



Health Insurance Transparency Act

HF 2180 (E. Murphy, J.E. Ward, Lillie, Atkins, Davnie); SF 1835 (Sieben, Jensen)

During the 2014 legislative session, Education Minnesota has proposed new legislation called the Health Insurance Transparency Act. Their stated purpose for this legislation is to increase competitiveness in bidding for insurance coverage by making the bidding process more “transparent” than under current law.

Education Minnesota’s opinion is that passing this proposal should stop the rise of school employee health insurance premiums, reduce the volatility in health insurance costs and help reduce increases in out-of-pocket maximums and deductibles for its membership.

This legislation:

Requires school districts to seek at least three bids from health insurance providers every two years, unless agreed to with the largest bargaining unit to go for a longer term. PEIP must be included as one of the three required bidders.

MASBO Concern: Districts must, by law, go out for bid every five years if self or fully insured. Service cooperatives must get bids every four years. Making frequent changes to district health plans does not correlate to an automatic premium decrease. School districts cannot control who replies to their RFPs for insurance coverage, thus employees may be forced to change insurance providers frequently, adding stress to medical concerns.

Requires a sealed bidding process to encourage health insurance providers to make competitive rates based on actual usage. The bids are sealed during the 90-day submission window and must be opened in front of an exclusive representative where applicable.

MASBO Concern: There is a cost to providers and school districts to accumulate and analyze data and produce sealed bids that are currently based on usage and administrative costs. These bids must then be reviewed to determine if the bid provided meets the bid specifications and what increase or decrease in benefits may have been added or deleted.

Appropriates \$1 million to MN Management and Budget to help with new PEIP requirements.

MASBO Concern: The \$1 million for PEIP creates an un-level playing field. No carrier is compensated for putting together a bid for insurance business. In fact, most RFPs state that all costs associated with putting together a bid are to be borne by the bidding vendor.

Requires insurance carriers to provide districts with aggregate claims data within 30 days of request.

MASBO Concern: The timelines in the bill are concerning because they do not allow for the collection of a sufficient amount of current year claims data to make a good short-term projection for future rates. A district will be forced to rely only on a rolling 24 month period in which to analyze their claims.

Limits school district contracts for insurance to no longer than two years, unless agreed to for a longer period between the school district and the largest employee group. Contracts must expire in an odd-numbered year so as to correspond with the collective bargaining cycle with employees.

MASBO Concern: MASBO members know how difficult it is on employees when health insurance carriers change. Moving to a 2-year bid process makes obtaining health insurance much more unpredictable. Making frequent changes to district health plans does not correlate to an automatic premium decrease.

Requires that money coming in from premiums be used only for the insurance or administration of the insurance plan. Should any premium surplus be collected by health insurance providers, the premium must be returned to the districts to offset premiums.

MASBO Concern: The mandate that any premium surplus be returned to districts to offset premiums will more than likely increase premiums. Health insurance providers, under current law, know that they will have a working relationship with a district for five years. Bids reflect that they more than likely will have a few years to make up for a “bad year,” resulting in current and future rate increases to remain level.

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MASBO Concern, continued:

With the proposed legislation, health care providers will have no choice but to make sure they do not lose money. They will have to raise rates across their entire book of business in order to cover any losses knowing that they only have two years to work with and must return any surplus back to districts that may have had a “good year”.

Applies also to school districts that are self-insured.

MASBO Concern: It is very difficult to see how self-insured districts can meet the requirements of this bill.

MASBO believes that nothing in this bill will reduce future premium increases. Rather, in all likelihood, it will necessitate increases to premiums to cover increased administrative costs. MASBO instead encourages Education Minnesota to work with school district officials and their members to implement progressive health insurance plan changes that will reduce usage and administrative costs. Also, through various programs, to encourage and educate staff members to better manage and direct their own health needs and services. Education of school employees in the area of shopping for quality, lower cost provider services, along with an aggressive wellness program in schools will do more to reduce future health insurance increases than any requirements in this bill.

Mission Statement

MASBO is committed to advancing the knowledge and abilities of school business professionals and providing a voice and forum for the profession.

About Us: The Minnesota Association of School Business Officials (MASBO) was founded in 1950. The membership consists of more than 600 school district personnel representing Minnesota school districts who serve in areas of business administration, superintendancy, accounting, buildings and grounds, transportation, food service, personnel/payroll/benefits, and purchasing. MASBO is an affiliate of the Association of School Business Officials, International.