



A Union of Professionals

AFT Michigan
AFL-CIO



**International Union of
Operating Engineers Local 547**
(IUOE Local 547 - AFL-CIO)

A Model for Saving Public School Health Care Dollars Through Large Claim Pooling, Increased Competition and Improving Health Care Quality

Background

1. The United State's health care cost and quality issues are significant.
 - In 2004, employer health insurance premiums increased by 11.2 percent - nearly four times the rate of inflation. Double digit, or near double digit increases are projected to continue.
 - A recent study by RAND found that only 54.9% of the time patients receive the recommended, evidence-based health care for their preventive, acute or chronic condition.
 - The Centers for Disease Control estimates that each year 2 million patients acquire an infection in the hospital and that nearly 90,000 of those patients will die as a result of the infection.
2. Michigan public education employee health care costs and quality can be effectively addressed while maintaining collective bargaining rights and the freedom to select health plans.
3. Using the assumptions of the HayGroup report, saving from the AFT Michigan and International Union of Operating Engineers Local 547 proposed model are:

Year 1	Year 2	Year 3	Total
\$156 million	\$194 million	\$223 million	\$573 million

The Proposed Model: Core Elements

1. State Sponsored Catastrophic Stop Loss Coverage
2. Competitive Health Care Purchasing through Coalitions/Regional Pools
3. Transparent Health Care Cost Information for School Employers and Employees
4. Disclosure of Hospital and Physician Performance on Measures of Quality
5. State-of-the-Art Programs to Improve Member Health
6. Efficient Administrative Services that Leverage Industry Standards and Information Technology within a Competitive Environment

State Sponsored Catastrophic Stop Loss Coverage

1. A voluntary, state-sponsored program will pool catastrophic claims across participating public education employers.
2. The program will be funded through premiums paid by participating public education employers and will offer multiple coverage options.
3. The program will save public education employers an estimated 40% of catastrophic premiums through the reduction of commissions, expenses, risk charges, and profit/contribution to reserves.

Competitive Health Care Purchasing through Coalitions/Regional Pools

1. Public education employers would be encouraged to join together to form regional purchasing pools or to participate in local purchasing pool consistent with maintaining existing collective bargaining rights.
2. Purchasing pools offer the opportunity for public education employers to leverage the purchasing power of a coalition to obtain improved pricing of administrative services and the saving that accrue from self-funding.

Transparent Health Care Cost Information for Public Education Employers and Employees

1. Public education employers will have access to detailed claims information at the hospital and physician level, subject to meeting HIPAA regulations
2. Public education employees will have access to information on the cost of physician and hospital health care services

Disclosure of Hospital and Physician Performance on Measures of Quality

1. Public education employees will be provided information from credible sources on the performance of health care providers on measures of quality.

State-of-the-Art Programs to Improve Member Health

1. Public education employers will be encouraged to have state-of-the-art programs, based on national best practices for health promotion and disease management.
2. Premiums for the state-sponsored catastrophic program will be reduced for public education employers who offer health promotion and disease management programs that reflect national standards.

Efficient Administrative Services that Leverage Industry Standards and Information Technology within a Competitive Environment

1. A common set of administrative performance standards will be developed using industry standards.
2. Administrators of health care plans for public education employees will be benchmarked annually against these standards.
3. Greater competition among administrators of public education health care plans will occur as public education employers seek to contract with administrators who meet or exceed the standards.