

FIRST YEARS OF FREEDOM



**Wisconsin Schools Saving Millions on
Health Insurance in the Act 10 Era**

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First Years of Freedom: Wisconsin Schools Saving Millions on Health Insurance in the Act 10 Era

It's been two years since Act 10 brought a lot more competition into the Wisconsin school insurance market and eliminated WEA Trust's collective bargaining advantage.

It's clear that public school districts are saving a great deal of money as a result.

In 2010-11, the average cost of single monthly insurance premiums for Wisconsin schools was \$754, according to a survey done by the Wisconsin Association of School Boards. The average cost of family coverage premiums was \$1,752.¹

In 2011-12, the first school year Act 10 was in effect, the average cost of single coverage dropped to \$693 per month, while the average cost for family coverage dropped to \$1,618 per month, according to an EAGnews survey.²

That downward cycle has continued in the 2012-13 school year. The average price for single coverage has dropped to \$665 per month, while the average price for family coverage has dropped to \$1,551, the EAGnews survey indicates.³

Average Cost of School Insurance		
School Year	Single Plan Monthly Premium	Family Plan Monthly Premium
2010-11	\$754	\$1,752
2011-12	\$693	\$1,618
2012-13	\$665	\$1,551

**based on surveyed districts*

In 2010-11, before Act 10 became law, only 16 percent of Wisconsin school districts surveyed had lower monthly single coverage premiums than the year before, while only 14 percent had lower monthly family premiums.⁴

In 2011-12, 62 percent had reduced single rates while 63 percent had reduced family rates. This year 51 percent have lower single rates and 52 percent have lower family rates.⁵

The lower rates have led to big savings for school districts.

In 2011-12 the Hudson district saved roughly \$1.1 million on health insurance, the Howard-Suamico district saved approximately \$1 million and the Elmbrook district saved about \$878,000. Other big winners included Kimberly (\$821,000), Tomahawk (\$750,000), Oshkosh (\$774,000), Pulaski (\$513,689), Hartland-Lakeside (\$500,000), Durand (\$500,000) and Edgerton (\$500,000).⁶

That list goes on and on.

How was Act 10 responsible for those types of savings? It took health insurance off the collective bargaining table and allowed school boards to select insurance companies and shape insurance coverage without union consent.

It also encouraged many more companies to enter into the school insurance market, creating a far more competitive atmosphere. The result was – for many school districts – lower health insurance costs for the first time in years.

“I can’t remember a time when premiums haven’t gone up,” said Bob Reynolds, administrator of the Slinger school district, speaking of the pre-Act 10 era.⁷

Before Act 10 there really wasn’t much competition at all. The market was dominated by WEA Trust, an insurance company established by and closely associated with the Wisconsin Education Association Council (WEAC), the state’s largest teachers union.

In hundreds of districts across the state, union negotiators would come to the collective bargaining table demanding “Cadillac” WEA Trust health insurance coverage for employees, despite its high cost.

That allowed WEA Trust to establish rates in many instances without worrying about competition for clients. Many other insurance companies never bothered to bid for public school business, because they knew WEA Trust had a distinct advantage.

A LEVELED PLAYING FIELD

That all changed in 2011 with the passage of Act 10. The newly leveled playing field allowed many more insurance companies to bid for school business, creating a buyer’s market that dramatically deflated prices.

The result was a mass movement of school districts from one insurance company to another.

Many districts fled WEA Trust for other carriers, including Muskego-Norway, which saved \$2.4 million in the first year with a new insurer; Menomonee Falls, which saved

A Sampling of Savings	
School District	2011-12 Health Insurance Savings
Appleton	\$3.1 million
Muskego-Norway	\$2.4 million
Hudson	\$1.1 million
Burlington	\$1 million
Menomonee Falls	\$920,000
Ashwaubenon	\$900,000
Elmbrook	\$878,000
Marshfield	\$850,000
Kimberly	\$821,000
Oshkosh	\$774,000
Tomahawk	\$750,000
Hartland-Lakeside	\$690,000
Baraboo	\$660,000
Boscobel	\$550,000
Edgerton	\$500,000
Merrill	\$475,000
Whitewater	\$410,000
Ashland	\$378,000
Dodgegeland	\$260,000
Dodgeville	\$260,000

**Based on Estimates. Source: reforms.wi.gov*

\$920,000; and Hartford, which saved \$500,000.⁸

The lost business clearly affected WEA Trust. The company acknowledged its revenue dropped about 8 percent between 2010 and 2011, from \$867.3 million to \$798 million. The total number of people insured by the company dropped from about 127,000 to 103,600, and the latter number includes about 23,000 non-school employees.⁹

Some schools stayed with WEA Trust, but were able to use the leverage provided by Act 10 to negotiate far better terms.

