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Education Committee
September 16, 2016

[LR586]

The Committee on Education met at 9:00 a.m. on Friday, September 16, 2016, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LR586. Senators present: Kate Sullivan, Chairperson; Rick Kolowski, Vice Chairperson; Roy Baker; Mike Groene; and David Schnoor. Senators absent: Bob Krist; Adam Morfeld; and Patty Pansing Brooks.

SENATOR SULLIVAN: I'm Kate Sullivan, Chairman of the committee and also representing District 41 in the Nebraska Legislature. I'd like, first of all before we get into the nuts and bolts of today's hearing, to have the senators who are here and members of the committee introduce themselves. I'll start with the Vice Chair of the committee. [LR586]

SENATOR KOLOWSKI: Senator Rick Kolowski, District 31, southwest Millard area in Omaha. [LR586]

SENATOR SCHNOOR: Senator Dave Schnoor, District 15 which is Dodge County. [LR586]

SENATOR BAKER: Senator Roy Baker, District 30, all of Gage County, part of southern Lancaster County. [LR586]

SENATOR GROENE: Senator Mike Groene, Lincoln County. [LR586]

SENATOR SULLIVAN: As you can see, we're missing a few members of the committee: Senator Krist, Senator Morfeld, and Senator Pansing Brooks were not able to attend. To my immediate left is LaMont Rainey, one of the legal counsels for the Education Committee and to my far right is Mandy Mizerski who is the committee clerk and she will make sure that we have an adequate record of today's hearing. We are hearing testimony today on LR586 which has been introduced by Senator Groene and he will make the introductory remarks and also has invited several testifiers to make comments. If you are planning to testify, we'd ask that you pick up a green sheet that is on the table at either entrance to the room. If you do not wish to testify but would like your name entered into the official record as being present at the hearing, there's a

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separate form on the table that you can use for that purpose and that will be part of the official record as well. Regarding the green sheet, we ask that you fill it out in its entirety. Please print. And when you come up to testify please give that completed green sheet to Mandy, the committee clerk. If you have handouts, please make sure that you have 12 copies for the pages to hand out. And when you come up to testify please speak clearly into the microphone and tell us your name and please spell both your first and last names for the record. Several other people actually I forgot to introduce, the other legal counsel for the Education Committee has just arrived. She's sitting next to Mandy and that's Tammy Barry. We also have two pages with us today. Brenda Gallardo from Wakefield, Nebraska, she's a student at UNL studying economics, and Bri Hellstrom from California also at UNL studying political science. We have a small enough group today that I think that we will still go ahead and use the light system, not of course for Senator Groene, although I've cautioned him not to be too lengthy. (Laughter) And we'll limit the testimony to five minutes for each testifier. So when the light comes on, the clock starts running. When you have one minute remaining the yellow light is on. And then when the red light is on, we ask that you would wrap up your comments. (Exhibit 1) I think that is all that we have other than I think to start with before we go with the introduction, we do have one letter for the record from Mark Lenihan who is the superintendent at Wayne Community Schools. And I believe the senators have copies of those as well. Okay, Senator Groene. [LR586]

SENATOR GROENE: (Exhibit 2) Thank you, Chairlady Sullivan. I introduced LR586 after a conversation with Senator Burke Harr. We were just brainstorming about how we could do some cost savings or something to consolidate costs in education to slow it down a little bit. And we were talking about making all state employees...all public school employees state employees. Well, I didn't think that was a good idea because of local control and who we hire and fire who we want teaching our children. But then I came back to him and I said, well, let's look at healthcare. That's a big chunk of the cost, maybe there's some ideas out there that we could use to cost benefit to keep the benefits and lower the costs. And that's the whole idea of between...for LR586 to take a look at it. Healthcare is one of the top three topics in the United States, it's been for the last ten years, and the state of Nebraska. So anyway, that's where I came from. Senator Schnoor, I appreciate, Senator Morfeld and Senator Harr cosigned. Let's take a look at it, they said. So here...just by chance if anybody read the Lincoln Journal Star had an article yesterday titled "Workers' up-front health costs keep rising." Since 2011 premiums have risen 20 percent.

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Previous five years, '06 to '11, they rose 31 percent. From '01 to '06 they rose 55 percent. These increases are in the top of increasing deductibles and copays, just 13 percent last year. And that's true for all healthcare policies, private and public sector. School examples, we contacted some schools to get their information. Before the Affordable Care Act, my largest school district, North Platte Public Schools, gave every employee \$6,000 as a stipend. They could either buy...use it towards the healthcare offered by the school or they could just take the money. We've got big employers, the state of Nebraska is a big employer. The railroad is a big employer. So a lot of folks, their spouses work there. So it was a great idea but Affordable Care Act said now you have to offer insurance because you're a large employer. Our costs have gone up in the last eight years. They gave me eight years of information for the school districts, went from \$504,956 to \$1,242,000, 146 percent increase. Lincoln Public Schools, appreciate their input, they sent us information. Over the last ten years theirs went up 192 percent from \$10,647,000 to \$31,118,000--huge increases to our budgets that's not going in the classroom no matter how you look at it. In doing the research on this issue we have come to understand that the public schools of the state have created the Educators Health Alliance, EHA which I'll refer it to that from now on, a nonprofit organization offering healthcare plans to schools through a Blue Cross Blue Shield policy, same basic reasoning why I'm here today. How could they control the cost and offer good benefits? So I'm not here to attack the EHA or say anything that they've done. In fact, I really appreciate Jason's help from the teachers union and getting me information. The EHA is a nonprofit that has the...members are the teachers union, the Council of (School) Administrators, and the Nebraska School Board Association. All but four schools participate in the plan: Westside, Millard, Wayne, and York do not. I've included correspondence from Millard and Wayne school districts in a packet we will be passing out--I hope you got it--why they aren't in the plan. And basically they can self-insure at the same cost or less than the EHA. But I also understand that EHA is the measuring stick. I mean, any local insurance company that is looking for the school's business is going to have to compete with EHA because they have hopefully driven down rates and costs the way it is. So they serve a purpose no matter what. Like I said, I understand the EHA serves a valuable purpose, service of negotiating costs and handling the administrative costs for school districts, especially the smaller ones. Also we understand that they are the measuring stick as I said earlier. When I introduced LR586, I had no preconceived ideas about the effectiveness of the EHA organization. It is obvious it has helped hold down costs for school districts while maintaining very good health coverage for the employees. What I

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do know is healthcare costs for school employees and the taxpayers who pay it...who employ them is a burdensome cost to our educational budgets. The same holds true for all government entities including the state of Nebraska. Therefore, that's why I looked at maybe we could combine, negotiate through the state health plan and then, therefore, further cut costs, administrative costs and negotiation power. I hope today we do not hear only defensive positions and praise for the EHA. I've had conversations with, as I say, Jason from the teachers union. And that isn't my purpose here to attack the EHA. It's...that is not the purpose. So the purpose of the hearing: Can we do better? Can we do better? Can we eliminate more administrative costs by consolidating public employees' healthcare plans? Can we use the same reasoning why the EHA was created and expand the economy of size by broadening the public employee base members? That's what I'm looking at. This idea is not new. We already have put the management of state, county, and school employees' retirement plans under the management of Nebraska Public Employees Retirement System, same basic reasoning: management costs, better negotiation, less fee costs for the retirement plans and the investments. Same reason I'm looking at the healthcare issue here. My staff did a comparison of policies as best they could between the state insurance plans and EHA's. They are similar, EHA seems to be...is actually, does have a better price plan even when taking into account differences in out-of-pocket costs and copays. EHA has a higher out-of-pocket cost and a higher copay in certain instances. But there's a lot of plans and we tried to pick the family plan and compare. I have a comparison sheet in this packet. Hopefully you've gotten it, that Charles, my aide, put together. But many variables still have to be considered. We're talking Hyannis, Nebraska, versus Millard Public Schools and OPS as far as preferred provider plans. That's hard to do in a small rural community because they're just not there. You've got to go to who's there. So all of that has to be taken in consideration, but that's down the road. My whole emphasis of this is if we're going to go to single payer and things are pushing the cost, we've got to control cost. And I think we always need an opt out. Competition is always important. You always need the Waynes and the Millards and the Westsides and the Yorks opting out so that government has competition also. But I'm glad we're going to discuss it. I've heard from some of the board members, the committee members, and stuff and some of the school people. It's good to rehash, the new of what's going on. Healthcare is changing rapidly and how it is provided and how it is paid for and I don't think we can sit static either. If we can save money on the cost, that money saved can end up in the classroom instead of...I mean it shocked me some of the numbers. Sutherland Public Schools sent me information. They're in my district. The

