

# Bloomington Public Schools

In the spring of 2008, Bloomington Public Schools in Bloomington, Minnesota, found its health insurance premiums trending 19% and 16% higher than the previous two years. Both the administration and the labor unions were in agreement: Care would deteriorate if premiums kept going up at that rate.

## Meeting the Challenge Head-On

Bruce Pappas, the executive director of HR at Bloomington Schools and co-chair of the labor management committee, and Brad Parker, his labor counterpart, decided to meet the problem of rising health care costs head-on. They investigated several potential solutions and took the most promising ones directly to each of the employee groups.

One solution was a low-deductible plan to replace their co-pay plan. This was voted down because it was seen as a change that took something away instead of adding value.

Another solution was a health reimbursement arrangement (HRA). This wasn't a good solution because the HRA didn't belong to the employees. There was concern that it could be pulled back to balance budgets in future years.

Then a consumer-driven health care plan (CDHP) with a health savings account (HSA) was proposed. This caught on with the teachers. The plan deductible was higher, but they saw that the HSA and the contributions from the employer would be all theirs. This was a clear value proposition. The CDHP went into the teachers' labor contract as the only plan option.

## Igniting Cultural Change

There wasn't a lot of time between the day the teachers accepted the CDHP and the day open enrollment started. "We didn't have a lot of time to educate people," said Bruce, "but with only one plan to focus on, everyone was involved in the same dialogue. They educated and encouraged each other."

The momentum of cultural change increased. Other employee groups followed the teachers by ratifying the CDHP in new open enrollment periods in April and May, and on through October. Another group adopted the CDHP the next year.

"To get people to consider participating in the plan, we fully funded the single deductible the first year—\$1,100 for both families and singles. We had conflicting advice from tax attorneys, but HealthEquity helped us sort all that out," said Bruce.

"We couldn't have made the changes we needed to make without support and leadership from the labor-management team," Bruce said. He also cites the committee's partnership with HealthEquity as critical to the success of its massive change management effort. "We were looking at a couple of other options, but HealthEquity was way beyond the others with vision, service, and support."

## CHALLENGES

- Health care premium trend was spiking 19% and 16% from the previous two years.
- Costs had to be contained or benefits would have to be reduced.

## SOLUTION

- Labor/management partnership
- Full commitment to a CDHP strategy

## RESULTS

- Saving more than \$5.8 million in projected health care costs over 3 years
- Using savings to explore health plan improvements, including:
  - Innovative partnerships
  - Higher-quality counseling services
  - More comprehensive coverage
- Saving jobs and maintaining class sizes

## QUICK STATS

- **Total employees:** 1,808
- **Employees with HSAs:** 1,314
- **Industry:** Public Education
- **Projected savings over 3 years:** \$5.8 million net (employer and employee costs)
- **FICA savings per year:** \$74,000
- **Employee-owned equity:** \$1.4 million

*"Before, we were just concerned with how to reduce costs. Now, with the money we've saved, we can focus on making the plan even better."*

— Bruce Pappas, Executive Director of HR, Bloomington Public Schools



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# The Results

## Saving Costs and Increasing Benefits

"Our cost savings allowed us to put some money back into a higher percentage of premiums paid by the district, resulting in a drop in what employees paid for the first time in memory," said Bruce. "We were also able to put more money into our families' HSAs, so now we contribute 50% of our employees' deductible."

The second year, the district became self-funded so it could look at all the claims detail and drill down on those costs to have better control. The district realized that its costs were not so much in the premiums as in the actual claims. That led the district to providers that had the best network and cost transparency.

"At this stage of the game, while other districts are still trying to find the right medical plans, we're fine tuning our entire portfolio of benefits to provide the best care available to our employees and their families," Bruce said.

Here's what Bloomington Public Schools has achieved since July 1, 2008:

- \$5.8 million in savings against projected costs over three years
- \$74,000 in annual FICA savings
- In year one, the trend went down more than 5% instead of increasing by 16%. By year 3, the trend was only 3%.

Employees have also benefitted financially. Their previous plans included flexible spending account (FSA) options. Now that those "use it or lose it" FSAs have been replaced with HSAs, employees' total annual health account contributions have jumped from \$400,000 to \$1.4 million. "We're talking about everyday people working in schools," said Bruce. "Our health plan is a tool to help people in every job group manage their health care expenses—not just management."

## Fine Tuning the Plan

The district is working hard to fill in gaps people might fall through. Hardship programs that prefund accounts are available for people with high-cost medications or serious illnesses.

Employees are also getting smarter about how they make their allowable HSA contributions. They're learning to deposit extra money into their HSAs through pre-tax payroll deductions before making out-of-pocket medical payments. That way, they can reap all of their allowable tax benefits.

"Before, we were just concerned with how to reduce costs. Now, with the money we've saved, we have the luxury of making the plan better," said Bruce. Instead of cutting back on health benefits every year, Bloomington Public Schools is exploring ways to deliver services directly to employees, searching for the best counseling services, beefing up wellness programs for staff, and building other innovative partnerships.

## Saving Jobs and Maintaining Quality

Unlike other districts in the area, Bloomington has avoided teacher layoffs and has kept its class sizes down. "Cost control is almost off the table. Now we're talking more about how to get the best care and focus on outcomes," Bruce said.

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