512 yearly before taxes, or \$373 (37/mo.) after taxes. Charging part timers a pro rated premium might cause some to return to full time status, which could bump teachers with less seniority.

Scenario #3 (Share the Pain)

This would gain us \$858,000 or 1.2% on the salary schedule. For a teacher earning \$84,000 a year, the increase would be \$1008 a year before taxes, \$734 (73/mo.) after taxes.

Scenario #6 (District covers health care for all at the Kaiser rate.)

This provides a savings of \$1,155,541 or 1.62% on the salary schedule. For a teacher earning \$84,000, the increase would be \$1,363 a year before taxes, \$992 (\$99/mo.) after taxes.

Additional Information

\$712,000 = 1% on the salary schedule for PAEA only

\$100,000 = an average teacher salary including benefits, STRS, Medicare, SDI

ANNUAL COSTS

	SINGLE	EMPLOYEE + 1	FAMILY
HMO	6516	13465	17923
KAISER	5296	10592	14988

Dental, Vision and Life cost extra but are the same across the board.

PAEA only member distribution

	KAISER	HMO
EMPLOYEE	80	191
EMPLOYEE +1	54	127
FAMILY	77	190

The table above combines the PPO members with the HMO members since the district covers only the HMO costs.