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starting pay is \$30,000; insurance benefit is \$20,000. I mean your two-thirds of the entire pay package is basically healthcare. And it's holding down wages. It's a way to look at it. Now I'm not here, like I said, to give platitudes or attack the EHA. I have no preconceived notions. They serve a purpose. I'm looking at the reasoning at what they...why they were created. Can we go further with it? Can we expand that pool larger, eliminate more...eliminate EHA's cost, their administrative cost? Can we fold it into the state's plan? Can we manage it better at a lesser cost? That's why I'm here. That's why I brought LR586 and hopefully that's, at the end of the day, we get some ideas of how we can manage cost and take it from there. Thank you. [LR586]

SENATOR SULLIVAN: Thank you, Senator Groene. Are there questions for him at this point? All right, very good. Please join us back at the table and we will start with the invited testifiers, and I believe Mr. Christiansen. Welcome. [LR586]

CRAIG CHRISTIANSEN: (Exhibit 3) Thank you, Senator. I am Craig Christiansen, Craig, C-r-a-i-g, Christiansen, C-h-r-i-s-t-i-a-n-s-e-n, and I am here as the executive director of the NSEA and a member of the executive committee of the Educators Health Alliance for Nebraska and I'm...I have several other people that will be speaking today following me. I'm going to speak in general terms about the structure, the organization, and the mission of the EHA and why we believe that it has been a good partner for Nebraska, has served for decades to keep costs low and it should be maintained. The mission, although there has been change in the organization, of what is now known as the EHA, over several decades, our bylaws have always stated that our intent is to obtain high-quality health insurance at reasonable prices for employees of Nebraska's public schools. And we believe we've done a good job with that. Just some history dating all the way back to 1941 in which this Legislature passed a bill that allowed group hospitalization plans by nonprofit groups. That was LB430. In those days, NSEA teachers...since the law prohibited districts from collecting any health insurance monies, they could not collect money and could not provide health insurance. It was the NSEA teachers in each local district that collected the premiums, bundled them together, and sent them in under a Blue Cross Blue Shield school plan it was called. In 1959, that changed with Senator Carpenter's bill, Terry Carpenter, that allowed school districts to participate in the health insurance, in provision of health insurance, and to pay all or part of the premium. In 1967 there were more than 300 school districts that were participating in what was then the NSEA plan, Nebraska State Education Association plan. And

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in 1968 the NSEA formally endorsed Blue Cross Blue Shield as the single NSEA plan. So with the advent of collective bargaining at the end of that decade in the late 1960s, this health insurance plan and its provisions began to become included in the negotiated agreements and still are. It's important that we understand that the plan benefits and the resulting premium costs were determined for the group plan in negotiations with Blue Cross Blue Shield and monitored by a committee of NSEA teacher members at that time. And that continued for about 30 years. In 1998 formal talks between the NSEA and the Nebraska Association of School Boards and School Administrators began to form a joint, jointly sponsored venture of the three organizations. In 1999 the EHA began in the current design. It's a joint effort by teachers, administrators, and school boards. In 2000, the year 2000 we were incorporated as a Nebraska nonprofit with the Secretary of State. We have since become a national model of cooperation among these three organizations that frankly in many states there is not that kind of relationship. And I would put forward that this provides an initial forum for that cooperation and it spills over into many other areas as well. There are side benefits for having this group and the three organizations as equal partners in it. We utilize consultants and actuaries on a contract basis, but we have no buildings, we have no property, and we have no employees. And that is one of the reasons that we can hold down the administrative costs. There's a lot of donated effort on the part of the three organizations. The governance is by a 12-member board. There are six from management, six from labor, so to speak. So there are six members of the board from NSEA, three from the school administrators, and three from the school boards. We act as trustees for the insurance plan. We are not representatives of special interest groups. We almost never vote along association lines. Our interest is in the maintenance and provision of this plan. And I think that's another secret to our success and that is we are active monitors of this plan. The EHA risk pool includes virtually every school district in the state, as Senator Groene has mentioned. It has a statewide community rating so that there is an advantage for relatively small districts who otherwise may be held accountable for utilization, adverse utilization in terms of heart transplant or cancer cases and so forth. This is spread over communitywide throughout the entire state. So I have a handout here that simply talks about the effect. The proof is in the pudding. And this handout indicates the six-year rate since the implementation of the Affordable Care Act in 2010, the premium rate increases, and the number of member participants and subscribers that has averaged over that last six years at 3.1 percent. It's a very low, very competitive rate and it provides a great benefit for the nature of schooling in Nebraska and for the nature of the school

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districts. In closing I would say that this works and has worked for the interests of employees, school districts, taxpayers, and the public interest. It is bare bones. It is nonprofit. As I said, no building, no employees. It has a common interest for all of the school districts and teachers, administrators alike. It provides good insurance at reasonable cost. It is considered as best value for virtually every school district in Nebraska. No one is required to be a member. All are voluntary members and so we are very proud of the fact that in that environment we have maintained over decades a plan that has served this state very well. And we urge you as a committee to continue that and not to advance any plan that would dismantle, frankly, what works. Thank you, Madam Chair. [LR586]

SENATOR SULLIVAN: Thank you, Mr. Christiansen. You said that there are no employees, there's no buildings. What about the administrative costs? [LR586]

CRAIG CHRISTIANSEN: The administrative cost for us, as I said, much of it is donated on the part of the three member organizations that we as individuals answer questions from, I, from teachers; Mike Dulaney is executive director of the administrators, from superintendents; John Spatz is executive director of school boards, from his respective school board members. We all go out to districts. We give presentations. We do the kind of public relations and the kind of contact with members who have questions, etcetera. We do have a contract with a private person. He's not an employee but we have a contractual relationship with a person who acts as our ombudsman, so to speak, in terms of solving or resolving individual member problems. There is someone advocating for that person on behalf of EHA and is not lost in a huge insurance company but is treated as one of our members. That has been very effective in terms of the satisfaction of our members, the participants in the plan. We also contract with an actuarial firm that acts as actuary, gives us advice in terms of the insurance business of best practices in terms of insurance. So our administrative costs are fairly low and maintain that way in terms of just the way we organize the EHA itself. [LR586]

SENATOR SULLIVAN: You also said that this was being used sort of as a model for other states. Is this something that other states have adopted as well? [LR586]

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CRAIG CHRISTIANSEN: Well, (laugh) no, simple answer, no. We have something that is almost impossible to re-create in a purposeful way. If I may, I'd like to explain that because we have many people, many states who either through the three organizations or through EHA inquire of us if they can come and talk to us and have discussions in terms of how we did it, how they might do it. And if you recall from the history of how this developed, it did not develop in terms of competition between districts because the districts were unable to provide that. By law they were unable to provide it. So it started by school employees who bundled their premiums together and got the advantage of a group plan without pointing at utilization in any one district and saying we don't want that district to be a member of our group because their utilization, you know, heart attacks or heart transplants--they didn't have heart transplants then--but cancer cases or other high-cost cases, which today...for instance, in Kansas, we've had inquiries from Kansas and have given presentations there. Their problem is that they don't have the plan and in order for them to move to the plan they would have to acknowledge that different districts at different times have sometimes calamitous utilization rates. It doesn't take very many people in a small district to raise the cost of the insurance tremendously. In some cases in Kansas it has raised 400 percent within a year; it becomes unaffordable for a small district to operate on their own. So to create these plans, unless districts are willing on a large community basis, a large state basis, unless they're willing to say we will not consider utilization rates, we will not look at the individual record of each district, we'll simply band together and whatever it is it is, that is essentially what happened, not on purpose but happened historically in Nebraska. And it's one of the reasons that having recognized that we have, as a policy and have had for decades, a policy that the governance of this plan, whether it was from the NSEA as an individual organization or whether it's from the three organizations as we now act as cosponsors and cogovernance associations of this plan, we never, ever are privy to the utilization rates in any district. The board is not privy to that information. By our policy, we cannot know any of that. So our insurance consultant is instructed that if...although he may be or she may be privy to some of this information in working with Blue Cross Blue Shield, we by policy are not and cannot be because we don't want this divisive kind of relationship to exist between districts in saying...especially as would happen in a small district that had a couple heart cases, etcetera. Their utilization and their cost would go up tremendously if they were viewed as an individual district. We view it as a community basis and rate it as a community basis and that's what we believe is absolutely necessary to maintain. [LR586]

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SENATOR SULLIVAN: Thank you. Senator Groene. [LR586]

SENATOR GROENE: I had a couple of missions in my research. Who does the school district make the check to: Blue Cross Blue Shield or EHA? [LR586]

