

The United

Voice



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Health Insurance:



*Is the USD 259 Plan Sick?
What will happen to the Health Plan?*

*What are Health Savings Accounts?
What are Health Reimbursement Accounts?*

USD 259's Health Plan: Is it Sick?

No, it is not sick. It is however, in need of change. It is not equipped to deal with the costs of health care today. Each year, for as long as we can remember, health insurance has been a big issue at the bargaining table. It is expensive to provide health care for 7,000 employees. In addition, the funding from Topeka seems to be barely enough to have a small but decent raise and then try and maintain the health coverage.

As the national trend of dramatic increases in the cost of health care impacted our situation, money became even tighter at the table. Every year, we have tried to continue something very few folks have these days - fully paid health care premiums.

Last year, under intense pressure from the BOE, and after studying the costs and trends of health care, we agreed to the following language:

The Employee Health Advisory Committee and the Labor Management Committee shall be directed to develop a recommendation for an amendment to the Board Health Plan that requires all employees who participate in the Board health plan to pay, by payroll deduction, a portion of the cost of the Board health insurance plan starting in the 2009-2010 teacher agreement year. The Board and UTW agree that regardless of the recommendation received from the Employee Health Advisory Committee or Labor Management Committee, there will be negotiated

into the 2009-2010 teacher agreement provisions that require teachers who participate in the Board health plan to pay, by payroll deduction, a portion of the cost of the Board health plan.

UTW Vice President Larry Landwehr did some research last year on the health insurance provided by other area school districts. What he found was eye-opening. For instance, in Maize last year, a family policy cost \$702 per month. The district paid only \$175 of that family premium. In other words, teachers had to pay \$527 per month if they wanted family health insurance. This is pretty normal for school districts. What is not normal is our situation.

UTW fully intends to maintain the best possible health insurance for teachers that we can afford. At the same time, members of the Board of Education are determined to have employees pay a portion of the premium, even if it is a small portion.

This issue of the United Voice contains articles about health insurance and some of the ideas being tried around the country. We hope you will read this information and watch for more specific plans sometime in the Spring semester.

The article written by Larry is reproduced on the next page. The figures are for the 2007-2008 school year. The premium in Wichita was \$552 per month, fully paid by the BOE.



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Health Insurance costs in South Central KS

by *Larry Landwehr, UTW V.P.*

On a recent visit to South High School, I met a UTW member who had retired from a neighboring school district and is now employed by USD 259. He mentioned that he has really enjoyed the last two years in Wichita and working with the great teachers at South. As we continued our conversation, he brought up the topic of health insurance. "Oh, great," I thought, "here it comes."

What a nice surprise, when he said the district had a great health plan compared to the district he just left. Not only in the amount paid but also the coverage, he stated. Now, I know we all wouldn't agree with his opinion, so I did a little investigating and compared our health premiums with several surrounding districts. Due to the lack of time, I did not compare the actual coverage but only the premium paid by the employee. This information is based on the latest data found.

Maize: District pays each teacher \$175.00 per month, even part time

Single base policy cost: \$287.99 per month
Family base policy cost: \$702.70 per month

Goddard: District pays \$280.00 Full time (40 hours), \$210 Part time (31- 39), \$140 Part time (20-30 hours), no benefits for less than 20 hours

Employee only cost: \$330 per month
Employee + spouse cost: \$560 per month
Employee + children cost: \$490 per month
Family cost: \$700 per month

Haysville: District pays \$250 single plan and \$350 family plan for Full time (20+ hours per week), no benefits for Part time

Single plan cost: \$280 (approx.) per month
Family plan cost: \$650 (approx.) per month

Valley Center: District pays \$327.03 for single and \$337 for others

Single base plan cost: \$327.03 per month
Employee & spouse cost: \$719.46 per month
Employee & children cost: \$654.06 per month
Family cost: \$1,010.53 per month

Sedgwick: District pays nothing

Single plan cost: \$410 - \$365 - \$310 (depends on deductible)

Family plan cost: \$895 - \$800 - \$690 (depends on deductible)

Derby: District pays \$257 for single and \$261 for others

Single plan cost: \$257 per month
Employee + children cost: \$474 per month
Employee + spouse cost: \$576 per month
Family cost: \$743 per month
(Half time or less pays an additional \$120 per month approx.)

So what am I saying? Nothing really, you draw your own conclusions. I just thought you might like to see what fellow educators in your neighborhood are paying for health coverage. If I need to say anything, it is that the cost of health insurance is getting out of control and something needs to be done about it on a national and state level. Be assured, however, that UTW will continue to work hard to keep the costs under control in USD #259.

