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# DPS BENEFITS PROPOSAL

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February 6, 2017



# CHALLENGES TO SOLVE

Why are medical benefits so expensive?

- Medical benefit costs have increased 131% in the last decade while inflation has increased 28%.
- The same HMO plan that cost \$200/mo in 2006 is \$500 today.
- Why are DPS benefits so expensive?
  - ✓ National context – hospital and drug costs and lifestyle choices.
  - ✓ Our claims experience and demographics.



## HOW HAVE WE ADDRESSED THESE CHALLENGES?

The Benefits Board is the body that actively tackles benefits challenges and opportunities.

- Made up of representatives from DPS and the bargaining units, including 4 DCTA teachers.
- The Board's charge:
  - ✓ Determine what benefits get offered.
  - ✓ Providing programs in the best interest of DPS and its employees.
  - ✓ Containing the cost of health insurance premiums.
  - ✓ Guidelines for using the benefits allowance.

# What Levers Does the Benefits Board Have to Control Costs?



HUMAN RESOURCES





# HOW HAVE WE ADDRESSED THESE CHALLENGES?

## Health Promotion

- ✓ Health risk assessment and preventive screenings.
- ✓ Education, wellness challenges, wellness champions.
- ✓ Employee Assistance Program.

## Ensure Choice and Competition in Plans

- ✓ Offer two networks DHMP and Kaiser.
- ✓ Benefits available the 1<sup>st</sup> of the month following hire.  
Eliminated 30 day wait period.
- ✓ Negotiate price and seek out best pricing from competitors regularly.

## Increase the District Contribution

- ✓ Additional subsidy for dependent child coverage. Current flexible credits cover the cost of single coverage for most participants. DPS added an additional \$62.50/mo (\$750 annually) to support affordability in 2015.



**DESPITE THESE EFFORTS, COSTS ARE  
STILL TOO HIGH. WHAT NOW?**

## 50% Participation

- According to Lockton, our insurance broker expert, a 10% increase in participation would materially impact our actuarial risk.
  - What that means: If we can increase our participation by at least 10%, the insurers will reconsider our premium rates.
- In 2001, the DPS participation rate was 74% of our employees.
- Why the change?



## DESPITE THESE EFFORTS, COSTS ARE STILL TOO HIGH. WHAT NOW?

\$22,000,000+

- Over 10 years ago, DPS implemented a Flex Credit structure where employees could use their Flex Credits to offset benefits **or they could cash them out** if the employees did not take the DPS benefits.
- DPS currently pays teachers \$422.17/month that teachers can cash out even if they don't sign up for DPS benefits.
- For all employees, DPS pays more than \$22 million a year in flexible benefit allowances to employees who do not take our medical benefits.
- **Other metro districts in Colorado do not do this.** And districts that used to be structured this way are phasing it out.
  - Example: This summer, JeffCo is eliminating the \$80/month that they were paying to employees that don't select their benefits.
  - Example: Cherry Creek started phasing out money for employees that don't select benefits back in 2006.





## DESPITE THESE EFFORTS, COSTS ARE STILL TOO HIGH. WHAT NOW?

- Because we pay \$22+ million in benefits allowance to employees who don't take our benefits:
  - We can't put that money toward lowering our premiums.
  - Our participation rate is extremely low (50%). (Compare with 2001, before we started this practice, when our participation was 74%.)
  - When participation is low, our risk pool is smaller, which results in higher rates.
  - When participation is low, many carriers won't even bid on us. (Last year, Anthem, Cigna, and United Health all refused to offer us plans.)
  - We are at risk of only being able to offer one insurance carrier, which would further decrease our ability to control rate increases.







# BENEFITS BOARD ADOPTS CHANGE

December 5, 2016

After struggling with this issue for almost a year and hearing multiple presentations from the benefits experts, an overwhelming majority of the Benefits Board voted to approve a change to the benefits program (**DCTA voted in favor of the proposal**).

- ✓ Current employees grandfathered in – no change to their Flex Credits.
- ✓ New employees do not receive Flex Credits unless they participate in the District's medical coverage.
- ✓ Savings used to decrease premium costs.
- ✓ Take back to the bargaining teams to address the details.





## DPS PROPOSAL GUIDING PRINCIPLES

- We need **lower premiums** – particularly for our employees that have children on their plans.
- **No decrease** in Flex Credits for **current employees**.
  - (Compare to PERA benefits where you keep getting what was in place when you were hired, but you might have different PERA benefits depending on when you were hired.)
- We need **higher participation** in order to have better and cheaper plan options.
- We need to keep **two insurance carriers** so that they can compete against each other for better rates.
- We need to add **more money** into our benefits system.
- Teachers want DPS to introduce an **HMO option**.
- Need to be **financially sustainable** in times of restricted budgets from the Legislature.



# DPS PROPOSAL

## Key Components – Change in Structure

- Current DCTA employees keep their \$422.17/month in Flex Credits **regardless of whether they sign up for the District's benefits.**
- New employees who start work after July 1, 2017, will only receive the Flex Credits if they select one of the District's medical plans, a practice consistent with other metro districts.



## DPS PROPOSAL

### Key Components – Offer HMO

- DPS will offer an HMO plan for the 2017-18 benefits year if all the bargaining units agree to the model change for Flex Credits.
- Benefits Board will determine which HMO(s) should be offered.
- DPS will continue efforts to communicate information that allows employees to properly compare plans.



# DPS PROPOSAL

## Key Components – Increase Subsidies for Families

- DPS will **more than double** the subsidies that it currently provides for medical plans covering children (Employee Plus Children and the Family Plans).
  - Currently DPS subsidizes \$750/year for these plans.
  - Currently DPS also contributes \$750/year to employee HSAs.
  - DPS will provide an **ADDITIONAL \$1200/year (\$100/month)** to subsidize these plans.
  - Total DPS contributions: \$750 to HSA. \$1950 to Plans covering children.



## DPS PROPOSAL

How do we pay for the increased subsidies?

- Savings created by the new structure will be used to decrease employee premiums costs.
- For the 2017-18 benefits year and going forward, DPS will commit **\$500,000 in additional budget** to guarantee that employees will see a \$100/month decrease in their premiums for plans that include children.