CRAIG CHRISTIANSEN: Blue Cross Blue Shield. [LR586]

SENATOR GROENE: So they get billed directly from... [LR586]

CRAIG CHRISTIANSEN: Yes. [LR586]

SENATOR GROENE: ...Blue Cross Blue Shield. And then you're paid a small fee, a percentage of that back to cover your administrative cost? [LR586]

CRAIG CHRISTIANSEN: We estimate with a budget what...we estimate with a budget what our administrative costs are going to be and that is folded into the premium and so it is all one. It's all included in one...(inaudible). [LR586]

SENATOR GROENE: But then Blue Cross Blue Shield gives you like a commission for bringing the business to them off the...? [LR586]

CRAIG CHRISTIANSEN: Well, actually, a good question. It's something I need to clarify though and that is that Blue Cross Blue Shield receives a fee that we negotiate with them for the business. If there is any premium in excess of what is estimated from that year, that goes into...and what is needed, that goes into a stabilization fund. But it does not, it's not used as profit by Blue Cross Blue Shield. [LR586]

SENATOR GROENE: I think a small school administrator told me that in the past that fund has increased because of claims, lack of claims, and then school districts who are like given one month's excuse to not make a premium payment. [LR586]

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CRAIG CHRISTIANSEN: Well, our policy has been to maintain that fund within a policy parameters in terms of what would be a reasonable estimation for our...for variation in which we would need to draw upon that, just good business so that we can level out for budgeting by school districts. It would be calamitous for a school district... [LR586]

SENATOR GROENE: But you do...you don't give dividends but in the past you have refunded money in the form of a premium, whatever the term, but giving them... [LR586]

CRAIG CHRISTIANSEN: Yes. [LR586]

SENATOR GROENE: They didn't have to make the premium for... [LR586]

CRAIG CHRISTIANSEN: That's correct. That's correct. [LR586]

SENATOR GROENE: That's how, in the past, if that fund, the reserve fund is increased, that's how you gave it back to the individual schools? [LR586]

CRAIG CHRISTIANSEN: Yes, we tried to maintain good faith in terms of the use of that monies with school districts and that's how we did it. [LR586]

SENATOR GROENE: And then of course if something happened with...we made the pool bigger by putting state employees and whatever, maybe expanded it down the road, what you're saying about the economies of size and somebody having a...an individual that has a lung transplant, that still isn't a...that still plays into it. That benefit would follow that, I mean as far as the EHA. And it's common in our organizations to offer policies to increase the economies of size. [LR586]

CRAIG CHRISTIANSEN: Right, there is an economy of size and the size of the pool levels everything out. [LR586]

SENATOR GROENE: And I understand school districts have healthy employees, so that helps you guys. [LR586]

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SENATOR SULLIVAN: Any other questions? Senator Kolowski. [LR586]

SENATOR KOLOWSKI: Thank you, ma'am. Craig, if you had everyone in the state with all the school districts under the EHA plan, how many people would that be? I don't see any people numbers listed, I see a lot of dollars listed in all the material we've been given. [LR586]

CRAIG CHRISTIANSEN: Senator, on this sheet it lists not only... [LR586]

SENATOR KOLOWSKI: This last one? [LR586]

CRAIG CHRISTIANSEN: Yes, with the graph. [LR586]

SENATOR KOLOWSKI: Okay. [LR586]

CRAIG CHRISTIANSEN: It not only shows the variation in premium but it has for each year the number of subscribers. That would be the number of... [LR586]

SENATOR KOLOWSKI: There it is, okay. [LR586]

CRAIG CHRISTIANSEN: ...teachers and administrators and other employees who are actually the policy holders. The number of members reflects the number of people who are insured: the... [LR586]

SENATOR KOLOWSKI: The families. [LR586]

CRAIG CHRISTIANSEN: ...family members, etcetera. [LR586]

SENATOR KOLOWSKI: And how many would the four districts--Westside, Millard, Wayne, and York--if they were pulled out, how many would that represent? Do you have that information? [LR586]

CRAIG CHRISTIANSEN: As addition? [LR586]

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SENATOR KOLOWSKI: They would be taken out of the...they're not in this 80,660? [LR586]

CRAIG CHRISTIANSEN: That's correct. [LR586]

SENATOR KOLOWSKI: Do you know how many that would be approximately? [LR586]

CRAIG CHRISTIANSEN: No, I would be guessing if I did. It would not...I mean proportionally it would be a relatively small proportion of that, of what currently exists. [LR586]

SENATOR KOLOWSKI: Less than 35,000 kids in four districts, so okay. Thank you. [LR586]

SENATOR SULLIVAN: Any other questions? Thank you so much for your testimony. [LR586]

CRAIG CHRISTIANSEN: Thank you. Thank you very much. [LR586]

SENATOR SULLIVAN: Welcome. [LR586]

ERIC WEBER: Good morning. Good morning, Senator Sullivan, members of the committee. My name is Eric Weber, E-r-i-c W-e-b-e-r. I am associate superintendent for human resources for Lincoln Public Schools. I am here to testify in opposition of LR586. I will keep my comments short and concise. There are two primary reasons for our opposition. First, we are not in favor of the potential outcome of the study which is a statewide system for health insurance. Benefits, specifically health insurance, are a large component of local district negotiations and a statewide health insurance plan would likely erode local control of the district's ability to consider and bargain health insurance as part of the total package of negotiations. In Lincoln we would like the flexibility to negotiate, to work with our bargaining units to keep prices down as much as we can, and combine pay and benefits in a manner that best meets the needs of our students...excuse me, of our staff, as all districts in the state would likely want to do. Across the state, different employee groups have different perspectives. Flexibility allows districts to adjust to their needs and the district expenses during every single negotiation cycle. Any change that would interfere with our ability to negotiate those contributions, plan design, etcetera, would not be preferred. Second, the EHA plan has been performing well. While many other states and regions have seen

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double digit increases in health insurance costs, the EHA plan has issued reasonable increases in our premium rates given the current insurance climate which we all know is quite volatile. Since the consumers of the insurance are actually on the EHA Board of Directors, we have the ability to monitor and adjust plan design structure, administrative cost, even who the carrier is. And this gives us significant negotiation leverage as well as flexibility. Any potential design that would alter the decision making of the plan away from the EHA is something that we would not support. And this concludes my comments and I would be open to any questions that you might have. [LR586]

SENATOR SULLIVAN: Thank you, Mr. Weber. Senator Baker. [LR586]

SENATOR BAKER: Thank you. Mr. Weber, within the Lincoln Public Schools, are there different options people may choose from in terms of deductible? [LR586]

ERIC WEBER: Yes, there are. There are several tiers of deductibles that each employee group can come in and bargain. Lincoln Public Schools has actually stayed on the same deductible level for quite some time. But they do have the ability to bargain different deductibles and maximum out of pockets in that plan design. [LR586]

SENATOR BAKER: What is the deductible of the plan? [LR586]

ERIC WEBER: Next year it will be a \$900 deductible. [LR586]

SENATOR BAKER: Okay. Thank you. [LR586]

SENATOR SULLIVAN: Senator Schnoor. [LR586]

SENATOR SCHNOOR: Obviously Lincoln Public Schools is with EHA, but as we've seen, there's other schools that aren't. So you also have the option to go with other insurance programs, correct? [LR586]

ERIC WEBER: Correct, we do. [LR586]

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SENATOR SCHNOOR: So if the state program was made as another option, what would your feelings be then? [LR586]

ERIC WEBER: Well, I think that at this point our perspective would be that we're pleased with the EHA plan. So we would probably not pursue that. But in Nebraska, as was mentioned earlier, districts do have the ability to seek other insurance options if they choose to and that's a very specific decision by those districts based on what they think their usage is going to be, what costs they think that they can contain. So for us in Lincoln, we probably would not pursue other options. [LR586]

SENATOR SCHNOOR: You know, and a lot of that also is when you involve collective bargaining and those negotiated agreements, that gets factored in as well. [LR586]

ERIC WEBER: That's correct. [LR586]

SENATOR SCHNOOR: But I guess my thought is, what if this is just another option for districts to use? [LR586]

ERIC WEBER: Yeah, I certainly wouldn't be able to speak for other districts. I think for us, we're obviously going to seek the most cost effective plan that we can find. And at this time we believe the EHA plan is outperforming other plans. Obviously it's...the premium increases have been very tolerable. And so for us at this point, we probably would not pursue other options. [LR586]

SENATOR SCHNOOR: Okay. Thank you. [LR586]

SENATOR SULLIVAN: Senator Baker. [LR586]