In 2010-11, the Appleton district was paying WEA Trust \$674 per month for single health coverage and \$1,740 per month for family coverage. A year later, following the introduction of more competition, Appleton was paying \$596 per month for single coverage and \$1,539 for family coverage.

The changes amounted to a first-year savings of \$3.1 million for the district.¹⁰

“I think the marketplace has certainly become more competitive with bidding out the health care plan,” Appleton Superintendent Lee Attinger told Fox 11 News. “In our case, WEA Trust did not want to lose us as a client and they came in with a very competitive bid that was below the other bids we received.”¹¹

Appleton Sticks with WEA Trust at Reduced Rates		
School Year	Single Plan Monthly Premium	Family Plan Monthly Premium
2010-11	\$674	\$1,740
2011-12	\$596	\$1,539
<i>First Year Savings – \$3.1 MILLION</i>		

Some cynics say the drop in school insurance rates is only temporary. They believe a lot of companies purposefully underbid to gain clients, with a plan to significantly hike rates in the future.

Others say the ability to walk away from one carrier and seek open bids – and other freedoms provided by Act 10 – will moderate insurance costs in the future.

“The bottom line is that Act 10 has truly given school districts the tools to get a better handle on health insurance costs,” said Reynolds, the Slinger district administrator. “It has done this by allowing districts to craft health care plan designs which utilize high deductibles, co-pays and health savings accounts. These types of plans provide employees with the incentive to be more cost-conscious customers of health care, which should result in lower overall health care costs.

“Those plan changes, when coupled with the ability to participate in a competitive market place, should have a long-lasting positive impact on controlling what a district spends on health insurance.”¹²

Dr. George Karling, superintendent of the Three Lakes district, offers evidence.

The teachers union in the Three Lakes district made the unusual move of accepting a change from WEA Trust to a different insurance company in 2006, according to Karling. The district’s monthly premiums went down from \$638 to \$574 (single) and from \$1,451 to \$1,259 (family). Three Lakes saved \$300,000 the first year after the switch.

The district has put its insurance out for bid every year since then. Seven years later its monthly premium for single coverage is \$608, still lower than it was under WEA Trust in 2006. The monthly family premium is \$1,581.¹³

“(The family premium cost) would have been \$2,500 or \$2,600 if WEA Trust still did business the way they used to,” Karling said. “We would get 25 and 30 percent increases without having anything to say about it. The bidding has served us very well.”¹⁴

THE DARK DAYS BEFORE ACT 10

WEA Trust dominated Wisconsin’s school insurance market for several decades, particularly among smaller school districts, and for many years that wasn’t considered a huge problem.

School districts generally had enough revenue to meet their operational budgets while still providing employees with expensive “Cadillac” insurance. Many school administrators enjoyed the same coverage for themselves and their families.

As one district administrator put it, “WEA had great insurance, excellent insurance, but we paid for it dearly.”¹⁵

Flashback: 2010 report

MOST EXPENSIVE, LEAST EXPENSIVE	
25 districts with <i>most expensive monthly premiums</i> (single)	– 20 of 25 WEA coverage
25 districts with <i>most expensive month premiums</i> (family)	– 18 of 25 WEA coverage
25 districts with <i>least expensive monthly premiums</i> (single)	– 25 of 25 non-WEA
25 districts with <i>least expensive monthly premiums</i> (family)	– 24 of 25 non-WEA

In our 2010 report, “A Crucial Challenge for Wisconsin Schools: Escaping the Shackles of WEA Trust Insurance,” EAGnews did a comparison of employee health insurance costs in 364 of the state’s 426 public school districts.

