

Horizon: Wisconsin School Districts Could Save \$500 million by Participating in the State Health Plan

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Madison, Wisconsin, March 24, 2021 –Wisconsin school districts could save more than \$500 million in the aggregate, the equivalent of as much as \$5,000 per full time school employee position per year, if they were pooled together in a new plan modeled after the state’s employee health plan administered by the Employee Trust Funds (ETF). According to the report linked below, the savings could be achieved through creation of a voluntary risk-pool that could yield savings for districts, teachers and ultimately taxpayers, according to the study’s author former Wisconsin Deputy Insurance Commissioner, J.P. Wieske of Horizon Government Affairs, a prominent national policy think tank in Washington D.C.

Currently the school district relies on Act 10 passed in 2011, which attempted to increase competition and choice in the school health insurance market. While this has worked for some, not all schools have benefited from these changes, and in fact, the study found variation in costs for a significant number of school districts that cannot be attributed to health plan design.

According to the report, some of the advantages of including Wisconsin school districts in the state ETF program include the ETF’s expertise in the healthcare arena and its ability to negotiate competitive prices with private insurance companies as well as improved economies of scale.

“The savings aren’t magic. Even though many school districts were able to take

advantage of the flexibility offered by Act 10, we found that what school districts paid for health insurance varied widely – between \$450/month and \$1400/month for single coverage” said Wieske.

Some of the advantages of a larger separate school district-only insurance pool include:

Easier administration for many school districts.

The larger pool will ensure that health outcomes are spread across a wider group of school districts, helping school districts with rate predictability

More predictable stable premiums that avoid unanticipated and unavoidable spikes due to employees becoming seriously ill or suffering chronic diseases.

By offering HSA-qualified plans the school district pool will avoid adverse selection issues, and school districts can add additional benefits through contribution to an HSA or HRA.

A district-specific risk pool is not a new idea. Governor Tony Evers included \$1M in his FY2021-22 budget to study the issue. Also, previous research released by the Badger Institute, formerly the Wisconsin Policy Research Institute, has argued that free-market efficiencies and competition could be facilitated through the creation of a school district-specific risk pool.

According to the report, the average Wisconsin school district is now spending over \$21,000 annually for an insured employee family policy. Further, twenty-one school districts have family policy deductibles that are \$10,000 or higher. On average, the age of school insured employees is older than their private sector counterparts.