SENATOR BAKER: Mr. Weber, I didn't know, in the districts, those involved which are smaller than yours and there's a comparability array, is Lincoln in the comparability array? [LR586]

ERIC WEBER: In terms of the total package, total...? [LR586]

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SENATOR BAKER: Yes. [LR586]

ERIC WEBER: Yes, yes, we are. We're above the midpoint but we are within the comparability. [LR586]

SENATOR BAKER: So in terms of if you couldn't reach an agreement, things would go the Commission of Industrial Relations. They would look at total compensation. [LR586]

ERIC WEBER: Correct. [LR586]

SENATOR BAKER: And that would not really...wouldn't really matter in total compensation how much was spent on insurance and how much was spent on salary, is that true? [LR586]

ERIC WEBER: That is true. [LR586]

SENATOR BAKER: Okay. [LR586]

ERIC WEBER: And one of the unique features that we worry a lot about in Lincoln is that our comparability would not be districts in Nebraska. We would likely be into an array with districts outside of Nebraska, much larger districts...similar sized districts in states surrounding Nebraska. And so that also adds to the volatility of going to a CIR decision because in that situation we might be compared against, for example, districts in Wisconsin where their total package is much more...is much higher than ours. So we do worry about that. [LR586]

SENATOR SULLIVAN: Mr. Weber, I think Senator Groene in his introductory remarks made mention of LPS and some of their premium increases. Can you give us an overview of what's been happening with the premiums? [LR586]

ERIC WEBER: Yeah, we...those numbers were correct and we appreciated the opportunity to work with his office to provide that. One of the...two factors that have impacted our total cost of insurance: The ACA has had an impact on our districts. More people need to be insured because of the ACA and the requirements under the ACA, so, many new lives have been added to our

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plan which, of course, is a substantial cost. The other factor that we're dealing with in terms of our total cost of insurance obviously is just our growth. You know, we're looking at about 4,000 new students in the last four years. And so with new students obviously is more employees and so we have seen substantial growth in the size of just our district in terms of lives that need to be insured. And so our percent of insurance is going to be the same as everybody else in terms of the premium costs. But when you add in the ACA costs of additional people that need to be insured and just growth, those numbers that Senator Groene shared are representative of that. [LR586]

SENATOR SULLIVAN: Okay. Thank you. Any other questions? Thank you for your testimony. [LR586]

SENATOR GROENE: I was going to ask. [LR586]

SENATOR SULLIVAN: Oh, I'm sorry, Senator. [LR586]

SENATOR GROENE: Thank you. When you say you like the EHA's ability to negotiate, but you got only a certain amount of plans that you can negotiate with. Isn't your bigger negotiation the copay...not the copay, but the employees' share of the premium. And you can either... [LR586]

ERIC WEBER: Yeah... [LR586]

SENATOR GROENE: ...the union comes in and said we'd rather have \$100 raise and we'll pay more of our insurance. Isn't that the real negotiation as far as the plans go? You're fixed with the plans that are available. [LR586]

ERIC WEBER: That's correct to some extent. The lion's share of negotiations happens at the local level between the employee groups and the district, the board of education and the employee groups. So that's where most of the negotiation happens and the decisions that are made in the terms of what tier to take, how much we're going to contribute to insurance all happens at the local level. When I mentioned that we as consumers of the insurance sit on the EHA Board, the representation that the three associations have on that board also impact what

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the plan looks like. So for example, an administrator may come to Mr. Delaney or may come to me and say, boy, you know, this deductible and this maximum out of pocket is not working well for our constituents; or, boy, the copay really hit our employees this year, can you take that back. And then we bring that back to the EHA Board for discussions. So there's also negotiation that happens at the EHA Board level with the carrier to say here's the type of plans that we want to provide for the districts. [LR586]

SENATOR GROENE: So within the plan, you can't negotiate the copay. It's set by the plan. [LR586]

ERIC WEBER: The plan provides a series of copays...a series of deductibles, a series of max out of pocket that they provide for us to be able to bargain. [LR586]

SENATOR GROENE: And then you also on how much of the premium share the employee... [LR586]

ERIC WEBER: That's correct. [LR586]

SENATOR GROENE: And that's all in the wage negotiations. [LR586]

ERIC WEBER: Correct. [LR586]

SENATOR GROENE: Thank you. [LR586]

SENATOR SULLIVAN: Thank you for your testimony. [LR586]

ERIC WEBER: Okay. Thank you. [LR586]

SENATOR SULLIVAN: Welcome. [LR586]

BETH KERNES KRAUSE: Good morning, Senator Sullivan and members of the Education Committee. My name is Beth Kernes Krause: first name Beth, B-e-t-h; last name Kernes Krause,

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K-e-r-n-e-s K-r-a-u-s-e. I am an elected school board member at Auburn Public Schools in Nemaha County. I have been on that board for ten years. I'm also the vice chair of the Educators Health Alliance and have been on EHA Board for eight years. I'm one of three voting members appointed by the Nebraska Association of School Boards, or NASB, to represent the elected school board members on the board. The other two voting members include Tom Hamernik, school board member at Clarkson Public Schools; and John Spatz, executive director of the NASB. We also have two nonvoting board members representing school boards including Jeff Peters from North Bend Public Schools and Lou Ann Goding from Omaha Public Schools. As a school board member I'm accountable to our local property taxpayers. The EHA is designed to give school board members an opportunity to provide oversight and input into the health insurance for which we are paying. Each year we spend a great deal of time working with the EHA Board and the carrier on the offerings and cost of health insurance for school employees. As a school board member, I am acutely aware of the pressure on our school's budget. The EHA works very hard on balancing the need of providing an adequate health insurance plan to our employees with the cost to the school district. I am concerned that if the EHA were to be combined with the state health insurance plan we would lose the ability to control the costs to the extent we can with our current system. Also, Auburn Public Schools chooses to be in the EHA plan. We have researched other plans and could not find other options with comparable coverage and lower rates. Nebraska is a strong local control state. Giving schools the ability to weigh the risks of being in or out of the EHA is important to our concepts of local control and the governance structure also gives a smaller school district such as mine an equal voice with the larger school districts on the board so that we are all coming in on a level playing field. I fear forcing our schools to participate with the state in a health plan limits the schools' ability to choose its own destiny. Therefore, since I have to answer to my local property taxpayers, I would be concerned if the EHA plan were forced to join with the state employees. If costs rise in health insurance due to this change, the local property taxpayers will be forced to pay for it. And by keeping the EHA a separate entity it leaves the discussion with locally elected school board members to decide whether or not to participate in the plan. Since I have to answer to those local property taxpayers, I would prefer the decision on health insurance stay with the local school district. Thank you. [LR586]

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SENATOR SULLIVAN: Thank you. You indicated that there are three representatives from the School Board Association on the board and then two additional nonvoting. So explain that a little bit. [LR586]

BETH KERNES KRAUSE: We do have nonvoting representatives. If, for example, I as a voting member am unable to attend a meeting then one of the nonvoting members could take the place and then be voting at that point. So it does... [LR586]

SENATOR SULLIVAN: Okay. [LR586]

BETH KERNES KRAUSE: ...it does allow and we attend the meetings together. [LR586]

SENATOR SULLIVAN: And then the selection of the members is through your association. [LR586]

BETH KERNES KRAUSE: Yes. [LR586]

SENATOR SULLIVAN: But is there an intention to have equal representation of small and large districts? [LR586]

BETH KERNES KRAUSE: Yes. We've made an effort to have a variety of sizes there so that we have different perspectives available, also from across the state as much as possible so that rural as well as urban districts are represented since we all have a little bit different take. [LR586]

SENATOR SULLIVAN: And the executive director of the association is always one of the voting members? [LR586]

BETH KERNES KRAUSE: Yes. [LR586]

SENATOR SULLIVAN: Okay. All right. Any other questions? All right. Thank you for your testimony. [LR586]

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BETH KERNES KRAUSE: Thank you very much. [LR586]

SENATOR SULLIVAN: Welcome. [LR586]