The average cost of monthly premiums for single employee coverage in 2010 was \$734 for schools with WEA Trust insurance and \$614 for those with other companies. The average cost

of monthly premiums for family coverage was \$1,665 under WEA Trust and \$1,466 for those with other companies.¹⁶

Forty-three of the 50 districts with the most expensive single premiums were insured by WEA Trust. Forty-two of the 50 with the most expensive family premiums were insured by WEA Trust.¹⁷

On the other hand, 49 of the 50 districts with the least expensive single premiums were covered by companies other than WEA Trust. The same was true for 43 of the 50 districts with the least expensive family premiums.¹⁸

Waukesha County's Kettle-Moraine district was stuck with WEA Trust and its runaway prices, because the company was written into the teacher union contract as the district's insurance provider.

In 2000, when the district picked up WEA Trust coverage, it paid out about \$250,000 per month for employee health insurance premiums. That figure skyrocketed to \$625,000 per month by 2006 (an increase of about 250 percent), before settling at around \$500,000 per month by the 2009-10 school year.

In 2009-10 Kettle-Moraine was paying WEA Trust \$743 per month for single premiums and \$1,726 per month for family premiums. Those rates were much higher than several neighboring districts that were covered by other insurance companies, including South Milwaukee (\$689 for single, \$1,659 for family), Hamilton (\$531, \$1,406) and Elmbrook (\$614, \$1,476).¹⁹

"We have a real need to competitively bid (for insurance)," Superintendent Pat DeKlotz said in a 2010 interview with EAGnews. "I definitely think we need some market pressure to be efficient."²⁰

Flashback: 2010 report

THE WEA TRUST DIFFERENCE: MUCH HIGHER RATES	
<i>(Average monthly premium costs for WEA Trust and non-WEA Trust schools.)</i>	
All Schools	
Single coverage	Family coverage
WEA - \$734	WEA - \$1,665
Non-WEA - \$614	Non-WEA - \$1,466
Schools that pay 100 percent of premiums	
Single coverage	Family coverage
WEA - \$760	WEA - \$1,724
Non-WEA - \$590	Non-WEA - \$1,466
Schools that pay between 90-100 percent of premiums	
Single coverage	Family coverage
WEA - \$720	WEA - \$1,608
Non-WEA - \$619	Non-WEA \$1,458

DeKlotz got her wish with the passage of Act 10. Kettle-Moraine switched from WEA Trust to Humana in 2011 and saved \$600,000 in the first year.²¹

SEARCHING FOR AN ESCAPE ROUTE

A big turning point came when the national recession began in 2008. The downturn killed or forced the downsizing of many private sector companies, eliminated thousands of jobs and slowed the rate of government tax revenues. Suddenly the state had a lot less money to share with school districts, and local taxpayers couldn't afford to shell out more for school operations.

Many school districts were forced to lay off teachers and other staff members, curtail or cancel student programs and privatize support services. In their desperation to save every dollar possible, many discussed the possibility of dropping WEA Trust for less expensive coverage.

But that proved difficult, if not impossible, for many districts.

For starters, it's almost impossible to secure competitive bids from other insurance companies without providing them with a recent history of insurance claims within a given district. That would be like asking a demolition company to bid on a project without disclosing the size of the condemned building.

Several school administrators said WEA Trust was reluctant to provide client districts with recent anonymous claim histories. They said the company would threaten to take them out of regional insurance pools, which tend to moderate rates, and base their premiums solely on their own insurance claims, which can drive up rates dramatically.

"There was no claim history made available," said Carrie Hintz, business manager for the Randolph school district, in 2010. "If you request that information, WEA takes you out of the pool and puts you on your own. That can be very detrimental."²²

Local unions and their collective bargaining agreements also obstructed school boards trying to break away from WEA Trust coverage.

As the Milwaukee Journal Sentinel's "PolitiFact" put it, "Some contracts required that the district and the union agree on an insurer; some required that the selected insurer offer coverage at least as good as WEA Trust's; and some contracts actually named the insurer, such as WEA Trust, that had to be used.

