



## Most School Health Care Plans Are Too Expensive For Michigan

By Michael Van Beek

### Summary

Public school teachers receive health insurance benefits that cost almost 40 percent more than the average Michigan family's benefit package. Yet they pay significantly less — if anything — for those benefits. School districts must decide if they will continue to fund these generous benefits at the expense of educational programs and taxpayers.

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If the goal of Michigan's public education system is to provide employees with outlandishly expensive health insurance, our school districts are remarkably successful. But if educating children is the mission — as it should be — some difficult decisions need to be made. As tax revenues decline along with the state's economy and population, schools must decide whether to cut programs or control health insurance costs.

The Mackinac Center recently surveyed all 551 conventional school districts about their employer-provided health insurance costs in 2008-2009. The results were eye-opening. The cost of the average family plan for teachers was 39 percent higher than the statewide average for the same type of plan. Teachers on average contributed 4 percent to their own health care premiums, compared to the state average contribution of 22 percent. In more than 300 school district plans, teachers did not contribute anything to their own premium costs.

Michigan taxpayers now spend \$2 billion per year, or \$1,250 per pupil, for school employee health insurance. These costs have grown rapidly over the last decade. Even though the number of full-time employees remained about the same, inflation-adjusted total school health insurance costs rose by 44 percent from 2000 to 2008, according to the Center for Educational Performance and Information.

Many factors contribute to these rising costs and huge disparities. For starters, collective bargaining rules weaken districts' ability to effectively deal with increased insurance premiums. The most powerful union in the state — the Michigan Education Association — has sold its members on the idea that they are underpaid and deserve exceptional health benefits. Therefore, the union holds out for the most generous health care packages. Not surprisingly, the most generous plans come from the Michigan Education Special Services Association, an MEA affiliate. About 88 percent of school districts buy MESSA plans for at least some of their employees.

None of this is news to policymakers and school finance experts. In fact, the Legislature in 2007 passed Public Act 106 mandating that districts seek at least four competitive bids when they negotiate a new insurance plan. Unfortunately, the bill has no punitive clause, and its vague language could



School district health care database available at [www.mackinac.org/depts/epi/insurance.aspx](http://www.mackinac.org/depts/epi/insurance.aspx).

hypothetically allow one insurance company to provide the district with all four “competitive” bids.

The lack of teeth in Public Act 106 and increased fiscal strains has the Legislature again searching for solutions to this issue. House Speaker Andy Dillon, D-Redford Township, made headlines last year by proposing that a state commission handle public employee insurance, including teachers. Supporters claim it would save \$900 million annually. Adding to the bureaucratic machine in Lansing is rarely a net savings for taxpayers, but in this case, putting teachers on the same plan as state employees could be better than the current system.

New proposals that aim to curtail these costs are emerging in Lansing. One bill introduced last month would require all public employers to disclose the types and costs of their health insurance plans. Other bills would force public employees to contribute a certain percentage — 15 or 20 percent — toward the cost of their health insurance premiums.

These proposals could certainly help, but only for the time being. If health care costs continue to rise across the board, taxpayers will remain on the hook for those higher costs. A better plan would be for the Legislature to find a solution that not only reduces the burden on taxpayers today, but addresses the broader issue of rising health care costs for the future.

As demonstrated in the private sector, consumer-driven health care plans improve the overall health care market by putting employees in charge of more of their incurred costs. These plans would not reduce employee benefits, but would require more employee initiative to find the best value for their health care dollars. If all school employees were enrolled in consumer-driven health plans, such as a high-deductible health savings account, Mackinac Center analysts estimate that schools could save at least \$450 million in just one year. Over the course of a decade, those savings could grow to \$26 billion. States like Indiana are already reaping the benefits from moving public employees into HSAs, yet only 19 Michigan school districts have HSA plans for their teachers.

Economic realities dictate substantive reform of school health insurance. The first two steps toward fixing the problem — understanding the issue and identifying solutions — are already complete. The next step is to make these solutions a reality.

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