SANDRA ROSENBOOM: (Exhibit 4) Thank you. Senator Sullivan, Education Committee members, my name is Sandra Rosenboom. I'm the business manager for the Crete Public Schools. Sandra is S-a-n-d-r-a, Rosenboom, R-o-s-e-n-b-o-o-m. Since other people are testifying on LR586 about the EHA alliance's...Educators Health Alliance successes, I'm going to concentrate on the benefits of EHA to the local school and the benefits of the EHA Wellness Program which is one of the side benefits of the program. Crete has been part of the EHA since its inception. We get excellent service as...in the end user with a good selection of plans for our employees. We in human resources get almost no complaints--I can't remember the last complaint but I hesitate to say no complaints--about the service that Blue Cross provides. Premiums are relatively stable because of a large pool size. Crete is 27th largest district in the state, but I think we're still too small to have an individual plan of our own. It would take one major claim in order to wreak havoc on our budgets. Potential cost increases of moving to the higher cost state plan are of particular concern to me. I can speak more of the plan workings at the district level if there's other questions. On to the EHA Wellness Program: Over the past seven years, Crete Public Schools has participated in the wellness program from the first pilot that they started through the roll-out to a large majority of the districts in the state and this year as a pilot for a potential expansion of the program to provide broader benefits. The two state coordinators have worked tirelessly to train a coordinator in each district. With that somewhat volunteer pool of coordinators, we get a lot of good results for our time and effort. They...our coordinators offer continued training and help us to promote the program to our employees. If you've ever been part of an employee wellness program at a company you've worked for you'll understand that how people...that people need the right kinds of opportunities, encouragement to participate. Many wellness programs that are on the market are...available to employees do not fit the school schedules and the variety of employees we have. The EHA Wellness Program is built specifically for the school environment. A couple features of the plan: Each year our employees complete a personal health assessment. Typical response to this assessment in the employee wellness marketplace is 25 percent to 35 percent of their employees. On average, 74 percent of the Crete employees complete this every year. I as the wellness coordinator get an aggregate summary of

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our district's data. This helps us to offer programs that address those modifiable health risks that employees could do something about to improve their health. Then the EHA Wellness offers month-long challenges six times a year and these help people to try a change in their habits with the idea I only have to do this for a month, so maybe I could try this and see how I like it. And so a very short-term goal and this approach has worked well. At Crete, 72 percent of our staff complete at least one of these challenges and 61 percent have completed three or more. Many report very positive experiences and improvements in their health habits, thus, hopefully in the long run lowering our health costs. We also arrange on-site flu shots and health screenings. And these screenings have allowed a couple people to be aware of potential issues that need further investigation. Since these test results are very confidential, I only can report on those people that have shared the information with me so I can't say that there's been more or less potential issues found. I've just shared a few statistics with you not to show how well Crete is doing but to show the quality of this voluntary employee wellness program. It takes time to build this kind of trust and confidence among our employees. To move to a state plan with a wellness program that is not made for school districts would be a major setback for the work we have done to this point. Thank you for considering this testimony. I'll try to answer any questions. [LR586]

SENATOR SULLIVAN: Thank you, Ms. Rosenboom. What makes a wellness program for educators unique? [LR586]

SANDRA ROSENBOOM: Lots of times a wellness program will include things...your training will be like lunch and learns where the employees have a set lunch period. So maybe they have an hour lunch and so they will have little time to have a short presentation. Our employees are lucky if they get a half-hour lunch so there's...and the kids are there and they're...and so you're...there's no time during the day to do that kind of thing. The challenges we offer are sort of an on-line, an e-mail type of thing. We also have mailed things for people that do not have...not use e-mail. So it just has to be tailored as to when the information can be provided and that's not usually the way the employee wellness programs work. [LR586]

SENATOR SULLIVAN: Is there a monetary benefit for participation in the wellness program? [LR586]

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SANDRA ROSENBOOM: The only thing they get...they get \$25 gift card for completing the personal health assessment because this personal health assessment gives us the ongoing data to see how...what effect it's having. And so we would like people to do that and so we do give a small monetary award for that. They're looking at other incentives, a larger incentive because even that incentive is extremely small in the employee wellness market, where our premiums aren't affected. You know, lots of times there will be a premium savings and that doesn't work for a school market either. [LR586]

SENATOR SULLIVAN: Okay. And then you talked about the EHA wellness coordinators, they're volunteers? Where do they come from, the board? [LR586]

SANDRA ROSENBOOM: There's two hired... [LR586]

SENATOR SULLIVAN: Oh, they're hired. [LR586]

SANDRA ROSENBOOM: ...by the plan for the state. [LR586]

SENATOR SULLIVAN: Oh, okay. [LR586]

SANDRA ROSENBOOM: And then each school has one that it's sort of part of their duties in the school. [LR586]

SENATOR SULLIVAN: Right, okay. Okay. Very good. [LR586]

SANDRA ROSENBOOM: And so the plan is kept very streamlined so it can be done in a small amount of time. [LR586]

SENATOR SULLIVAN: Okay. Senator Groene. [LR586]

SENATOR GROENE: Thank you. My staff just said it sounds very similar to what the state does on their wellness plan. Who designs that wellness plan? Is it from Blue Cross Blue Shield?
[LR586]

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SANDRA ROSENBOOM: No. [LR586]

SENATOR GROENE: Or do you do your own? [LR586]

SANDRA ROSENBOOM: It is...we purchase a company that specializes in school plans. It's an on-line plan. [LR586]

SENATOR GROENE: So that's not related to EHA then. [LR586]

SANDRA ROSENBOOM: Well, the EHA contracts with a small firm who then buys the Internet portion of the program. [LR586]

SENATOR GROENE: But you can do it through the EHA. [LR586]

SANDRA ROSENBOOM: Yeah. [LR586]

SENATOR GROENE: The other one was, do you get a premium benefit... [LR586]

SANDRA ROSENBOOM: No. [LR586]

SENATOR GROENE: ...because you are a healthier school employee base within the 80,000, or do you pay the same premium as...? [LR586]

SANDRA ROSENBOOM: We pay the same premium as everybody else. [LR586]

SENATOR GROENE: All right, so really it's just... [LR586]

SANDRA ROSENBOOM: Most of the...it benefits the whole... [LR586]

SENATOR GROENE: It's for the greater good, not for the individual... [LR586]

SANDRA ROSENBOOM: Yeah. It benefits the whole system. [LR586]

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SENATOR GROENE: The individual gets no benefit for being the healthiest person in the employee base. [LR586]

SANDRA ROSENBOOM: No, it's a collective community effort. [LR586]

SENATOR GROENE: And that's pretty much the same as all large group policies then. So you're doing it for the greater good. [LR586]

SANDRA ROSENBOOM: Right. [LR586]

SENATOR GROENE: All right. Thank you. [LR586]

SANDRA ROSENBOOM: And our own personal good. [LR586]

SENATOR GROENE: Are you an equalized district? [LR586]

SANDRA ROSENBOOM: Yes. [LR586]

SENATOR GROENE: You're not an unequalized. All right. Thank you. [LR586]

SENATOR SULLIVAN: Any other questions? Thank...oh, yes. Senator Kolowski. [LR586]

SENATOR KOLOWSKI: Thank you, Madam. Sandy, just thank you for the emphasis on the wellness plan. I think it's an excellent example of a district that's really gone out of its way to make an excellent plan available to their staff and knowing how busy staff members are during the day and during the school year given calendar. This really sends an important message: We care about you; we're trying to do some things that will make your life better; and the more you do with weight control, smoking cessation, and stress control, all those kind of things, the better your staff is going to be. So thank you for the example. [LR586]

SANDRA ROSENBOOM: You're welcome. [LR586]

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SENATOR SULLIVAN: Thank you for your testimony. Welcome. [LR586]

KEVIN DOLSKY: (Exhibits 5 and 6) Thank you. Good morning and thank you again, Chairperson Sullivan. My name is Kevin Dolsky; it's spelled K-e-v-i-n D-o-l-s-k-y. I provide insurance management and actuarial consulting services to the EHA Board of Directors. My firm is called Actuarial and Health Care Solutions. I have been...I am a fellow of the Society of Actuaries, a member of the American Academy of Actuaries. I've been an insurance company executive, management in actuarial positions, and more recently I've been in consulting to the industry. As I mentioned, I provide ongoing service to the EHA Board. I'm here to testify today to the strong track record of the EHA and also to communicate that transferring school employees to the...in with the state program would have an unfavorable outcome for the public schools that participate. So first of all, I'd like to say that you have...I made two handouts. I will refer to them earlier...later, excuse me. Earlier, you got a handout that showed premium rate increases from Mr. Christiansen; I will refer to those as well. I guess first of all, I'd like to say that the EHA, it has been communicated that it's a voluntary program by the school districts. It's also voluntary by the EHA. In other words, the background has been with Blue Cross Blue Shield. However, we have no requirement that we have to be with Blue Cross Blue Shield in the future. So we can evaluate whatever company we want to use and the districts could evaluate us along with anyone else. So the first of my two points are about the track record that the EHA has been able to maintain and some of the reasons for that track record. First of all, the rate stability that has been offered to employers in the EHA has been extraordinary. We have over 300 units and each of these units, school districts, small subsets, and each of them has had a uniform rate increase. In other words, someone doesn't get 10 percent and someone else 2 percent. Each of them has had a uniform increase throughout the history and for 14 consecutive years that rate increase has been less than 10 percent. And that's just extraordinary in this industry. And what was passed out by Mr. Christiansen indicates for the last six years the average rate increase was just over 3 percent. So I'm indicating 14 years, but if you look at the last 6 it's just over 3 percent. The second thing about the rate stability is we're offering a rate stability but we're still offering local choice. So it's not that we're completely forced into a pool with no choice on the part of local employers and employees. The question was raised earlier about that choice. There are five different deductible plans and then in addition to that there are two different dual option plans were a school could take an option where individual employees can take...choose among options.

