The Financial Implications of the New York Health Act for School Districts, Cities and Towns

Submitted by: Lawrence J. Kilian, Ph. D., Retired School District Administrator and
Mary Jane Kilian, M.A., Retired Teacher May 28, 2019

We are here to discuss the financial implications of the New York Health Act on school districts, cities and towns, but before I start that discussion, I would urge us all to remember that our advocacy ultimately springs from a belief that access to health care is a human right. Look at this graph (at the back of the handout.) It shows **maternal death rates for Americans increasing, while in the rest of the world they are falling,** and remember that there are people behind these statistics; remember that women who are pregnant need access to a doctor on a regular basis. Unfortunately, New York State ranks 30th in our own country - 29 states have lower maternal death rates.[1] These are problems we can't afford to ignore – we will argue from the financial standpoint, for sure, but from the moral standpoint, as well. We need to fix this now!

Now for the financial implications. Take a look at the Kaiser graph (next to last page in the handout) with national data. **The cost of family insurance coverage has more than tripled since 1999**. Put your finger on 1999 with the cost at less than $6,000. Move forward ten years to when the ACA was being debated and passed (March 2010). At that time, costs had more than doubled, but reasonable people thought we could use a for-profit insurance system to give everybody coverage and make insurance affordable. Now that costs have more than tripled, we can't make that mistake again – we need to re-structure how we pay for health care. We need to fix this now.

Turning to NY State data, a report from the Association of School Business Officials[2] indicates that **health care costs for school districts are going up at 4 times the rate of inflation** and twice the rate of foundation aid increase. We need to fix this now.

For a local example, to compliment the national and statewide data, a Westchester town paid $23,115 three years ago for family insurance for just one employee; this year they paid $28,953. At this rate they will pay $36,278 in 2022. Doing nothing is not an option. We need to fix this now.

But why is the cost of family insurance going up so steeply? One reason is that businesses are increasingly finding ways not to offer medical insurance to their employees; the burden of providing insurance is being shifted to cities, towns and school districts. Today, only half of workers in private industry have employer

sponsored health insurance compared to 70% of city, town and school district workers.[3]

We know a father of a family of 4 who, along with 300+ people in NY, lost his job when his employer declared bankruptcy a few years ago. He has only been able to find work as an independent contractor since and paid $20,404 a year for medical insurance premiums plus a $10 co-pay for PCP and $40 for a specialist; and he pays $2,849 for dental insurance. But guess what, he now does have insurance because his wife got a job in a public school. Cities, towns and school districts are paying for health insurance for spouses in private industry where health insurance is not offered. We need to re-structure how we pay for health care. We need to fix this now.

What are school districts, cities and towns doing to cope with the staggering increases in health care to keep under the tax cap?

- Increasing the percentage that employees pay to their health insurance.
    - In our town, over the last three years teachers' share of the insurance premiums have gone up from 10.5% to 12.25%, so combined with the increase in health insurance these teachers' contributions to their health insurance have gone up 39.9% in the last 3 years. These increases are common, all over the state. See the attached table for selected school districts.
- Making retirees pay more for insurance
    - Consider a retired teacher in a village in SD7 on Long Island. This retired teacher's insurance premiums have gone up each year. In the time between retirement and when a teacher reaches Medicare age, retired teachers pay a significant proportion of their health insurance premiums. Currently this retired teacher is contributing $13,104 a year for health insurance.
- Paying people to not take health insurance
    - Instead of taking the health insurance offered by, cities, towns and school districts employees can take a payment in lieu of insurance coverage and use that money to purchase much cheaper insurance.
    - We know a couple who pay only $1,696 a year for insurance, and for that get a yearly physical and associated screening tests. The catch is that there is a $6,650 deductible per person. Cases of underinsurance such as this are why we have such poor health care outcomes. People who are sick delay going to the doctor because they have to pay hundreds of dollars for an office visit.

- Reducing the number of people, to whom insurance is offered by, for example, hiring part-time workers.

