



KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Assistant Superintendent

Dave Jones

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Phone (907) 714-8888 Fax (907) 262-5867

April 14, 2016

The Honorable Kurt Olson, House Labor & Commerce Chair
Alaska State Capitol
Juneau, Alaska 9980-1182

Dear Representative Olson,

I am writing on behalf of the Kenai Peninsula Borough School District (KPBSD) to oppose [House Bill 374](#) and the companion [Senate Bill 206](#). In an effort to be fiscally responsible, KPBSD currently maintains our own self-funded health care plan.

HB 374 and SB 2016 change the assessment methodology for funding the ACHIA program's reinsurance losses. It is my understanding the impact of HB 374 will result in significant increases to the assessments for stop loss carriers in Alaska, and those stop loss carriers will then pass the increased costs on to our self-funded health plan.

Based on the estimates presented in the Senate Labor and Commerce Committee on April 13, 2016, it appears the assessment is estimated to be approximately \$19.32 per covered life per month, which is approximately \$232 per person per year. Our health care plan currently provides coverage to 1,225 employees, who along with their dependents, equal approximately 3,714 covered lives. **Calculating an estimated \$232 per person per year and 3,714 lives, HB 374 will result in health care plan cost increases of \$861,648 to KPBSD.**

In addition to increased stop loss costs, this additional cost to our plan could expose us to additional federal Cadillac Taxes if it caused our plan to exceed the Cadillac Thresholds. This would mean that in addition to the \$232 per covered life paid to the state, KPBSD would have to pay an additional \$92.80 per person in federal Cadillac Tax for an additional \$344,659 in costs to our health care plan.

We believe that the assessments fall disproportionately on Alaska-based employers:

- The State will not have to pay the assessment on its own employees
- Federal employees and employees of native corporations and other entities who buy coverage on the federal plan will not pay the assessments
- National employers with employees in Alaska, whose health plans (and stop loss coverage) are based outside the state will not pay the assessment

During our budget process this year, KPBSD reduced our expenditures by over \$4.5 million dollars. At this late date in our budget process, and in the legislative process, we would be forced to eliminate approximately an additional 10 teaching positions which would be a further negative impact to the students in our district.

The Kenai Peninsula Borough School District opposes the passage of HB 374 or SB 206.

Please let me know if you have any questions or need further information in regard to this matter.

Sincerely,

A handwritten signature in blue ink that reads "Dave Jones".

Dave Jones
Assistant Superintendent
KPBSD