"Collective bargaining helped (WEA Trust) hold contracts with school districts for years at a time, without a district even going out for bids. Local WEAC unions valued their health insurance so much that they were unwilling in contract bargaining to switch to another carrier."²³

In 2009, for example, the Iowa-Grant school district, facing a \$450,000 budget deficit, proposed switching from WEA Trust to another reputable carrier which was offering a 20 percent reduction from the district's current rates.

But the local union still insisted on WEA Trust coverage, and the stalemate was eventually settled by a state arbitrator, who ruled in favor of the school district.²⁴

Some districts managed to escape WEA Trust coverage, and their one-year savings were significant. The list included the New Richmond district, which saved \$748,528 the first year away from WEA Trust. Other examples included Mount Horeb (\$650,000), Somerset (\$365,000), New Glarus (\$328,000) and Poynette (\$318,779).²⁵

But many of the districts were only able to switch carriers by promising to share some or all of the savings with teachers. In many cases those districts saved nothing at all to put toward general operations.

"Whatever we saved went right back to the teachers – that was part of the deal," said Dennis Riley, business manager for the Marshall school district, in 2010. "They were for it, because of the fact that they got a choice on the money."²⁶

In 2010, administrators and school board members from Kettle-Moraine started encouraging school boards across the state to endorse a resolution that was prepared for state lawmakers by the Wisconsin Association of School Boards:

"Whereas, the identity of the specific health insurance carrier often must be negotiated between the school board and its employees' collective bargaining units;

"Whereas, school boards too often must pay more for their health insurance benefits than would be necessary if the school board could unilaterally select the health insurance carrier;

"Whereas, granting school boards the authority to select the health insurance provider while retaining the requirements to negotiate benefits would strike an appropriate balance between school district employees and taxpayers;

"Now, therefore, be it resolved that the (fill in the blank) school board calls on Sen. (fill in the blank) and Rep. (fill in the blank) to make the specification of health care provider a prohibited subject of collective bargaining and give school boards the full authority to make that decision."²⁷

A few months later Act 10 was passed, giving school districts their long-sought freedom.

FIRST YEARS OF FREEDOM

Act 10 brought sweeping changes that allowed local school districts a great deal more control over their tight budgets.

Teachers unions were only allowed to negotiate over salaries, with raises limited to the annual rate of inflation. Benefits, including health insurance, were completely off the collective bargaining table.

School boards were allowed to adjust the terms of insurance coverage, like increasing employee contributions toward monthly premiums (most chose a state-recommended rate of 12.6 percent), and adjusting deductibles and co-pays, without union consent.

They were also allowed to unilaterally choose the insurance company providing the coverage. Unions were no longer in a position to demand WEA Trust insurance.

School boards across the state immediately went insurance shopping, and many had three or four companies bidding for their business. Many districts switched carriers at the first possible opportunity, when their existing union collective bargaining agreements expired in 2011 or 2012.

Far More Schools Saving Money Under Act 10			
School Year	# of Districts Surveyed	# Seeing Decrease – Single Rates (% of surveyed districts seeing decrease)	# Seeing Decrease – Family Rates (% of surveyed districts seeing decrease)
2010-11	316	51 (16%)	46 (14.5%)
2011-12	312	194 (62%)	199 (63%)
2012-13	268	139 (51%)	140 (52%)

The results, in terms of cost, were obvious and breathtaking.

The overall cost for K-12 employee health insurance in Wisconsin decreased by about \$91 million or 24 percent in 2011-12, following the enactment of Act 10, according to Dale Knapp of the Wisconsin Taxpayers Alliance.²⁸

Total accumulated savings for all districts were higher, but the \$91 million figure includes those districts that had higher insurance prices because they couldn't, or chose not to, take advantage of the new law, Knapp said. Districts with current collective bargaining agreements were stuck with the terms of those deals until they expired.²⁹

In 2010-11, the fiscal year before Act 10 became law, only 51 of 316 school districts surveyed had lower single coverage insurance rates than the year before, while only 46 had lower family rates.³⁰

In 2011-12, 194 of 312 surveyed districts had lower single rates and 199 had lower family rates.³¹

In 2012-13, 139 out of 268 surveyed districts had lower single rates while 140 had lower family rates.³²

The rate decreases in some districts were astounding. (See chart on page 17).