* * * *

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Health Care Cost Increases:

This article is taken from the KNEA publication,

“More Than An Apple a Day”

Glossary:

Health Reimbursement Account (HRA)

Health Savings Account (HSA)

Flexible Spending Account (FSA)

High Deductible High Premium (HDHP)

These premium numbers are collected each year by the Kaiser Health Foundation, a great source for unbiased information (www.kff.org).

Every type of plan has experienced premium increase. Premium increases have been lower three years in a row. Last year's 7.7% increase was the lowest since 1999. By far the most popular options, PPOs and HMOs are increasing at similar rates. HMOs are actually increasing faster each of the last five years.

HDHP are a new breed and do not occupy much of the market share. How do these increases compare to general inflation and wages?

Some other observations can be made. The premium increase always exceeds the inflation rate and the increase in salary. Even though the average teacher salary has exceeded the CPI in some of the recent years, it is clearly outpaced by the health insurance premium increases.

Key cost drivers:

Health care costs have increased far faster than any other section of the economy. Every element of our health plan has increased – hospital costs, doctor costs, money spent on prescriptions and overhead. Compounding those increases has been a similar increase in consumer demand for services.

It is a true phenomenon – even though the costs for procedures and products are increasing dramatically, the increased demand doesn't abate a bit. Maybe that is just that independent American stubbornness – we refuse to let expense diminish our appetite. But that's another booklet. Let's see if we can understand some of those factors that are driving health care prices up.

Prescription Drugs

Much is made of the rising costs of prescription drugs, and the claims made by the drug companies about the high cost of research and development (R & D) might play better if the money actually went toward that effort rather than to perks for sales representatives and bonuses for the doctors that write the scripts. The truth is that R & D plays a part, but a small one, in the increase. A deeper look is helpful.

The increase in prescription spending may be

broken into three general areas. First, we are taking more drugs than in the past. I don't mean just you and me – all of us. We are filling more prescriptions per capita, and there is a significant increase in maintenance drugs.

While there are new drug therapies that are very helpful for many people, the cost is high. If we're taking more, it's costing more. We fight hard to get good prescription benefits as a part of our health insurance coverage – and then we collectively use that benefit!

Second, many people have shifted toward more new and more expensive drugs. This always coincides with the advertising blitz from the drug companies, but it is hardly a coincidence. It has played out perfectly – slick advertising campaigns create interest, patients get their doctors to write the script, and usage and profits soar. And the drug companies use some of those profits to fete the doctors that write the scripts. What a cycle! We pay for the cost of the advertising twice, so to speak.

Advertising also inhibits people from asking about generic drugs. Generic drugs are absolutely equivalent to name-brand, but many people still avoid them, at a considerable added cost to the health plan and to themselves personally.

The least of the three factors, although it remains significant, is the actual increases in the price of the drugs. In fact, with competition sharpening between big-box pharmacies, many prescriptions have dropped in price.

When we're 64

We are getting older as a group. Don't kill the messenger. Currently, 12% of Americans are over 65 years old; by 2030, 25% of the population will be. It's no different in Kansas; the average age increased from 33.5 years to 35.4 between 1992 and 2002.

Aging pushes usage, and increased demand represents about 15% of the increase in health costs. A typical 64-year-old uses \$4,500 per year more in medical care than an 18-year-old. The emerging medical conditions associated with aging also increase a reliance on specialists – and 7% of the increase comes from an increase in use of specialists. We are getting much better at keeping people alive, for which this author is personally and almost universally thankful, but that success comes with an increase in cost.

Some researchers claim that the health care costs in the last year of an individual's life typically equal all the health care dollars spent in the previous years of that person's life added together. That is staggering.

Does the plan structure matter?

Not that much. There is also no magic in the type of

health insurance plan. From traditional Point of Service plans to Health Maintenance Organizations to Preferred Providers to High Deductible Health Plans, they are often increasing between 10-15% per year.

There are common cost drivers that impact all plans. If a plan design can moderate some of the cost increases and is compatible with the interests of the group, then it is worth pursuing.

What is our role?

And the last driver, a huge factor in increasing health costs, is demand. We want more. We want the newest drugs and the fanciest tests. We want to pick our doctors and hospitals and have \$10 drug co-pays.

We don't like mandatory referrals or required second opinions or any limits to our health care. We switch from Claritin to Allegra when Claritin goes over-the-counter, because we can get it with our prescription card. The costs just keep going up and up and up. We pay a huge premium and, by golly, we want premium health care when we need it.

But there are things we can do to reduce the disconnect between our choices and the resultant cost. Surprise your doctor when he/she discusses treatment options by asking how much it costs.