While employers are forced to make these horrible choices to pay **for health insurance costs rising out of control,** while people are dying for lack of health insurance, let's take a look at how this extra money is being spent.

- Hospital executives pay and perks in New York State[4]
  - In 2016, 366 hospital officials in New York received $80 million in bonuses, on top of hospital executive salaries in the millions of dollars
  - Perks included provision of maids, chauffeurs and chefs
- Health care CEOs took home $2.6 billion in 2018[5]
  - The chief executives of 177 health care companies collectively made $2.6 billion in 2018
  - The median pay of a health care CEO in 2018 was $7.7 million. Fourteen CEOs made more than $46 million each.
  - The highest-paid health care CEO last year was Regeneron Pharmaceuticals' Leonard Schleifer, who made $118 million

The New York Health Act proposes a re-structuring of how we pay for health insurance. How will this affect cities, towns and school districts?

Most people understand that the NYHA's single payer approach will eliminate unnecessary administrative expenses to the tune of tens of billions of dollars a year, but few people understand that the bill proposes a necessary restructuring of how we pay for insurance:

- Perhaps one third of the burden for providing health insurance would be shifted from employers to a tax on non-payroll income (e.g., capital gains, dividends, interest.) (The actual marginal rates will be set in a separate funding bill a year or two after the NYHA is passed, so this is a rough estimate.)
- The insurance premiums would be geared to salary level – now employers pay the same for insurance whether a person makes $40,000 or $140,000.

How would this funding structure of the NYHA affect school districts, cities and towns?

- Employees would no longer have co-pays when they went to the doctor or for prescription drugs. They would have access to long term care.
- Most employees would contribute less to their health insurance.
- School districts, cities and townw could expect a decrease in the cost of providing health insurance to their employees proportional to the percent of income transferred to non-payroll sources.

- Employer costs for providing retirees insurance would be greatly reduced because under the NYHA employers would have to pay insurance only for retired employees who move out of state.
- Although critics say that our taxes would be increased by 156%, in actuality, the bulk of the money to fund the NY Health Act would come from employers writing their insurance premium checks to the NY Health Trust Fund instead of writing that check to a private insurance company as they now do.

This funding structure will allow all New Yorkers to contribute according to their means. It will reduce the health insurance cost burden on cities, towns, and school districts and most employers. Cities and towns should not have to consider firing police officers or firefighters to pay for the rising costs of health insurance; schools should not have to consider firing teachers to stay under the tax cap.

Long ago, the cost of health insurance reached crisis proportions. We need to fix this problem now. Please support the NYHA.

Notes:

[1]https://en.wikipedia.org/wiki/Maternal_mortality_in_the_United_States

[2]Association of School Business Officials of New York, Albany, NY 12205, April 8, 2019, www.asbonewyork.org

[3]Bureau of Labor Statistics: https://www.bls.gov/news.release/archives/ebs2_07202018.htm

[4] https://www.poughkeepsiejournal.com/story/news/2019/05/10/top-new-york-hospital-executives-doctors-got-80-m-bonuses/1155691001/

[5] https://www.axios.com/health-care-industry-on-track-massive-q2-profits-1533226387-dacec8f8-c9f5-406c-a49e-1103e3316c64.html