The Independence school district switched from WEA Trust to the Gunderson Lutheran Health Plan in 2011. The cost of single coverage for the district dropped from \$868 per month to \$499 in 2011-12, while the cost of family coverage dropped from \$1,969 to \$1,165.³³

The Independence school board adopted a 12.5 percent employee contribution (employees previously paid 9 percent toward premiums), along with higher deductibles that were paid by the district under a health savings account system. The overall result was a first-year savings of \$368,739 for the small district.³⁴

Insurance rates rose by 6.2 percent for the Independence district in 2012-13, but officials still expect an overall savings of about \$300,000, compared to 2010-11 costs.³⁵

“The staff was not happy with the required change, but the dollars associated with the costs of the WEA plan did not make sense under budget constraints,” Marita Halama, the district’s bookkeeper, told EAGnews. “The board of education determined that change was absolutely needed in order to preserve staff numbers and quality of education, so the change was made.”³⁶

The Potosi district switched from WEA Trust to Medical Associates of Dubuque, Iowa in 2011-12. The cost of single coverage dropped from \$866 per month to \$438 while family premiums dropped from \$1,970 per month to \$994.³⁷

The school board adopted insurance plan changes similar to those in Independence and came out with first-year savings were “a bit under \$200,000,” according to District Administrator Steve Lozeau.³⁸

Lozeau said the successful bidding process was a first for the district, because “before that it had to be agreed to by the union, which almost never happened.”³⁹

An editorial in the Tomah Journal summed up the situation across the state: “School districts for too long have been forced by collective bargaining to carry expensive and wasteful health

insurance packages. Act 10 has been a blessing for school districts struggling to cope with metastasizing health insurance costs.

“District after district has found cost-effective alternatives that still leave its employees with better coverage than most private sector employees get.”⁴⁰

The savings turned out to be crucial for school districts. The recession and out-of-control spending left the state with a huge budget deficit, prompting Gov. Scott Walker and the legislature to cut spending, including aid to public schools.

“School districts for too long have been forced by collective bargaining to carry expensive and wasteful health insurance packages. Act 10 has been a blessing for school districts struggling to cope with metastasizing health insurance costs.”

--Tomah Journal editorial

While some school

administrators say the insurance savings were not enough to completely make up for state cuts, most agree the situation would have been much worse without the savings.

In the Independence district, for instance, the insurance savings helped administrators avoid the layoff of four full-time employees.⁴¹

As Potosi school administrator Lozeau put it, “The district was still at a loss due to the reduced state aid. Contrary to the political assertions, for us and many districts what we lost was not recovered by what we saved. But (the damage) was not major as we were able to deal with the negative difference in revenues/expenditures, due to Act 10.”⁴²

A CLOSER LOOK AT A FEW DISTRICTS

Marshfield

WEA Trust used the Marshfield district in an effort to gain some much-needed positive publicity in July 2011.

A newspaper article quoted a state Republican Party source as saying the Marshfield district saved \$850,000 by leaving WEA Trust and choosing another insurance carrier. The truth is that the district left Security Health and joined WEA Trust and saved that amount of money.⁴³

“The school district of Marshfield chose WEA Trust’s group health insurance coverage because of the Trust’s competitive pricing, business model and our unparalleled products and services,” a WEA Trust press release said.⁴³

The competitive pricing was undoubtedly due to the recent passage of Act 10 and the more competitive atmosphere.

The district was looking at a proposed 8 percent increase for 2011-12 from Security Health, according to Patrick Saucerman, Marshfield’s finance director. WEA Trust offered no increase in premiums from the year before, and the district was able to impose the 12.6 percent employee contribution, as well as higher co-pays and deductibles, Saucerman said.⁴⁴

The result was the first year savings of \$850,000. WEA Trust only hiked premiums three percent this year, “which we were very pleased with,” Saucerman said.⁴⁵

Muskego-Norway

The Muskego-Norway district dropped WEA Trust coverage for United Health coverage on Jan. 1, 2012.