Our guess is they will quickly check your chart; they were sure it said you had insurance. Why would you need to know how much anything costs? If you are also wondering, try to think of anything else you purchase that you do not know the price before you buy, let alone services and procedures that might dwarf any expenditure in your lifetime except – perhaps – your home.

Typically, we don't even know what anything is going to cost until after the fact, from a drug that is prescribed to a minor procedure to an extensive stay in the hospital. We just get the bill, and pay whatever they say.

How many other things in our life do we just sign up for, regardless of the cost? And while health care is often an urgent situation with little time for dicker, what if there was a \$10,000 difference in your hysterectomy between two acceptable area hospitals? There might be thousands of dollars difference between an X-ray and some new imaging technology, and it might serve the same purpose. Why not save ourselves and the plan money?

We gnash our teeth about the premiums, but that is fussing with the open barn door after the horse is long gone. That disconnect between our collective behavior and the impact it has on the resultant health insurance premium is a major impediment toward solving our

problem.

We all need to adopt an attitude of stewardship toward the dollars our plan is spending, as well as what we pay out-of-pocket.

So is there nothing that can be done?

Perhaps it seems that way. These are big forces at work, and some people are not – gasp – actually trying to help. The dollars are huge and some people think there are empires to build and piles of money to be made.

But we can do something(s). We can embrace healthy lifestyle choices involving food and exercise, which will reduce the likelihood of a host of serious ailments.

We can choose not to smoke or drink alcohol excessively. We can wear seat belts and avoid risky activities that might lead to injuries. We can reduce our violence toward each other, although there are compelling reasons for that beyond the positive impact on our health insurance premium. We can be healthier, and in the end, wealthier as well.

Further, we can be prudent and efficient in our personal usage of health care dollars. That does not mean we don't have checkups; that would be imprudent. It means avoiding emergency rooms if at all possible. It means asking for generic drugs, if they are available. It means becoming engaged with our caregivers about our health care.

We can also insist on plan designs that emphasize wellcare, that provide the quality of care we all desire when we are ill or injured, and that lead to a comprehension of the market forces at work.

A careful balance between the competing concerns of reasonable cost, high quality and adequate access is needed. Those decisions are often made in the political arena, and our part of that job will be to make sure the leaders we elect to make those decisions are truly working on our behalf.

Consumer-driven plans

Consumer-driven plans are often characterized as letting you make more choices about your health care. It is claimed that these plans, with their higher deductibles and lower benefits, really keep you from paying for coverage that you don't really need.

You as a consumer are armed with knowledge and power. Who can be against that? But insurance is still the pooling of assets and risk, and one often doesn't know what the next year holds in terms of medical needs.

The core characteristics of consumer-driven plans are fixed or defined employer contributions (often

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coupled with catastrophic coverage for expenses over a set limit) and expanded choice and responsibility for the employee.

Think of this as being similar to the two types of retirement plans with which you are probably familiar. Your current health insurance is probably a defined benefit plan. It works much like KPERS. For a given amount invested (the premium), there is a guaranteed benefit (the coverage). Even with copays and deductibles, you can reasonably predict your expense no matter how many services you need over the plan year. The benefit stays the same, but the cost will vary from year to year.

Some of the newer consumer-driven plans have a defined contribution, rather than a benefit. The employer pays a certain amount per month, and the employee can make choices on what products or services to buy with that money. In this case, the cost to the employer stays the same, but the benefit will vary from year to year. The responsibility and the risk shifts from the employer to the employee. While the consumer may be driving, it's on a perilous and unpredictable roadway. If you make a mistake or miscalculation – or just have some bad luck, then you assume the risk.

HSAs and HRAs

There are choices allowed by the Internal Revenue Service that can help maximize the dollars you spend on health care. These plans have some similarities in utilizing pre-tax dollars for unreimbursed medical expenses, but there are also some critical differences.

One vehicle is called a Health Savings Account (HSA). Pre-tax dollars are again set aside in an account and can come from the employee, the employer, or both. The funds are spent on unreimbursed medical expenses.

Money can carry over from one year to the next and even into retirement. That is great. However, HSAs must be coupled with a high deductible health plan, which means at least \$1,100 deductible for a single and \$2,200 for a family. The yearly amount contributed to a HSA can not exceed the annual deductible, so the chance to accrue money from year to year is moot unless you have less than \$1,100 a year in total expenses.

Another vehicle is a Health Reimbursement Arrangement (HRA). Pre-tax dollars are again set aside in an account and, in this case, can come from only from the employer. Funds are spent on unreimbursed medical

(turn to page 8 for more info on HSA and HRA)

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Speak Out!

