

# KPBSD HEALTH CARE PROPOSAL



# CURRENT KPBSD HEALTH CARE PLAN

- Self Insured: This means that we control the plan covers and pay for actual costs associated with the benefits.
- 85/15 Split: This means that currently the District bears 85% of the cost of the plan and employees bear 15%.
- Health Care Program Committee (HCPC): This committee is with determining what health care benefits will be included in the plan. Committee composition consists of:
  - 4 Representatives from KPEA (teachers)
  - 3 Representatives from KPESA (support staff)
  - 1 Representative from KPAA (principals)
  - 3 Representative selected by the Superintendent
  - Approval for actions items requires 80% agreement
- “Cadillac” Plan



# KPEA, KPESA, KPAA JOINT HEALTH CARE PROPOSAL COST OUT

ASSOCIATION PROPOSAL (INITIAL)	
Financial Components	Cost
1. Add Domestic Partner Coverage	\$204,240
2. HCPC Secretarial Support	\$600
3. Opt Out Payment - \$650	\$1,158,300
4. KPBSD - Employer Opt Out Contributions pooled	\$5,251,554
5. Pooling Rx Rebates - KPBSD Portion	\$839,826
6. Pooling Unused HRA balances	\$71,002
7. HRA/HSA contribution for "double Covered" opt outs who enroll on one family policy	\$97,500
8. Employer Contribution pooling for "double covered" opt outs who enroll on one family policy	\$2,104,245
9. 85%/15% Split to 95%/5% Split	\$2,916,909
10. Deductible to be included in OOP Max	\$644,100
11. Increase HRA/HSA contributrion to EE's deductible tier	\$2,191,900
<b>TOTAL KPEA PROPOSAL</b>	<b>\$15,480,176</b>

# DISTRICT GOALS FOR HEALTH CARE

- Lower Premiums
- More affordable health care when it needs to be used
- Empower employees to take on consumer driven approach to health care
- Provide employees the ability to plan for the future



# KEY TERMS

- **Premium:** The amount of money you pay each month for your health insurance coverage, whether or not you use medical services.
- **Tiers:** The KPBSD Health Care Plan currently has 4 tiers:
  - Employee Only
  - Employee + Spouse
  - Employee + Children
  - Employee + Family
- **Deductible:** The deductible is the amount you pay out of pocket each year for medical expenses before the health plan starts sharing the cost. For example, if your deductible is \$1,500, you pay the first \$1,500 of covered medical bills yourself. After that, the plan begins paying its share of the costs according to the Summary of Benefits - typically 80%.
- **Out of Pocket Maximum:** The total amount a person pays for covered medical services under the plan, not including the deductible. The portion you pay after the plan begins sharing costs. Once you reach your Out-of-Pocket Maximum, the plan pays 100% of covered expenses for the rest of the year.



- **Self-Insured Plan:** The employer, not an insurance company, pays the actual cost of employees' medical claims. The plan's funds come from employer and employee contributions.
- **Network (PPO):** A group of doctors, hospitals, and other providers that agree to give discounted rates to members. Using in-network providers saves both the plan and members money.

# HEALTH REIMBURSEMENT ACCOUNT (HRA) VS. HEALTH SAVINGS ACCOUNT (HSA)

## HRA

An HRA allows KPBSD to set aside funds for you to spend on qualified health care expenses. Money not used in one calendar year will be rolled over from year-to-year. KPBSD will contribute \$1,000 per fiscal year to each HRA account. If you enroll mid-year, your HRA contribution will be prorated.

## HRA

You may use these funds for you and your dependents who are enrolled in the HRA Plan. If you terminate from KPBSD employment or terminate from the HRA Health Plan, any remaining HRA funds will be forfeited per IRS regulations.

## HRA

Your HRA funds can be used towards medical, prescription, dental, and vision expenses. The HRA will be administered by Rehn. A debit card is provided for use at providers and pharmacies that accept HRA debit cards. A claim form is also available to submit for HRA reimbursements.

## HRA

The employer owns and funds the HRA. Employees do not contribute money to an HRA.

## HSA

**Triple Tax Savings:** Contributions are tax free; earnings are tax free; withdrawals are tax free when made for eligible medical care expenses.

Both the employee and the employer can contribute. Contributions are pre-tax, reducing the taxable income the employer reports to the IRS.

## HSA

The money stays in the HSA account from year to year. It is yours to keep even if you leave employment with KPBSD. You may continue to use the HSA for medical expenses, even if you are no longer enrolled on a Qualified Health Plan. You just lose the ability to contribute to the HSA.

## HSA

The HSA must be Paired with a Qualified High Deductible Health Plan (QHDHP). It's meant to help employees pay for those higher upfront costs while saving for future medical expenses, even into retirement.

## HSA

**Employees Own It:** Unlike an HRA, the HSA belongs to the employee, not the employer. The account, and any money in it, stays with the employee even if they change jobs or retire. With an HSA, the participant may invest their funds if their account balance exceeds \$2,000.