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So we offer...so that's like seven different plans. We can configure them in more ways and it's even more than that. But that's the type of choice we offer at the local level. And I think that's significant to be able to have stability and choice at the same time that we're able to achieve with this. Perhaps the most significant fact in the outstanding value and fit of the EHA to the school districts is the fact that people stay in it. And in the insurance industry there's something called persistency rate. It's how...what percent of your customers stay with you from year to year. And you know, with my experience in the insurance industry, health insurance industry, if you had a persistency rate of 90 percent, meaning 10 percent leave a year, that would be considered quite good. If you could achieve 95 percent, that would be excellent. The EHA almost--well, not almost--virtually always achieves in excess of 99 percent persistency rate. So what I mean is less than 1 percent leave each year and that's just extraordinary. So I mean that's just evidence on its face that it works because they don't have to be there, but they continue to participate. I also want to indicate that due to its size the EHA negotiates very favorable terms with Blue Cross Blue Shield. An example of that is when we priced this last year we used a 5.4 percent inflation rate. Now if you would look at the industry 12 months ago and I have...you know, I could refer to proof sources, the industry average according to Segal Company was 8.5 percent. That was the rate of inflation they were projecting. We projected 5.4 percent. That's how we priced EHA. And part of the way we do that is I work with the actuaries at Blue Cross and other professionals, people contracting with physicians and hospitals. It's an extraordinary example of collaboration that occurs and we look exactly what they're paying, what we've experienced and we decide on it. So it's not the insurance company that's deciding. So I just point that out because there's an extraordinary amount of negotiating power that we have with Blue Cross. I see the red light. Can I continue? [LR586]

SENATOR SULLIVAN: Depending upon how long you intend to continue. (Laughter) [LR586]

KEVIN DOLSKY: Well, I will try to make it as short as possible. [LR586]

SENATOR SULLIVAN: Okay. [LR586]

KEVIN DOLSKY: Thank you. I guess I would move on to the second part. There's a number of other things about the wait... [LR586]

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SENATOR SULLIVAN: Can I interrupt you and maybe... [LR586]

KEVIN DOLSKY: Yes. [LR586]

SENATOR SULLIVAN: ...this will kind of lead you toward the remaining comments. [LR586]

KEVIN DOLSKY: Yes. [LR586]

SENATOR SULLIVAN: You said in your opening comments that to move from EHA would have some very unfavorable outcomes for the current participants. Can you elaborate on that? [LR586]

KEVIN DOLSKY: Yes. Yes, thank you. And you might refer to your handout there. There's two items in there. The first one is an excerpt from the audit that Auditor Foley did of the state plan. The first one would be a line chart. It's just...there's a cover of page of the audit. And what you just see looking at that is the green line or the blue line on top, that's the state family premium in this audit report and one of those lines in the middle happens to be...the green one is one of the EHA participants. And I just point that out to show how the state has gone up, by another independent source, way more than the EHA. That's through 2011. Craig Christiansen showed you for six years since 2011 how low our increases have been. So that's just to point out that the state costs more. These other three pages of charts that were handed out, they compare family premiums. And I will just refer to page 3 in the interest of time. But...and if I could explain that briefly, page 3 says...in the blue bars it compares the employee and family premium for the \$600 state plan and the \$600 deductible EHA plan. The state plan is 7 percent lower on the single and 17 percent higher on the family. On comparing EHA's \$1,150 plan to the state's \$1,200 plan, the state is 22 percent higher on the single and 53 percent higher on the family, which that family rate is in the neighborhood of \$1,000 a month different for the state plan than the EHA. So this relates to your question about how it would be an unfavorable outcome. The evidence that I have pulled together would indicate the cost will go up to the public schools if they go into the state plan. I guess the other point I would make about that is the economies of scale issue. Could we achieve greater economies of scale and somehow lower the cost if we put them together? In my world, in actuarial terms, the EHA program and the state program are what we refer to as 100

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percent credible. In other words, the experience that each develops is solid and is able to be predictable. If you put two of them together you somehow don't get to 120 percent credible, okay? And if you put two disparate populations of morbidity together, one of them is going to go up and the other is going to go down, okay? It's not they're both going to go down. So my point here is the state appears to cost more. If you put the EHA and the state together, the schools are going to go up. So that's the unfavorable outcome. It's not that we'd somehow drive costs down by adding to. Again, the morbidity has to be different between those two populations or the rates wouldn't be so much different. [LR586]

SENATOR SULLIVAN: What do you attribute your low increases in premium rates to? Your collaboration, your what? [LR586]

KEVIN DOLSKY: I think that's a great question. I think there's a combination of events, of things that are done. The EHA actively manages what it's doing in terms of what we offer for benefits. I mean we've tried to keep the benefits up to date and use whatever we can. We've worked with Blue Cross Blue Shield about disease management programs, case management, any other thing they have available. We've tried to keep on if not on sort of a painful edge of that, at least out in front with that, and then the wellness program. One other thing is we manage our risk pool and we manage our risk pool very responsibly. So we have rules and arrangements which are trying to make sure that we don't...we follow insurance principles in that as best we can. So I think those are all significant. I think the collaboration that goes on between the three organizations has been very helpful, the participatory decision making. So all those things I think I said already but I'll repeat myself that the size of our plan enables us to negotiate a very strong position and in fact the history...not only the size but the history in this sauce that's come together over time enables us to work with Blue Cross in this case in a way that's unprecedented in my experience in terms of how they open their doors up. I can see any data they have. I mean they're not charging a premium rate and dumping it on the schools, for example. We go through all that in detail. So excuse me for a long answer. [LR586]

SENATOR SULLIVAN: No, that's fine. [LR586]

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KEVIN DOLSKY: But those are things that I think are contributory to the experience we've had. [LR586]

SENATOR SULLIVAN: Okay. Senator Baker. [LR586]

SENATOR BAKER: Mr. Dolsky, help me understand this a little bit better. [LR586]

KEVIN DOLSKY: Okay. [LR586]

SENATOR BAKER: The caption says: 2016 rates, State of Nebraska versus EHA. [LR586]

KEVIN DOLSKY: Yes. [LR586]

SENATOR BAKER: So what do these four bars represent? [LR586]

KEVIN DOLSKY: Okay, the first bar, that would be minus 7 percent, that says the state employee premium rate is 7 percent lower than the EHA. [LR586]

SENATOR BAKER: The state rate is 7 percent lower... [LR586]

KEVIN DOLSKY: For employees in the \$600 plan. [LR586]

SENATOR BAKER: All right. So what does the 22 percent represent? [LR586]

KEVIN DOLSKY: In the \$1,200 plan, the state rate is 22 percent higher than the EHA for employees. [LR586]

SENATOR BAKER: Okay. [LR586]

KEVIN DOLSKY: And then the other two bars are for families. [LR586]

SENATOR BAKER: Right. [LR586]

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KEVIN DOLSKY: The same...the same. The blue is the \$600 plan where families at the state cost 17 percent more. [LR586]

SENATOR BAKER: Okay. [LR586]

KEVIN DOLSKY: And families on the \$1,200 plan cost 53 percent more on the state plan. [LR586]

SENATOR BAKER: All right. Thank you. [LR586]

KEVIN DOLSKY: These aren't all the plans that are available either to the state or the EHA, but I took significant plans that I thought were representative. There are high-deductible plans that we have hardly anyone in at the EHA so I didn't compare that. [LR586]

SENATOR BAKER: So these are comparing the same type of plan, same deductible. [LR586]

KEVIN DOLSKY: They are close. They're exact in deductible on the blue and they're \$50 difference on the orange. [LR586]

SENATOR BAKER: All right. Thank you. [LR586]

KEVIN DOLSKY: I've done more detailed actuarial analysis on the plan differences. You probably don't want to hear about it. But I would just say the plans are close and I could provide more precise comparison of the values within the plans. [LR586]