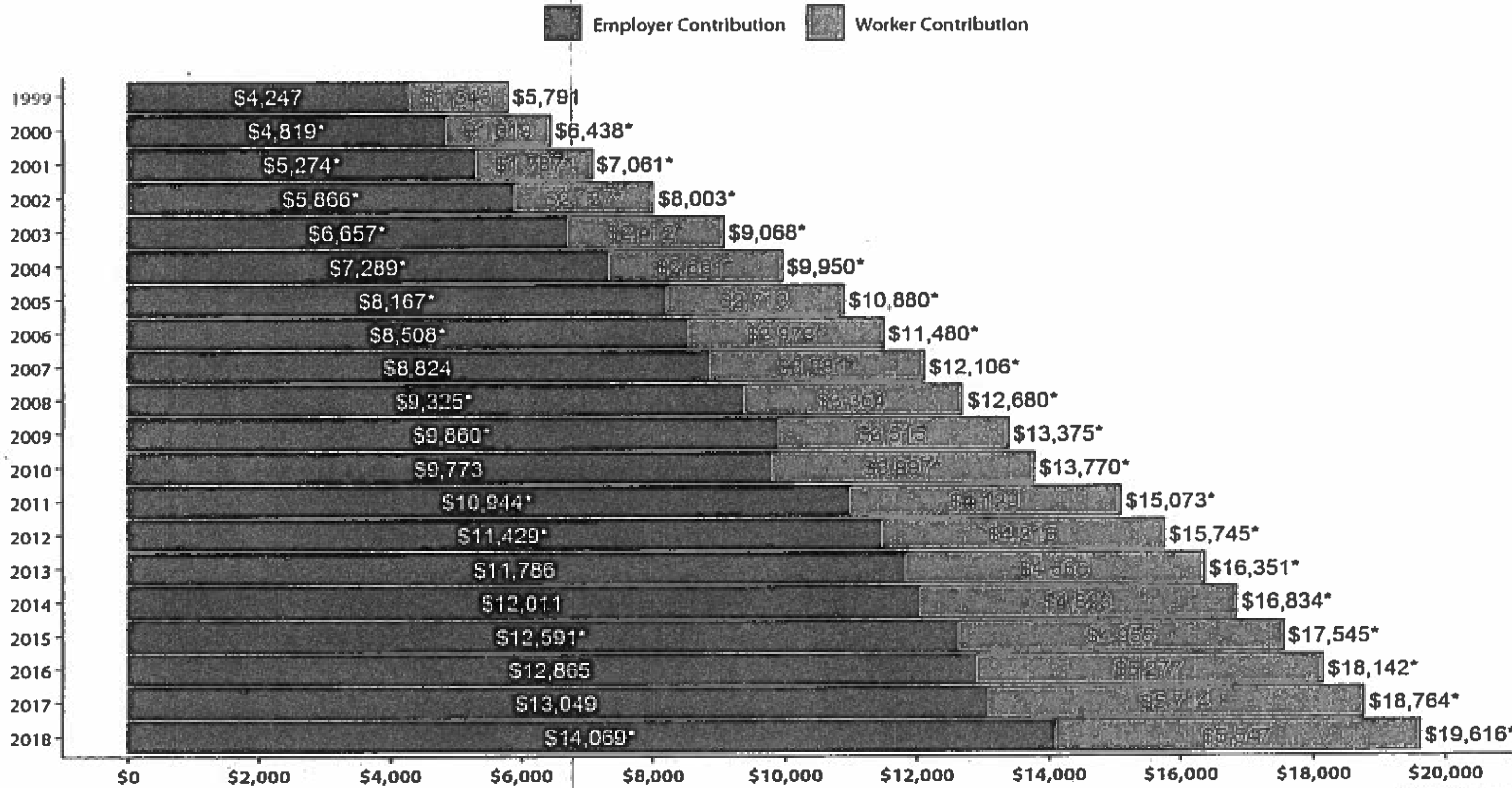
Teacher contributions to their health insurance as a percent of the total premium or the $ amount for selected school districts

School district/ year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Albany					16.00%	18.00%	20.00%
Buffalo		$1,100	$1,300	$1,500			
Hastings-on-Hudson	15.50%	16.00%	16.50%	16.50%			
Haverstraw-Stony Point	15% *	16% *	17% *				
White Plains	12.50%	13.50%	14.00%	14.25%			
Yonkers	$1,200	$1,400	$1,600	$1,800			
Yonkers: hired after 2017				15.00%	15.00%		

*New hires – contribute 20%-25% for first three years

Insurance premiums continue to rise

Average Annual Worker and Employer Contributions to Premiums and Total Premiums for Family Coverage, 1999-2018