- Key elements of the District's proposal

HEALTH CARE COST OUT						
DISTRICT OFFER ON 10/21/2025 (INITIAL)						
Proposed Benefit Changes					Cost	
Increase HRA/HSA Contribution						
Employee Only Increase from \$1,000 to \$4,400						
Employee + Spouse Increase from \$1000 to \$6300						
Employee + Children Increase from \$1000 to \$6300						
Employee + Family Increase from \$1000 to \$6300					\$3,860,400	
Transarent Medical Leave					\$7,126	
Premium Reduction - 8.16% Projected					See Below	
Proposed Cost Saving Measures					Cost	
Increase Deductible for both plans: \$3300/\$6600 DED - \$2000/\$4000 OOP					(\$2,671,892)	
Add Non-PPO Physician Penalty flat 60% (not subject to OOP max)					(\$489,091)	
Decrease Dental Basic Care Benefit from 100% to 80%					(\$275,000)	
Allow "Double Covered" opt outs - all family members may enroll on one family policy					(\$215,000)	
Remove HRA 4th QTR Deductible Rollver					(\$154,600)	
Limit Rx Retail Fill limit to 31 days ( <i>Mail order to remain at 100 days supply</i> )					(\$50,000)	
Limit Massage Therapy to 12 Visits per CY (with add'l visits approved with medical necessity review)					TBD	
TOTAL DISTRICT OFFER					\$11,943	
Projected Premiums						
Rates set by sub-committee 8/29/25		Projected Rates for District Proposal		Savings		
Monthly Premium - 9 Months		Monthly Premium - 9 Months		Month	Year	Percent
Tier 1	\$293.38	Tier 1	\$269.44	\$23.94	\$215.46	8.16%
Tier 2	\$645.44	Tier 2	\$592.77	\$52.67	\$474.03	8.16%
Tier 3	\$557.42	Tier 3	\$511.93	\$45.49	\$409.41	8.16%
Tier 4	\$938.82	Tier 4	\$862.20	\$76.62	\$689.58	8.16%

- How does the District's proposal apply to the worst and best case scenarios?

### Worst Case Scenario for KPBSD Health Plan Out of Pocket costs

*If member(s) maxed out their deductible and out of pocket maximum, this is their total out of pocket cost for each Plan. Assumptions: Used in-Network (PPO) providers and facilities.*

	CURRENT					PROPOSAL			
	Employee Only HRA	Employee Only HSA	Family HRA	Family HSA		Employee Only HRA	Employee Only HSA	Family HRA	Family HSA
Deductible	(\$1,500)	(\$1,700)	(\$3,000)	(\$3,400)	Deductible	(\$3,300)	(\$3,300)	(\$6,600)	(\$6,600)
Out of Pocket Max	(\$2,000)	(\$2,000)	(\$4,000)	(\$4,000)	Out of Pocket Max	(\$2,000)	(\$2,000)	(\$4,000)	(\$4,000)
Total Employee Expense	(\$3,500)	(\$3,700)	(\$7,000)	(\$7,400)		(\$5,300)	(\$5,300)	(\$10,600)	(\$10,600)
Less Employer Contribution	\$1,000	\$1,000	\$1,000	\$1,000	Less Employer Contribution	\$4,400	\$4,400	\$6,300	\$6,300
<b>Total Out of Pocket Minus HRA/HSA Contribution</b>	(\$2,500)	(\$2,700)	(\$6,000)	(\$6,400)		(\$900)	(\$900)	(\$4,300)	(\$4,300)
					<b>Benefit to the employee compared to the current plan</b>	<b>\$1,600</b>	<b>\$1,800</b>	<b>\$1,700</b>	<b>\$2,100</b>

### Best Case Scenario for KPBSD Health Plan Out of Pocket costs

*If member(s) only used the Plan for Preventive visits during the Calendar Year. Assumptions: Used in-Network (PPO) providers and facilities.*

	CURRENT					PROPOSAL			
	Employee Only HRA	Employee Only HSA	Family HRA	Family HSA		Employee Only HRA	Employee Only HSA	Family HRA	Family HSA
Deductible	\$0	\$0	\$0	\$0	Deductible	\$0	\$0	\$0	\$0
Out of Pocket Max	\$0	\$0	\$0	\$0	Out of Pocket Max	\$0	\$0	\$0	\$0
Total Employee Expense	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0
Less Employer Contribution	\$1,000	\$1,000	\$1,000	\$1,000	Less Employer Contribution	\$4,400	\$4,400	\$6,300	\$6,300
<b>Total Benefit of HRA/HSA Contribution</b>	\$1,000	\$1,000	\$1,000	\$1,000		\$4,400	\$4,400	\$6,300	\$6,300
					<b>Benefit to the employee compared to the current plan</b>	<b>\$3,400</b>	<b>\$3,400</b>	<b>\$5,300</b>	<b>\$5,300</b>



- The positive impact will be felt broadly throughout the District

2024 Deductible	Participants				
	MET INDV	MET FAM	Total Met	Average Total Enrolled Members	% Who Met Deductible
800303 (HRA Plan, Embedded)	305	736	1,041	1,749	59.50%
800305 (HSA Plan, NonEmbedded)	46	149	195	381	51.20%
Grand Total	351	885	1,236	2,130	58.00%
2024 OOPM	Participants				
	MET INDV	MET FAM	Total Met	Average Total Enrolled Members	% Who Met Deductible
800303 (HRA Plan, Embedded)	188	153	341	1,749	19.50%
800305 (HSA Plan, NonEmbedded)	33	21	54	381	14.20%
Grand Total	221	174	395	2,130	18.50%

# SUMMARY

## Organizational Impact

- Lower premiums for all employees January 1<sup>st</sup>
- Recruitment – a consumer driven plan
- Retention – HSA can be invested and over time can result in an additional and significant retirement account



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# QUESTIONS ABOUT THE HEALTH CARE PROPOSAL