SENATOR BAKER: Thank you. [LR586]

SENATOR SULLIVAN: Senator Groene. [LR586]

SENATOR GROENE: A couple of questions, sir. You say 5.4 percent inflation, you're talking and medical costs, not... [LR586]

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KEVIN DOLSKY: Yes, that... [LR586]

SENATOR GROENE: Not the inflation rate, consumer price index you're talking. [LR586]

KEVIN DOLSKY: That's correct. That was what we ended up projecting the cost of medical and pharmacy expenses for the future period extending into 2017 for the purposes of making the premium rates that went into effect on September 1 of 2016. [LR586]

SENATOR GROENE: Also on your charts here, on the first one you have employee and spouse and children rates, you've got \$1,962 for the EHA and then \$1,674 for...I'm trying to figure out how that difference, that \$300 difference translates into a 53 percent increase on your last chart. [LR586]

KEVIN DOLSKY: Okay, the first page... [LR586]

SENATOR GROENE: Maybe I'm reading them wrong. Yeah. [LR586]

KEVIN DOLSKY: ...is the \$600 plan. The first page is the \$600 plan. So it would be the second page that would translate into that. [LR586]

SENATOR GROENE: All right. You're taking the second. [LR586]

KEVIN DOLSKY: Yeah. [LR586]

SENATOR GROENE: And then... [LR586]

KEVIN DOLSKY: So it's the...the second page is \$1,150 versus the \$1,200 plan. The first page is the \$600 plans. [LR586]

SENATOR GROENE: And then there's more variables involved here than just deductible. When my staff, Charles, looked at the plans in the comparison we put in our packet... [LR586]

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KEVIN DOLSKY: Yes, yes. [LR586]

SENATOR GROENE: ...when you go out of pocket there's completely...when you go to \$600 plan with the state, it's a \$2,400 deductible for single out of pocket, and family \$4,800. EHA plan jumps from \$4,800 to \$8,700. That's going to make a huge difference in the premium but not...also on the copays there's a variance on the specialist from \$45 to \$50 for the EHA. [LR586]

KEVIN DOLSKY: Yes. [LR586]

SENATOR GROENE: So when you compare premiums you got to take all the variables into effect, not just the deductible, is that not correct? [LR586]

KEVIN DOLSKY: That's absolutely correct. One thing I would say about the state plan and the \$600 deductible, in addition to the out of pocket maximum you cited, I believe there's a \$2,000 out of pocket maximum for pharmacy expenses. The EHA has no separate out of pocket maximum for pharmacy. [LR586]

SENATOR GROENE: So there's a lot of variables when you're looking at premiums and that can always be negotiated. [LR586]

KEVIN DOLSKY: Yeah, yes. Absolutely. [LR586]

SENATOR GROENE: The last thing was, doesn't average age of your employee make a difference too? And in the schools we have a lot of young teachers coming in and people retiring at 55 versus the state where they've got to work until 65, employees, to retire? That average age and the average health associated with age makes a big difference in what you can negotiate with Blue Cross Blue Shield too. Your pool of examples is a bit healthier group than the state because of age. [LR586]

KEVIN DOLSKY: I don't know the actuarial components that make up the difference... [LR586]

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SENATOR GROENE: But that is an actuarial... [LR586]

KEVIN DOLSKY: ...in morbidity, but if age is different that would be one of the reasons. I know and are familiar with the age of the EHA population, the changes in the age because we monitor to do projections. I'm not familiar with the age of the state. You know, one might suspect there are other morbidity factors in the state. I don't...I am not familiar with what you cited. There may be morbidity factors with regard to the type of vocation, the education, and other things that affect the population that's in the state plan. The EHA is a highly educated plan, that may have an impact on healthcare costs. [LR586]

SENATOR GROENE: Less smokers, less... [LR586]

KEVIN DOLSKY: Not dispersing anyone...not saying anything bad about anyone else, but I know the EHA plan and I believe the morbidity is different from the evidence of the cost. So I think these are disparate populations in morbidity, I just don't know the reasons why. And I think the EHA or the public school teachers are a lower cost population. [LR586]

SENATOR GROENE: That's...all the variables of being an actuary, there's a lot when you start doing this. [LR586]

KEVIN DOLSKY: Yeah. And if I might about the...I made a brief comment to Senator Baker without elaborating, you said, about all the details of the plan. I have evaluated all those details in a way where we quantify them actuarially to see the differences. And the state's \$600 plan is slightly better than the EHA's \$600 plan after I quantify all those. And the EHA \$1,150 and the state \$1,200 plan, even though the state has a higher deductible, they are about equal by my evaluation. So this is representative of the differences but one could be more precise. [LR586]

SENATOR GROENE: No... [LR586]

KEVIN DOLSKY: But not materially different. [LR586]

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SENATOR GROENE: ...it's all the factors like the out of pocket, wellness plays into that. The union looks at it, the employees look at it and say we're a pretty healthy group. We're going to play the risk that we'll have a higher out of pocket to get the premium down because we're healthy. That's good rationale for when you negotiate with Blue Cross Blue Shield and set your plans up. I understand that. I'm not criticizing that I'm just saying apples and oranges (inaudible). [LR586]

KEVIN DOLSKY: Yeah, and I have done....I've sort of tried to convert them into common fruit to see...make sure this is not a biased representation of the differences. And I think it's fair but it would be slightly different if I got real precise with it. [LR586]

SENATOR GROENE: All right. Thank you. [LR586]

SENATOR SULLIVAN: Any other questions? Thank you, Mr. Dolsky, for your testimony. [LR586]

KEVIN DOLSKY: Thank you. [LR586]

SENATOR SULLIVAN: Welcome, Senator. [LR586]

SENATOR KOLTERMAN: Good morning, Senator Sullivan, members of the committee. My name is Mark Kolterman, M-a-r-k K-o-l-t-e-r-m-a-n, and I'm a state senator representing District 24 in the Nebraska Legislature. District 24 includes Polk, York, and Seward Counties. I'm here today to testify in support of leaving the Educators Health Alliance intact instead of moving the employees of the school districts to the state health insurance program. I would like to say that no one from any group involved in this program has asked me to testify pro or con. I would also like to compliment Senator Groene for bringing this proposal to the Education Committee. Knowing that the state will be facing a sizable projected shortfall in the next biennium, it is important that we as legislators and colleagues look at all aspects of spending. Senator Groene and I discussed this proposal several weeks ago as he wanted more information as how the program works. Today I'm speaking as an insurance professional who has been providing employee benefits to my clients for 40 years. It is my hope that my testimony will be helpful to

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you as you learn more about the two programs that are being discussed. Back in the late 1900s, early 2000s I had the opportunity to be part of the Educators Health Alliance. As I served on the board of directors for several years while I was an elected member of the Seward School Board, I represented the Nebraska School Board Association. I was asked to serve back then because of my business experience as well as my insurance expertise. When I first joined the school board in Seward, I thought that there had to be a way to improve the cost of insurance and get the contracts back to a more local basis. In other words, I felt as an insurance agent I should be able sell product to the school board on a local basis and in turn keep the money being spent in the local economy. However, once I got on the board and started researching the program on a more intimate basis, I discovered that the program was solid and had great participation. The rates were competitive, the program was on solid ground financially, and the service that the employees and employer districts received was second to none. This is exactly what I want for my personal customers at the Kolterman Insurance Agency. I also discovered that the internal workings of the program was handled in a very professional manner. They had a board of directors made up of administrators, educators, and most importantly from my perspective, members of local school boards. They also utilized an independent actuary who could keep them up to date with trends in the industry as well as who was there to help set the rates. One of the reasons that the program is successful is because they are well protected with good reserves. I might also add that this just isn't the local school boards. There's three state colleges as well as some community colleges that are also members of this organization. I can tell you from a personal basis that many of the risk pools that have been in existence have had adverse selection--you were just talking about that--because of the aging work force as well as a higher risk exposure due to the types of jobs the employees do. I assume one reason that this program has been so successful is that they have many people in education who retire earlier than other occupations and that helps with the demographic exposure which is important in figuring rates. I believe that the current program has some wellness benefits which also helps bring down claims exposure. All in all, I would encourage you to consider all aspects of this program that have been work...that have worked so well before you make any decisions to change. Finally, I would like to say that the carrier that they are currently using is a state-domiciled insurance company. To me, that becomes very important as we are keeping jobs in the state and dollars spent are kept in Nebraska. Thank you for giving me the opportunity speak and I'd be happy to answer any question that I might be able to. [LR586]