The district saved about \$2.4 million in the first year after the switch, according to Scot Ecker, who served as business manager in the district through the end of 2012.⁴⁶

The main difference can be seen in the cost of monthly premiums. In 2011-12, under WEA Trust, the monthly rate was \$803 for single coverage and \$1,820 for family coverage. Following the switch to United, rates dropped to \$662 for single coverage and \$1,324 for family coverage.⁴⁷

The change in carriers was necessary for the district, according to Ecker.

“Given the cut in state aid, this gave us the flexibility to offset those cuts. We knew this was the primary way to address the issue. If it weren’t for this flexibility, we would have had to talk about eliminating staff.”

--Scot Ecker, Muskego-Norway School District

While rate increases from WEA Trust had been mild in more recent years, “from 2001 to 2007 it seemed like we had double-digit increases every year,” Ecker said. “Given the cut in state aid, this gave us the flexibility to offset those cuts. We knew this was the primary way to address the issue. If it weren’t for this flexibility we would have had to talk about eliminating staff.”⁴⁸

Bidding for a different insurance carrier was not new for the district, Ecker said. School administrators had done so several times in the past, but could never finalize a switch due to union objections.

“In the past we could solicit bids, but we couldn’t get an agreement with the unions to make the change,” Ecker said. “I think employees were happy with the coverage. The customer service was great and there were very few complaints. People are often afraid of change, and they were particularly happy with the provider.”⁴⁹

The district was careful to design new coverage that closely resembles the old WEA Trust coverage, according to Ecker.

“We used a health insurance consultant to help us mirror the old plan as closely as possible,” Ecker said. “It turned out pretty equitable – not exact – but pretty close. One primary concern for employees was keeping their doctor. As it turned out, 98 to 99 percent of our people kept their doctor.

“We haven’t heard a lot of complaints about the general plan design. We just looked at the data, and we think we’re doing really well. Out of about 9,000 insurance claims so far (under the new coverage), there have only been seven appeals. I think that’s evidence that people are pretty satisfied.”⁵⁰

Menomonee Falls

The Menomonee Falls school district switched from WEA Trust coverage to Humana insurance on July 1, 2011.

The district managed to get a “locked-in” 18-month rate guarantee from Humana and saved approximately \$920,000 in the first year.⁵¹

Its final monthly premium rates under WEA Trust were \$818 for single coverage and \$1,860 for family coverage. Under Humana rates dropped to \$720 for single coverage and \$1,637 for family. The district also saved money by increasing employee contributions toward premiums (5 to 11.5 percent over two years, with union consent) and increasing deductibles for teachers.⁵²

The district was actually one of the few able to convince its teachers union to agree to an insurance change before Act 10 was signed into law. Negotiations began in October 2010, a month before Walker was elected governor.

“We went in saying we needed insurance changes, and they agreed,” Business Manager Jeff Gross told EAGnews.⁵³

The reality of school district revenue limits, rising costs and upcoming layoffs was apparent to the union and its members, Gross said.

“I think we’ve always had a real good working relationship with our union,” Gross said. “They knew our budget was getting tighter and tighter. It was coming down to laying off more staff or having savings on health insurance.”⁵⁴

The district did gain some leverage from Act 10. By the time the new union contract was finalized, in May 2011, Act 10 was close to becoming law and employees knew their power to collectively bargain over insurance (and most other items) might soon be gone forever.

“That may have made them more willing than what they might have been,” Gross said.⁵⁵

The district switched again at the beginning of calendar year 2013, becoming self-insured. That means it estimates how much money will be needed to cover insurance claims over the course

of a year and pays the claims itself. In a quiet year the district might come out ahead, although it runs the risk of absorbing any losses.⁵⁶

Hartford

The Hartford school district switched employee health insurance from WEA Trust to United Health Care on July 1, 2011.

“We had been with the Trust for years, as far back as recent memory, but premiums had been increasing each year and we had limited flexibility to make changes to hold the line on our expenses.”

-- John Stellmacher, School District of Hartford

“We had been with the Trust for years, as far back as recent memory, but premiums had been increasing each year and we had limited flexibility to make changes to hold the line on our expenses,” said John Stellmacher, the district’s business manager.

