



SAINT PAUL FEDERATION  
OF EDUCATORS LOCAL 28

## **Health Insurance/PEIP Vote – Information for Members**

SPFE staff will add other questions and information about the vote to this document as they are brought to our attention.

This document was last updated: March 18, 2019.

### **1. Why are we having this vote?**

Health insurance costs are increasingly becoming a concern for SPFE members. In the most recent bargaining survey, 80% of members strongly agreed or agreed that we need to address members' health insurance premium costs. PEIP can reduce the cost of health insurance for the membership.

State statute allows public sector bargaining units to move to PEIP if we give notice of intent at least 30 days before the expiration date of the collective bargaining agreement. Our current agreement expires June 30, 2019. Having a vote will help us decide democratically as a union if this is the right decision for us.

### **2. Who decided we should vote on this?**

There is no legal requirement for us to conduct a vote to move into PEIP, however, in the spirit of democracy, your SPFE executive board passed a motion to have the membership vote on whether or not we should move into the Public Employee Insurance Program for health insurance.

### **3. Why are there two rounds of informational meetings?**

The first round of informational meetings will give you all the information you need to know about PEIP and their health insurance. In the second round of informational meetings, scheduled in April, you will get the same information plus PEIP will have an official proposal on premium costs for next year (2020). PEIP representatives will share this information to help inform members on how costs compare before we vote. This information will take time to generate, PEIP first needs to get data from the district to complete a new bid for us.

### **4. When and where will the vote take place?**

The vote will be conducted in your building by your steward(s) and/or CAT members. Votes will be conducted at the end of April/beginning of May. Watch for more information specific to your building in April.

**5. How many members have to vote for PEIP in order for the change to happen?**

A majority of the members who participate in the vote have to vote to move into PEIP.

**6. How does our health insurance carrier generally get selected?**

Currently, the decision on what carrier is selected for SPPS employee health benefits is made by the School Board with input from the Benefits Labor Management Committee (LMC), which is made up of folks from various unions with members in SPPS and district administration. The LMC goes through a process of reviewing bids from insurance carriers, discussing the bids, and rating each bid. After a series of meetings, the LMC members who are present cast votes on their recommendation for health insurance carriers; human resources then take this information to the school board for a final decision.

**7. Why didn't the Benefits LMC and the district select PEIP in the last RFP (Request for Proposal) process where they reviewed bids from insurance carriers?**

At the end of the last LMC process, there were two finalists to the RFP process: Health Partners and PEIP (Public Employee Insurance Program). Even though PEIP came in with the lowest bid, Human Resources argued against PEIP and urged the committee to stay with Health Partners. At the end of the day the committee voted 9-7 to stay with Health Partners. Some of the reasons they voted to stay with Health Partners are:

- There was concern about causing a disruption to the open enrollment process and the additional work required to change providers.
- There are no rate guarantees from PEIP—because PEIP is a public employee program and not a private corporation, they do not make rate guarantees. Health Partners can make a rate guarantee and risk having to pay the difference as a private entity. Overtime, SPPS has cost Health Partners more than we are paying and Health Partners has covered the increase in order to keep our business. They are likely shifting those costs onto other customers.
- By staying with Health Partners there was no need to educate employees about new plan options. HR argued that it would take too much time and energy to educate employees about a new plan, even though PEIP agreed to help as much as possible.

**8. What were the final bids in the last RFP process with health insurance carriers?**

For context, in 2018 total health insurance premiums for the district were \$63,155,000.00

First Round of bids from Health Insurance Carriers:

- The current carrier (Health Partners) came with an initial bid of \$66,938,000 for 2019 with a rate guarantee of 7% for the following year and 8% for the year after that.
- The initial PEIP bid was \$61,112,000 for 2019 with no rate guarantees for the following years but a historical renewal rate of an average of 2.5%
- The initial PEIP bid was \$5,870,000 less than the current carrier annually.
- The broker estimated the PEIP plans had a slightly lower actuarial value leading to slightly more out-of-pocket costs to members. The additional out-of-pocket costs overall were calculated to be \$1,318,000 annually. However, there would *still* be a cost savings overall of \$4,552,000 annually due to the lower premiums. Most of the cost savings are seen directly by members.

Final Round of bids from Health Insurance Carriers:

At the end of the RFP process all vendors were asked to supply best and final offers. The vendors were given two additional months of health insurance claims data for SPPS employees.

- Health Partners: \$63,155,000 with rate guarantees of 7% and 7% for the next two years.
- PEIP: \$59,856,000 or \$3,299,000 less than the 2018 costs (no rate guarantees but a 2.5% average renewal history).