

Testimony to the Senate Finance Committee from
The School Employees Health Care Board

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Good afternoon Chairman Widener and members of the Committee. Thank you for providing this opportunity to meet with you.

I am Dr. Stephen Loeb, Chair of the School Employees Health Care Board (SEHCB) and Professor Emeritus, Health Management and Policy, College of Public Health, at The Ohio State University. The Board has twelve members, appointed by the Governor, Speaker of the House and President of the Senate. There is also an Advisory Committee, appointed in the same way. We have met most every month since the Board was created by the Ohio legislature in 2006.

The School Employees Health Care Board (SEHCB) was created by the Ohio legislature to develop expertise in cost savings approaches for Ohio school districts and to produce initiatives to reduce health care costs for school districts so that resources would be available for other priorities. Our record of activity, our report card in a real sense, shows we are fulfilling our mission, as spelled out in O.R.C. 9.901. Further, we are on the cutting edge of accelerated impact with an increasing number of school districts implementing our 11 Best Practices, but more must be done.

Earlier this year, the SEHCB employed a consultant who concluded that we can reduce the rate of increase in health insurance premiums by implementing a state wide pool designed on a regional basis. You have a copy of this report. If all districts participated, the consultant estimates a savings of close to \$300 million for a biennial period. The consultant presented several possible scenarios, one of which would include two year community colleges in the same pool as K12, and one which would include all higher education with K-12 schools.

There is significant and published support for statewide pooling. The Fordham Institute, Knowledge Works, and The Ohio Chamber of Commerce have endorsed this strategy. The SEHCB has endorsed this strategy. The most recent evidence of positive impact comes from the Auditor of the State of Washington, who published a report in February 2011 from a national consulting firm that demonstrated that pooling Washington school district employees could produce significant savings.

The SEHCB is positioned to expand our responsibility to the development and implementation of a state wide pooling structure while continuing the implementation of our Best Practices. This combination offers the best chance—perhaps the only chance—to reverse the trend of increasing health care costs for school districts. We need legislative authority to develop and implement a state wide pooling plan.

Our work to date provides evidence that health insurance premiums and related costs can

only be reduced by continuous, uninterrupted, and innovative cost management strategies, all of which require working closely with established health care providers and insurers. The objective is to reduce utilization of unnecessary high-cost services, to reduce administrative costs and to increase use of preventative services. I want to emphasize that if we are to have any hope of generating health care cost savings for school districts so there are funds available for other priorities, then we must pay attention to the causes of health claim costs and preventing the need for expensive, unnecessary services while preserving the best of American health care.

The SEHCB occupies a unique place in state government and the broader reach of the state to work with school districts, superintendents, treasurers, and employees to achieve the outcome we all desire. We have a state supported track of accomplishments, built on four years of hard work and collaboration. We know health care, we know this state's health system, and we know the complexity of school districts, consortia, and educational service centers.

Amended Substitute H.B. 153 presents a roadblock for our future. It would totally eliminate the SEHCB and O.R.C. 9.901. We believe this is neither a good idea nor good public policy. It would bring an abrupt halt to the foundation, development work, and impact we have accomplished. Our efforts to assist school districts and employees to save funds would be jeopardized.

Your investment in SEHCB has created an organization with specific expertise on public school health insurance issues and a collaborative relationship with key stakeholders, such as school treasurers who have the bulk of responsibility to manage health benefits at the local level. The SEHCB has provided and will continue to provide regional educational seminars for school districts. We are partnering with a research group at Ohio State University to assess health status among school district employees to create a base line for planned strategies to improve health status. We have positive momentum. We can make a difference in this state.

Amended Substitute H.B. 153 contains a requirement for a major consultant report, which would require a year to complete and a significant amount of money. The SEHCB has already commissioned and received a similar consultant's report. We do not believe duplication is necessary.

The SEHCB Consultant's Report, completed earlier this year, provides specific suggestions for the stages necessary to implement a state insurance pool. We expect to engage the necessary technical expertise for implementation within the biennial budget we are requesting—the same as the previous biennial budget. We will collaborate with the Department of Administrative Services and other departments to tap their expertise.