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SENATOR SULLIVAN: Thank you, Senator. You know as well as I do we've heard a lot about the concern over property taxes. [LR586]

SENATOR KOLTERMAN: Absolutely. [LR586]

SENATOR SULLIVAN: And so I'm wondering if a potential move to having the educators' insurance covered in the state would have any impact on property taxes at the local level. And then you also alluded to in your remarks that the concern over our state budget in the next biennium. What impact would that move have on our state budget? [LR586]

SENATOR KOLTERMAN: I think there are several things. And I haven't given that...obviously I'm thinking how do we look for property tax relief, just like all of my other colleagues. One of the concerns that I have is, and I'm bringing this up just because it impacts me as Chairman of Retirement, if we moved...and I don't know the legal aspects of this, but if we moved these employees into a state relationship, I don't know if there has to be a relationship. If we can just do it through statute, if they...they would have to become employees maybe because of the ACA. Those are technical questions that would have to be addressed. Also, if we do do that, what kind of...how will that impact retirement? Will they become employees of the state? I mean that was alluded to earlier and it was looked at and apparently decided that wasn't really the intent. But if they become employees of the state then we have a different retirement plan than we do with the teachers and the educators. So there's a lot a variables to think about as we go down this path and I'm not...and I'm glad that we're talking about it. I think it's important that we talk about this. But from an insurance perspective I can tell you that the kind of increases that these people have had in this organization are phenomenal. They're so low, especially since the Affordable Care Act came into place. Last week I had the displeasure of delivering a 27 percent rate increase to a group of 60 people--27 percent. That's a huge increase and their benefits weren't any better than this. So because of the actuarial, you know, involvement that they have and the idea that they have all...all the parties involved on their board of directors, they're all looking at ways to cut costs and at the same time deliver a fair product to their employees. And that's why you do health insurance: to retain good employees; to provide them with good, quality healthcare. It's expensive but I can tell you that it's not out of line with what I'm seeing in the industry, not at all. [LR586]

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SENATOR SULLIVAN: Senator Groene. [LR586]

SENATOR GROENE: Could you clarify...I guess we have a meeting this afternoon, don't we?
[LR586]

SENATOR KOLTERMAN: Yeah. [LR586]

SENATOR GROENE: So I get to see you again in the Retirement Committee. We do the Nebraska Public Employees Retirement System. We have diverse groups there that aren't...
[LR586]

SENATOR KOLTERMAN: Correct. [LR586]

SENATOR GROENE: ...they don't cross...state manages it but the plans don't cross each other. I mean all of a sudden we don't consider a school employee a state employee because the state manages their retirement plan. So why would it be any different than the healthcare? [LR586]

SENATOR KOLTERMAN: Well, I'm just... [LR586]

SENATOR GROENE: Why would it be a difference in any pool of individuals in a healthcare plan? [LR586]

SENATOR KOLTERMAN: Senator, and I was just thinking...and again, it's just...I was just thinking out loud, but if we were to make...first of all, I don't know if we can move them into our state plan without making...we have to make sure that it's in line with the Affordable Care Act. And some of that has to do with are they employees or aren't they employees. [LR586]

SENATOR GROENE: But you're already doing that you said with state college employees. That's a state organization versus a local school district. [LR586]

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SENATOR KOLTERMAN: But they're...but they're not state employees. If we were to move these people, these teachers or educators into the state employee ranks, and that's what I was thinking, then they would go into a cash balance plan instead of a defined benefit plan. [LR586]

SENATOR GROENE: Thank you. [LR586]

SENATOR KOLTERMAN: And we're kind of...yeah, that's why... [LR586]

SENATOR GROENE: I understand a lot of questions I ask are... [LR586]

SENATOR KOLTERMAN: Exactly. [LR586]

SENATOR GROENE: ...I guess, Gabriel's advocate. I don't like using devil's advocate. But anyway, so. But the economies of size, you just said you had a group of 27. And I understand you reach a certain level of size and you have a representation of the entire group that once you get bigger it makes no difference statistically. But you just said that a group of 27... [LR586]

SENATOR KOLTERMAN: Group of 60. [LR586]

SENATOR GROENE: Sixty. These rates you've seen, was it 27 percent higher for that group as what it was to the school employee rate? Or were they getting a lot better deal and now they're up there where the EHA is? [LR586]

SENATOR KOLTERMAN: Well, their...the group that I'm talking about had richer benefits. So they were getting higher utilization. And it was a group of 60 but they had a 27 percent rate increase. And as I...I did a comparison over five years on that particular group. They had averaged over 9 percent over the last five years. [LR586]

SENATOR GROENE: Mark, were you...Senator, were you on the board when Westside left? I understand Westside just left EHA in the last couple of years. Do you have any...don't speak for them if you can't but... [LR586]

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SENATOR KOLTERMAN: I can't. You know, when I was... [LR586]

SENATOR GROENE: ...why they left. [LR586]

SENATOR KOLTERMAN: When I was on the board, and again, it was right after they had brought all three of the organizations together so I was one of the early ones as a school board member, at that time, I believe there was only one or two that were not members. And I think York was one of them. They're in my district. I...Westside, I wasn't aware that they had left. And Millard left...I don't know why they left but... [LR586]

SENATOR GROENE: Well, in the correspondence to Senator Kolowski's question, the correspondence we got from Millard was that it was 2,500 employees which is probably economies of size of their own in a metropolitan area close to healthcare. They probably were able to...I don't want to make any assumptions but... [LR586]

SENATOR KOLTERMAN: The other thing that works with this program is the fact that with their current provider they have a very, very strong network. And as we get out into the rural districts I can tell you that the network is better for these employees than it would be if we were to go to a different carrier out in out-state Nebraska. I just happen...because even in Seward it's difficult to have other companies fulfill the networks that the current carrier provides. [LR586]

SENATOR GROENE: Thank you, Senator. [LR586]

SENATOR SULLIVAN: Any other questions? Thank you, Senator, for your testimony. [LR586]

SENATOR KOLTERMAN: Thank you. [LR586]

SENATOR SULLIVAN: This concludes the list of invited testifiers that Senator Groene had asked to come forward. Are there any other individuals wishing to testify? Welcome. [LR586]

KORBY GILBERTSON: Good morning. Good morning, Chairwoman Sullivan, members of the committee. For the record, my name is Korby Gilbertson. I'm here...K-o-r-b-y G-i-l-b-e-r-t-s-o-n.

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I'm here today as a registered lobbyist on behalf of the Nebraska Association of Health Underwriters and they had just taken an interest in this resolution obviously because of the changes in how insurance would be held and the potential impacts on the EHA. I think Senator Groene said it best in his opening when he said that we want to make sure that there is always an opt out and options for different school districts and I think that's what NAHU is concerned with. So I won't belabor that fact. And thank you for your time. [LR586]

SENATOR SULLIVAN: Any questions for Ms. Gilbertson? Okay. Thank you. [LR586]

KORBY GILBERTSON: Thank you. [LR586]

SENATOR SULLIVAN: Is there anyone else wishing to testify? Senator Groene, if you would please close. And also, since you failed to do so in your opening, could you state your name and spell it for the record. [LR586]

SENATOR GROENE: If I remember. Mike Groene, M-i-k-e G-r-o-e-n-e. I'm very pleased with the discourse we had here. It's...we learned that we have a...maybe we ought to look at the state plan (laugh) and the cost to the state of Nebraska taxpayers and the wellness issues and things. But as I said, you know, I looked at this as a way, as you said, Senator Sullivan, it could be tied in to TEEOSA where state aid could be based a little bit on you get so much a student...an employee state aid applied towards healthcare and then it's up to you to negotiate. If you want to give more benefits, do it with your local effort. If you don't, you save some money. But every school district, it could be tied in as one of the items in TEEOSA, as a rural senator concerned about property taxes and unequalized districts. But there's a lot of...we're in a flux. We all know that on healthcare in this state, in this nation. An election is coming up and the Affordable Care Act does not look like it's got a future in its present form, so major cost. It just shocked me when I seen the Sutherland School District's numbers where a starting teacher with a four-year degree makes \$30,000 and has a family, that the healthcare benefit is \$21,000. That's amazing that we've come to that in America on our healthcare costs. So anyway, anything I thought that we could cut the costs, EHA after talking has done a wonderful job. I mean that's Nebraska: a union sitting down with management in everybody's interest. But we always got to keep looking for those

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better efficiencies and that's why I brought LR586. So thank you for being here, fellow senators, to listen. [LR586]

SENATOR SULLIVAN: Okay. Any other comments for the senator? Thank you, Senator. And this closes the hearing on LR586. Thank you for your attendance. [LR586]