

MEETING SUMMARY

JOINT SUBCOMMITTEE ON  
PUBLIC SCHOOL EMPLOYEE HEALTH INSURANCE  
OF THE  
HOUSE AND SENATE INTERIM COMMITTEES ON EDUCATION

Wednesday, November 14, 2012

3:00 P.M.

Room 171, State Capitol

Little Rock, Arkansas

Representative Randy Stewart, the House Co-Chair of the Joint Subcommittee on Public School Employee Health Insurance of the House and Senate Interim Committees on Education, called the meeting to order at 3:00 p.m.

**MEMBERS OF THE SENATE INTERIM SUBCOMMITTEE ON PUBLIC SCHOOL EMPLOYEE HEALTH INSURANCE IN ATTENDANCE:** Senator Johnny Key, Co-Chair; Senator Joyce Elliott; and Senator Jimmy Jeffress, ex officio.

**MEMBERS OF THE HOUSE INTERIM SUBCOMMITTEE ON PUBLIC SCHOOL EMPLOYEE HEALTH INSURANCE IN ATTENDANCE:** Representative Randy Stewart, Co-Chair; Representative Robert Dale; Representative Karen Hopper; Representative Homer Lenderman; and Representative Tommy Wren.

**OTHER MEMBERS OF THE GENERAL ASSEMBLY IN ATTENDANCE:** Representative Nate Bell; Representative David Branscum; Representative Jerry Brown; Representative Jody Dickinson; Representative Jon Eubanks; Representative Clark Hall; Representative Kim Hammer; Representative Andrea Lea; Representative Betty Overbey; and Representative Tiffany Rogers.

**MEMBERS-ELECT OF THE GENERAL ASSEMBLY IN ATTENDANCE:** Representative-Elect Charlotte Douglas; Representative-Elect Joe Jett; and Representative-Elect Wes Wagner.

*Remarks by the Co-Chair:*

Representative Stewart welcomed the Members-Elect and invited them to introduce themselves.

Representative Stewart announced that there would be a deviation from the agenda so that a clarification of the Matrix, the foundation funding for schools, could be presented. He requested that an explanation be given on how the Matrix works and on the figure arrived at for the health insurance cost per student.

*Presenter & Synopsis:*

**Ms. Nell Smith**, Administrator, Policy Analysis and Research Section, Bureau of Legislative Research, was recognized. Ms. Smith walked members through the top and bottom sections of the Matrix, explaining various components from which the cost of health insurance per student is extrapolated.

Representative Stewart added comments on evolutionary changes in the Matrix, foundation funding provided to school districts for health insurance, and other funding school districts receive that is used for health insurance.

Issues Discussed:

- clarification of “per employee” amount and “per student” amount,
- variables in figures reflecting number of participants in program and discretionary funding by school districts,
- participants opting out of health insurance coverage,
- amount of discretionary local funding contributing to a discrepancy in equality,
- data on participation rates in urban, suburban, and rural districts,
- looking for concrete solutions moving forward, instead of making changes to the Matrix,
- projected results of infusing more state money for public school employee health insurance into the Employee Benefits Division (EBD),
- providing incentives to school districts to spend excess foundation funding on health insurance,
- effect of school districts continuing to spend more money than they receive even if the contribution rate per month is raised,
- controlling the distribution of excess foundation funds,
- impact of local school board actions on participation, and
- result of mandating employee participation in health insurance.

Handouts:

Comparison between Matrix Funding and Health Insurance Expenditures by School District 2011  
Funding Matrix

Matrix Funding for Health Insurance 2011

Options for Withholding Foundation Funds from Districts and Directing to the Employee Benefits Division (EBD)

Discussion of Actuarial Review Conducted by the Employee Benefits Division Regarding Various Public School Employee Health Insurance Scenarios

Presenter & Synopsis:

**Mr. Jason Lee**, Executive Director, Employee Benefits Division, Department of Finance and Administration, was recognized. Mr. Lee stated that, generally speaking, given a population of roughly 47,700 public school employees, for every million dollars of direct funding, it is a \$1.75 per month to help with health insurance premiums. He said the original receipts (*\$35 million originally, and \$50 million currently*) had been designed to encourage more spouses and dependents to come into the plan. Mr. Lee said the Employee Only would not necessarily see \$1.75, but would see a factor of that, and the Spouses and Dependents tiers would see a difference.

Issues Discussed:

- ∴ difference between original state contribution and current state contribution on family coverage,
- ∴ ability for school districts to get better group rates if seeking policies on their own,
- ∴ availability of three levels of coverage: Gold, Silver, and Bronze,
- ∴ migration this year into the Bronze plan,
- ∴ number of public school employees, not including spouses and dependents, in each plan,
- ∴ participation in the Health Savings Account (HSA) option that is a part of the Bronze plan, in which pre-tax money is set aside to help offset deductibles and coinsurance, and
- ∴ status of the Patient Protection and Affordable Care Act (PPACA) and its effects on those enrolled in the Bronze plan, and
- ∴ Health Savings Accounts and the actuarial valuation.

Handouts:

EBD 2013 Subscriber Migration Report  
EBD Letter regarding Proposed Funding Options, dated 11/13/12

Continued Review of Issues Related to Public School Employee Health Insurance

Presenter & Synopsis:

**Mr. Scott Richardson**, Assistant Attorney General, Office of the Attorney General, was recognized. Mr. Richardson introduced himself to the members-elect as the lead litigator for the state on education issues, and as an advisor on the legal boundaries within which the legislature can operate in this area.

Contributor to the Discussion:

**Mr. Jason Lee**, Executive Director, Employee Benefits Division, Department of Finance and Administration

Issues Discussed:

- use of the wealth index, *i.e.*, the Academic Facilities Wealth Index, at the local level to help enhance funds paid by the state,
- using the poverty level in districts as a proxy for providing extra services for students with academic needs,
- establishing educational need as a variable for funding health insurance,
- the wealth index and the *Lake View School District No. 25 v. Huckabee* court case, in which insurance for teachers was part of the compensation package, and not separately considered,
- additional challenges to the state's educational funding system,
- the lack of evidence demonstrating that the cost of teacher insurance would prohibit a district from delivering an education, contained in the 2008 Adequacy Report,
- improvement in teacher recruitment and retention in Arkansas over the years before 2008 provided evidence for the conclusion in the 2008 Report,
- difficulty of establishing data to confirm need,
- scope of projected infusions into EBD,
- school districts' ability to seek own coverage under the current law,
- data on participants in the state and public school employee plans,
- total amount of schools in the negative, and
- need for addressing the minimum salary for teachers.

Handout:

Attorney General Opinion 99-028

Next Scheduled Meeting:

Friday, November 30, 2012, at 9:00 a.m. in Room 171 of the State Capitol in Little Rock

Adjournment:

The meeting adjourned at 4:15 p.m.

Approved: 12/20/12