



**masbo**  
Minnesota Association  
of School Business Officials

# Mandatory School Health Insurance

H.F. 573/S.F. 446

## Background

Legislation mandating participation of school districts in the Public Employees Insurance Program has been introduced in the House and Senate. This legislation requires that all school employers that make health insurance available to their employees purchase the coverage through the Public Employees Insurance Program. Only school employers that are individually self-insured, with more than 1,000 insured lives may opt out of this requirement, and only if the exclusive representatives of each employee group agree to opt out.

## Minnesota School Business Officials (MASBO) opposes this legislation for the following reasons:

- This bill allows the commissioner to impose a reserve surcharge in the first three years of school employee enrollment at the commissioner's discretion. School districts would have no way to predict or control the amount of the surcharge. This provision has the potential to be very expensive for school districts, especially in the first year, as cash reserves of a significant amount of the prior 12 months expenses are needed to provide adequate working capital to pay the ongoing steady flow of claims.
- Currently the state receives 2% of premiums from insurance companies as Insurance Premium Tax. The PEIP plan is exempt from this tax. The state would need to make up that lost revenue from other sources.
- This bill targets only school district employees. If it would be beneficial for school district employees, one would expect the employees of other governmental units would be included as well.
- This bill does nothing to address the increase in underlying costs associated with health care. In fact, by adding another level of administration, overall costs would likely increase.
- School districts that are self-insured and have built up reserves would be required to use their reserve for employee premiums until the reserves are depleted, thereby penalizing the districts for having carefully preserved their reserves.
- Many districts are in opposition to this bill because they have employed strategies that have held down insurance costs while not reducing benefits to employees. By implementing a mandated statewide insurance pool, local districts will have no incentive or motivation to look at data to develop and implement good strategies to reduce health care costs. Districts that have been able to reduce costs will be penalized.
- The Labor Management Committee would have fourteen members appointed to represent eligible school employees and school employers in equal number. However, none of the members representing school district employers include school business officials, who are the persons responsible for administration of school district insurance programs and are the ones who are most aware of the issues surrounding employee insurance.