I would like to share with you more about the SEHCB. Our commitment and work style are of particular importance. They include total transparency, regular monthly meetings at which the public is always invited to share perspectives, decisions based on best evidence available, collaboration with stakeholders, public accountability, and outreach to school districts to consult and provide support. You can expect these values, these *modi operandi*, to continue with the SEHCB.

In fulfilling our mission and responding to the cost trends, the SEHCB has researched and placed in the Ohio Administrative Code eleven (11) Best Practices designed to lower the rate of increase of school employee health benefit costs for school districts and their employees while also focusing on improving quality.

The approved Best Practices are based on evidence of effectiveness and have been systematically vetted with public hearings. The most cost effective to date include Wellness Programs, Disease Management Programs and Dependent Eligibility Audits. The cost savings from these are compelling. For example, if a school district fully implemented a comprehensive wellness program, there could be an estimated savings of about \$280 per employee per year. For the entire state, that could translate into an annual savings of about \$50 million per year. The return on investment is about 5 to 1.

We are fully engaged in encouraging the implementation of and reporting on these Best Practices. The full implementation and follow up must not be interrupted if we are to be successful. We are currently developing proposals for additional Best Practices, which will address the hot spots of high medical resource consumption and the best methods of improving quality.

I would like to conclude with several additional comments about statewide pooling. The potential savings are compelling, driven in part by leverage procurement, efficiency in administration, the spreading of risk, reductions in distribution costs and required reserves, and adherence to Best Practices. The Mercer Consulting Report details the elements of cost savings to be realized with the assumption that all public school districts would participate. Voluntary participation is certainly possible (it has been tried elsewhere), but the costs savings would be reduced by more than half. The development of a statewide approach with variations to adapt to regional differences and existing arrangements will require the investment of time, hopefully less than a year, and resources. It represents a systematic change of existing dynamics in how health insurance is provided for school district employees.

The SEHCB has gone on record in support of statewide pooling as recommended in the Mercer Consulting Report. We have received consulting advice on the necessary steps and startup costs. We are ready to expand our jurisdiction to this activity.

Mr. Chairman and members of the Committee, the SEHCB would like to make the following specific requests for change in Amended Substitute HB 153:

1. Reinstate the School Employees Healthcare Board (SEHCB), as currently described in O.R.C. 9.901, to make SEHCB responsible for implementing the provisions of O.R.C. 9.901, including additional authority as specified in these requests.
2. Provide SEHCB authority to enforce Best Practices.
3. Remove the current requirement for a one-year wait period before school districts must implement Best Practices.

4. Provide authority for the SEHCB to establish a statewide mandatory pool for purchasing health insurance for K-12 school districts, with five regional networks to provide for regional variations and regional management, to be implemented by July 1, 2012. A Progress Report from the SEHCB should be submitted to the Governor, Speaker of the House, President of the Senate, and the public on July 1, 2012. An evaluation of the first year of implementation should be submitted by the SEHCB by May 1, 2013.
5. Establish a timetable for further exploration of a broad statewide pool. Our recommendations are:
 - a. Step One: The SEHCB will take the lead to conduct a study for the feasibility of creating a health care pool for other public employees. This will be completed by July 1, 2012.
 - b. Step Two: If it is feasible and if the Legislature and Governor approve, a statewide pool for other public employees will be established by July 1, 2013.
6. Provide a budget of \$1.6 million for the biennium for the SEHCB, which is the same as the current budget amount.

Mr. Chairman and Members of the Committee, the SEHCB occupies a unique place to work with school districts, superintendents, treasurers and employees to achieve the outcome we all desire. We believe change must take place and must take place as soon as possible.

On behalf of the SEHCB, and, I believe, the 700+ school districts and educational service centers, I request that this Committee, the Ohio General Assembly, and Governor Kasich support the continuation of the SEHCB and give us a mandate to continue our mission.

Thank you again for this opportunity. I would be pleased to respond to questions.