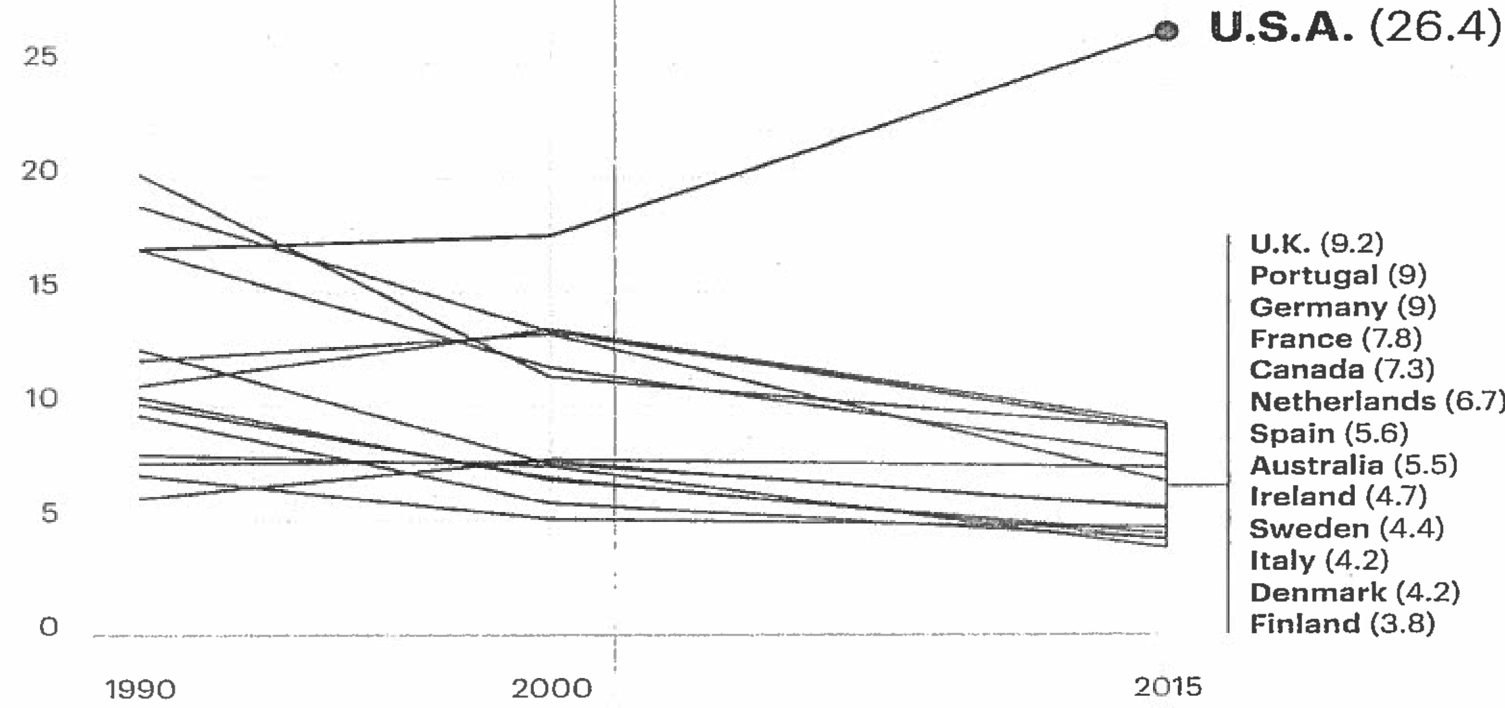


* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

SOURCE: KFF Employer Health Benefits Survey, 2018; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

Maternal Mortality Is Rising in the U.S. As It Declines Elsewhere

Deaths per 100,000 live births



"Global, regional, and national levels of maternal mortality, 1990–2015: a systematic analysis for the Global Burden of Disease Study 2015," *The Lancet*. Only data for 1990, 2000 and 2015 was made available in the journal.

Source: The Lancet. Credit: Rob Weychert/ProPublica