This edition of United Voice is devoted to health care because, as you know, there is a health care crisis in our country, and that crisis has resulted in skyrocketing cost increases for insurance premiums, medical care and prescriptions. The USD 259 self-funded plan has not been immune from the crisis. It has not been unusual at all for our health plan to experience double-digit percentage increases in any recent given year. The numbers regarding our plan are astounding! I'd like to tell you about some of those numbers so you can understand what UTW is facing in the upcoming negotiations for our next contract.

15,000 men, women and children are participants in the USD 259 health plan. I'm sure glad these people have health coverage, but it is a big ticket item in the school district's budget. As a matter of fact, the USD 259 health plan takes over 10% of the budget and costs over \$50 million dollars per year. Those health costs are paid out of the same pot of money that pays for salaries and supplies. Negotiations long ago became a question of salary increases or health care. We've been able to have a pretty good portion of both ever since the Kansas Supreme Court forced the legislature to pony up increases in school finance these past three years. But the legislature put just \$6 million in the school finance "lockbox" for USD 259 for 2009-2010. That compares to \$17 million this year, \$23 million the year before that, and \$33 million the year before that. The cost of our health plan is projected to increase by as much as \$6 million next year. That's the whole amount of increase in state aid that is earmarked for Wichita, and we're already hearing rumblings that some in the legislature are looking for the key to that school finance "lockbox" so the state can remove the promised increases to pay for other necessities.

The district pays \$590 per month per employee to cover health care costs. Despite that pricey premium, our plan isn't the Cadillac it used to be. The BOE is reluctant to spend more per month per employee without employees

sharing in the premiums. This year's agreement contains language that calls for all employees to start contributing to the premiums next school year. Some employees already contribute in the form of the spousal surcharge, the part-time surcharge or the tobacco use surcharge. We have all experienced the shift in costs from the plan to us over the last few years in terms of formulary changes, higher deductibles, changes in coverage, increased co-pays and a more restricted network of providers.



UTW President Paul Babich

What a litany of bad news! Yet our health plan continues to be a recruiting plus for the district compared to surrounding districts and area employers. The premiums are relatively low or even non-existent for employees and we have access to good health care. I read an article just last week about the health plan for Garden City Community College. The college pays \$301 per month for each employee's health premium. Single employees must chip in \$245.22 per month on their own and employees needing family coverage spend **\$1378.69 per month** out of their own pockets. Wow! The college and the employees are both grumbling, and a labor tussle is more than likely in GCCC's near future.

We're fortunate here in USD 259 to not be looking at those high numbers for employee premium contributions. However, it is a new world out there in health care and we all need to bone up on the topic; we all need to understand the current crisis; and we all need to work together to get the most out of health care dollars that we can. That's

The cost of our health plan is projected to increase by as much as \$6 million next year. That's the whole amount of increase in state aid that is earmarked for Wichita.

why it is important for each of us to participate in the upcoming health survey that the Labor/Management and

EHAC Committees will be administering. That's why UTW needs to hear your health plan concerns, questions and comments. That's why we'll be hearing more and more about wellness and changing lifestyles to get healthier. And that's why UTW is committed to protecting and improving our health plan if employees are going to be sharing in more of the premium.

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expenses. Like the HSA, money can carry over from one year to the next and even into retirement. Even better, there is no requirement for the high deductible health plan. An HRA works just fine with a high-quality health plan. We think HRAs are the superior option of the two, and work even better with an FSA covering the initial unreimbursed expenses.

Comparison of Health Reimbursement Arrangements (HRAs) and Health Savings Accounts (HSAs).

SIMILARITIES

Topic	HRA	HSA
<i>Unused funds accumulate from year to year.</i>	Yes	Yes
<i>Account may be continued into retirement or other employment.</i>	Yes	Yes

DIFFERENCES

Topic	HRA	HSA
<i>High deductible health plan required (\$1,100 single; \$2,200 family)</i>	No	Yes
<i>Coordinate with Flexible Spending Account/Section 125 salary reduction plan/ Unreimbursed medical?</i>	Yes, if the trust is written to allow FSA reimbursements BEFORE HRA reimbursements	Not easily; HSA funds are used to meet the high deductible and must be expended before FSA funds are used (exception is other funds are used “permitted insurance” including dental, vision, or preventive care or long-term care premiums).
<i>Prescription cards allowed?</i>	Yes	Only for prescription costs beyond the high deductible or for a limited number of medications needed for “prevention” of disease.
<i>Contributions?</i>	Employer only	Employer or employee
<i>Complex system that requires careful study and strategizing?</i>	No	Yes

UTW strongly encourages all employees to carefully study the many issues involved with health insurance today. Most of the information in this newsletter was taken from a KNEA publication, “More Than An Apple A Day.” There are many places to get good information. Contact us and we will gladly assist you in finding information.