“We simply didn’t have the money to maintain the same level of coverage. If cuts to education had occurred without Act 10, we would have had a deficit of about \$1 million. And \$1 million is a significant part of our operating budget.”⁵⁷

The Hartford district immediately joined a consortium comprised of several school districts in the Waukesha area, which purchased coverage through Humana, Stellmacher said.

The district’s monthly premiums dropped from \$852 to \$709 per month for single coverage and \$1,937 to \$1,612 per month for family coverage. The district saved about \$500,000 in the first year through the switch in carriers.⁵⁸

It also adopted the new employee insurance contribution, which increased the employee share of monthly premiums from 5 percent to 12.6 percent. That adjustment saved another \$200,000 per year.⁵⁹

Hartford officials would have implemented changes in plan designs, and potentially a change in carriers much sooner if the local teachers union had not insisted on sticking with WEA Trust, Stellmacher said.

“We had information noting that savings were possible, but were unable to make those changes because of bargaining laws,” Stellmacher said. “Act 10 really gave school administrators the flexibility we had been requesting for years in order to live within our means and the resources that taxpayers were providing.”⁶⁰

Stellmacher thinks many employees were mistakenly convinced they couldn’t get quality coverage through a different insurance company.

“People were afraid to go to a different carrier because they thought their benefits would be less,” he said. “The changes were a lot smaller than people anticipated. It’s still quality coverage.”⁶¹

While Stellmacher realizes the cost of the new coverage will increase over time, he believes the district made the right move for the long haul.

“The bottom line is that this helped us balance the budget for 2011-12,” he said. “Without the flexibility of Act 10, we would have needed to lay off teachers instead of reducing benefits to employees. The tools gave us the flexibility to negotiate with any health insurance company. This should help reduce the impact of future increases, but ultimately, we have the same challenges as the private sector. We locked in at a lower rate, but it doesn’t change the fact there will be increases.”⁶²

Germantown

The Germantown school district was a longtime client of WEA Trust, and chose to stick with the company during the open bidding process in 2011.

As with other districts, WEA Trust lowered its rates to keep the Germantown account.

Its monthly premiums for single coverage dropped from \$862 to \$688 while premiums for family coverage dropped from \$1,959 to \$1,536. They dropped even lower in 2012-13.⁶³

The district also increased the amount that employees pay toward premiums from 3 to 5 percent, moved from a preferred to basic plan, increased employee deductibles and co-pay and “increased the total possible out-of-pocket costs significantly,” according to Superintendent Susan Borden.⁶⁴

The result was a one-year savings of about \$1.2 million in 2011-12.⁶⁵

The district has encountered some unusually high insurance claims in recent years, due to several employees having serious illnesses. That type of claim history scared some companies away when the school board went out for bid in 2011, after the law changed, according to Borden.

“We utilized a consultant who put our package out to bid with all available companies in the area and the resulting bids were analyzed by our school board,” Borden told EAGnews. “Some health insurance companies chose not to bid. WEA Trust was the lowest total package cost and after lots of consideration by an insurance committee and the full board, WEA Trust was chosen.”⁶⁶

La Crosse

The La Crosse school district remained a WEA Trust client after June 30, 2012, when its final collective bargaining agreement with its teachers union expired. But the terms of the district's coverage changed considerably.

The old union contract had allowed the district to shop for another insurance carrier, but the terms of coverage would have had to approximate those offered under the WEA Trust plan. That made shopping for other coverage and finding significant savings difficult.⁶⁷

In 2012, when that contract expired, the district was free to implement Act 10, which allowed the school board to unilaterally change the terms of coverage. It did so by implementing the 12.6 percent employee contribution, increasing the annual employee deductible and increasing the cost of office visits, emergency room and prescription co-pays.⁶⁸

Those were changes the union may not have accepted in the past, and the district might have been stuck with the same high insurance costs. But because of Act 10, the union had no say in the matter.

The new competitive atmosphere also benefitted the district. Under its new deal with WEA Trust, monthly premiums dropped from \$713 to \$655 (single) and from \$1,621 to \$1,487 (family).⁶⁹

The district expects to end up saving about \$1 million in the first year.⁷⁰

"There were certain levers we could pull, like raising the annual deductible and instituting the office co-pay," said Steve Solerno, the district's human resources director, who added that employee benefits are not the same quality as they used to be in his district.

