

SUBJECT: Health care benefit standards for school district employees

COMMITTEE: Pensions and Investments — committee substitute recommended

VOTE: 6 ayes — Telford, Woolley, Berlanga, Goolsby, Rangel, Williams
0 nays
3 absent — Sadler, Serna, Tillery

WITNESSES: For — Brock Gregg, Association of Texas Professional Educators; Jack Kelly, Texas State Teachers Association; Laura Rene, Texas Federation of Teachers; Mike Lehr, Texas Federation of Teachers; Holly S. Taebel, Texas Classroom Teachers Association
Against — None
On — Bob Otto and Patti Featherston, Teachers Retirement System

BACKGROUND : Currently, the law requires school districts to provide school district employees with a group health benefit plan and that the health coverage be "comparable" to the health coverage provided state employees under the plan administered by the Employees Retirement System (ERS).

DIGEST: CSHB 1700 would require that the health care coverage of school district employees be "substantially similar" to the ERS health care plan for state employees. The bill would set out specific criteria that school district health care plans would have to meet to be considered substantially similar, including:

- requiring the coverage have a value equal to at least 90 percent of the value of the ERS plan regarding deductibles, coinsurance payments and life time maximum allowed benefit;
- requiring the district pay at least 90 percent of employee cost and 45 percent of dependent costs; and

- requiring that the health care plan be provided by a state-licensed company or through school district self-insurance.

The bill would require each district to report to the Teachers Retirement System (TRS) no later than November 1 of each year whether they are complying with the provisions of the bill. The report would have to include appropriate documentation, including any information deemed necessary by the TRS executive director.

The TRS executive director would be required to certify that school district health plans are substantially similar to the ERS plan based on the documentation. If a plan is not found to be substantially similar, then the TRS executive director would be required to inform the school district and the Legislative Budget Board.

The bill also would require the TRS executive director to report on the status of school district health insurance plans by January 1 of each session year.

The bill would apply to the 1997-1998 school year.

**SUPPORTERS
SAY:**

CSHB 1700 would put teeth into the law requiring school district health care coverage be comparable to that for state employees. Current law and TRS procedures are inadequate to establish a genuine standard of comparability for factors affecting health care coverage, such as benefits, copayments, deductibles and premiums.

In addition, the bill would require that district plans must pay at least 90 percent of employee-only coverage and 45 percentage of dependent coverage costs. A main point of comparability of plans is who pays for the coverage, the employee or the employer. The state pays 100 percent of a state employee's health insurance premiums for employees and 50 percent of state employees' dependent premiums.

Current law merely says that school districts must certify to the TRS that their coverage is comparable to ERS coverage, without any specifics. It allows school districts just to give lip service that they are complying with the law.

Some school districts do not make any health insurance employer contributions and almost none pay anything toward dependent premium costs. According to a 1996 TRS survey, only 299 of the more than 1,000 school districts were paying the full employee-only premium. The state pays \$186 per month toward employee-only coverage, and the average reported contribution by school districts towards health insurance premiums was \$112. Only 44 of the reporting school districts were paying over \$186 toward employee health insurance premiums. These statistics prove that most school district coverage can hardly be considered to be “comparable” to state coverage.

Although the bill would not provide any sanctions for noncompliance, it would require that the Legislature and the Legislative Budget Board be appraised of the status of health care coverage provided by school districts.

**OPPONENTS
SAY:**

School districts do the best they can with the money available to pay health insurance premiums for their employees. Thirty-five percent of school districts pay 100 percent of employee-only premium costs, and the average percentage of employee-only premium costs is 74 percent.

Although the fiscal note says that there would be no fiscal implication to local school districts, the costs to school districts could be enormous. The bill would potentially be a huge unfunded mandate that could necessitate a major increase in school district property taxes if school districts were forced to fully comply.

By stipulating in law exactly what is meant by "substantially similar," the bill would invite a class-action lawsuit by district employees. School districts do the best they can with the resources available to them, and if the state wants district employees to have essentially the same health care benefits as state employees, then they should put up the money to pay for the program.

**OTHER
OPPONENTS
SAY:**

The bill is unnecessary as the majority of school districts already make group health insurance available to district employees, and pay a percentage of the premium costs.

Because the costs to school districts to pay for health care coverage

substantially similar to what state employees receive would be prohibitive without additional state aid, the bill should at least allow school districts to provide a sliding benefit scale for school district payment of health insurance premiums based on years of service. The school district employer contribution level would increase with the number of years the person was employed by the school district. This would be an added incentive for teachers to stay on the job and would provide an indirect pay increase for tenure.