"If we had maintained what we had before, we would have needed significant budget cuts."⁷¹

A SAMPLING OF DRAMATIC RATE DECREASES POST-ACT 10

Single Plan Coverage Monthly Rates				
District	2010-11	2011-12	\$ Decrease	% Decrease
Tri-County Area	\$952	\$436	\$516	54.2%
Potosi	\$866	\$438	\$428	49.4%
Northland Pines	\$903	\$506	\$397	43.9%
Independence	\$868	\$499	\$369	42.5%
Oostberg	\$706	\$382	\$324	45.8%
Boyceville Comm.	\$870	\$555	\$315	36.2%
Bristol #1	\$952	\$655	\$297	31.1%
Cuba City	\$799	\$505	\$294	36.7%
Hartland-Lakeside	\$937	\$645	\$292	31.1%
Prairie Farm	\$821	\$532	\$289	35.2%
Burlington Area	\$812	\$526	\$286	35.2%
New Lisbon	\$926	\$644	\$282	30.4%
Hartford Union	\$820	\$546	\$274	33.4%
Whitehall	\$849	\$578	\$271	31.9%
Phillips	\$824	\$561	\$263	31.9%
Family Plan Coverage Monthly Rates				
District	2010-11	2011-12	\$ Decrease	% Decrease
Potosi	\$1,970	\$994	\$976	49.5%
Northland Pines	\$1,951	\$1,093	\$858	43.9%
Independence	\$1,969	\$1,165	\$804	40.8%
New Lisbon	\$2,107	\$1,369	\$738	35.0%
Boyceville Comm.	\$2,002	\$1,279	\$723	36.1%
Tri-County Area	\$2,163	\$1,485	\$678	31.3%
Hartland-Lakeside	\$2,128	\$1,452	\$676	31.7%
Cuba City	\$1,813	\$1,148	\$665	36.6%
Prairie Farm	\$1,864	\$1,208	\$656	35.1%
Webster	\$1,673	\$1,027	\$646	38.6%
Hartford Union	\$1,860	\$1,238	\$622	33.4%
Whitehall	\$1,933	\$1,318	\$615	31.8%
Phillips	\$1,879	\$1,275	\$604	32.1%
De Soto	\$1,928	\$1,325	\$603	31.2%
Butternut	\$2,170	\$1,571	\$599	27.6%

ENDNOTES

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- (39) Ibid.
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- (47) Ibid.
- (48) Ibid.
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ABOUT THE ORGANIZATION

Education Action Group Foundation, a Michigan-based, non-partisan, non-profit organization, publishes EAGnews.org. The website focuses on efforts to reform K-12 education through research, reporting, analysis and commentary.

EAG is rooted in free market principles and believes the one-size-fits-all, government-run, government-funded education system is not serving students well. We believe choice and competition will improve educational outcomes for students.

Founded by Kyle Olson in 2007, the organization has produced several documentary films, including “A Tale of Two Missions” with Juan Williams, a book titled “Indoctrination,” and a groundbreaking report on union-affiliated health insurance in Wisconsin.

Most recently, we released “RE-CREATING AMERICA: Cultural Sensitivity in Wisconsin Schools.”

Olson has made numerous appearances on the Fox News Channel, Fox Business Network, The Blaze, NPR and MSNBC. EAG’s work has been cited by the Drudge Report, Rush Limbaugh, Sean Hannity and Glenn Beck.

In addition to our regular writing, EAG publishes a daily email newsletter – the Ed Reform RADAR – and a weekly email newsletter, the Wisconsin School Reformer. Sign up to receive them free of charge at EAGnews.org.

You can find EAG on Facebook and Twitter.



ABOUT THE COVER PHOTO

In the fall of 2010 EAG published a groundbreaking report, titled, “A Crucial Challenge for Wisconsin Schools: Escaping the Financial Shackles of WEA Trust Insurance.”

It featured WEA Trust’s financial information, compensation for employees and testimonials from school board members and administrators. It revealed the virtual iron-grip the company had on the Wisconsin school insurance market and explored its relationship with WEAC, the state’s largest teacher union.

The report and promotional campaign featured the picture to the left.