Private/charter school administrators: 4 ways to sleep better at night

By Corporate Synergies’ Wage Party Experts / 1.8.2015

We’re making an educated guess here—if you’re the administrator of a private or charter school, the group employee benefits and compensation demands on your tuition-driven revenue stream are causing you a restless night. Add to that the strenuous requirements of the Affordable Care Act and you’ve got a recipe for long-term sleep deprivation.

In working with educational institutions, we routinely encounter administrators who are very concerned about benefits cost-control and ACA compliance. Add to that the GOP’s 2014 mid-term election sweep and some employers are speculating that the ACA may be on its last leg. In light of the rigorous requirements of the law, this line of wishful thinking is understandable. But we are aligned with other benefits experts in asserting that healthcare reform is here to stay and employers who become complacent about compliance do so at the peril of multiplying their benefit-related expenses. No employer, especially one that relies chiefly on tuition for income, can afford to expose their organization to potential fines and penalties. And for private and charter schools whose reputations are crucial in attracting both students and a talented workforce, easing back on ACA compliance now will deliver nothing but a painful lesson later.

One example of compliance complacency that we’ve noted among some educational institutions is a lack of planning centered around the ACA’s Cadillac Tax. This tax will impact self-funded group health plans starting in 2018 when the government imposes a nondeductible 40% excise tax on groups whose employee benefits exceed an “excess” cost threshold. In general, this “excess benefit” is the premium value above $10,200 for single coverage and $27,500 for self and spouse or family coverage. If the coverage is fully insured, then the insurance carrier must pay the tax. The excess tax paid by the insurance carrier will most likely be passed onto the employer in higher premiums.

If “excess benefit” describes your health and welfare program, you should begin to address the Cadillac
Tax today. In fact, because private and charter school benefit programs are often robust in order to remain competitive, they may be teetering at the Cadillac Tax precipice. There are ways to redesign a benefits package to reduce overall program costs as well as eliminate the threat of the Cadillac Tax. Below are tools and options we’re using:

1. **Forensic Underwriting**

   One way to ensure you’re offering your teachers and district staff the best benefit program at the fairest price is to audit your existing insurance rate structure and hold carriers accountable for rate increases. We call our approach “**forensic underwriting**,” which is the act of auditing the employer’s existing insurance rate structure and working with carriers to reduce annual increases. Understanding how carriers formulate insurance rates is the foundation of forensic underwriting and the first step to reining in annual renewal hikes. To act forensically, below are questions you or your broker should be asking your carrier:

   - How are current and future rates going to be developed? What are the moving parts that will be considered?
   - Is the philosophy competitive, adequate, consistent, and sustainable in terms of pricing?
   - Can the pricing and respective components be justified and explained?

2. **Voluntary Benefits**

   Good news: **Voluntary benefits** can lower the employer’s premium baseline and therefore minimize Cadillac tax liabilities. More good news: there are more Voluntary and supplemental insurance products available now than ever before. Products such as critical care, cancer or hospital deductible coverage improve core insurance offerings. And because they are typically employee paid, there is little or no cost to the employer to add these and other desirable products to their program. Voluntary products are a great optional add-on for teachers and staff who want to customize their insurance plans to address health and financial needs during different life stages. As employers seek to maintain a competitive edge, a Voluntary benefit solution will become a more prevalent addition to traditional benefit packages.

3. **The Consumer-Driven Plan Path**

   It’s worth noting that most employers typically don’t move to Consumer-Driven Health Plans (CDHPs) for their plan design. The usual trigger is the need to control rising healthcare costs, which is what educational institutions face through the plan year and at every renewal. CDHPs are effective for cost control in part because they shift more of the financial responsibility of healthcare to employees. With the consumer-driven path, evidence suggests that employers can save up to 30% on insurance costs.
CDHPs typically pair high-deductible health plans with tax advantage products like Health Spending Accounts (HSAs), Health Reimbursement Arrangements (HRAs) and Flexible Spending Accounts (FSAs). This combination enables employees to use tax-free dollars to pay for common or routine medical expenses, while relying on the insurance plan to cover major medical expenses. Because of the tax savings, HSAs, HRAs and FSAs also make the switch to a CDHP more palatable for plan participants.

Compliance complacency can hurt schools legally and financially and damage a hard-earned reputation. Even so, CDHPs trigger the need for additional employee education, communications and personal support both pre- and post-enrollment. Employee education and communications and employee advocacy are especially important when transitioning into a CDHP, which requires a higher level of participant buy-in and engagement.

4. If you are looking to keep the same base plan but are looking for ways to control cost, consider reviewing your contribution breakdown. Examine your current situation to understand how you and your participants are contributing, and look into alternative strategies. Improving the balance between contributors, in combination with other strategies, puts control back in your employees’ hands, allowing them to get the level of health benefits they desire.

The Bottom Line
We understand that the ability to recruit and retain teaching talent is a huge component of the success of private and charter schools, in part because these institutions typically pay wages below that of unionized public education teachers. This is why benefits are an important advantage. To protect their bottom lines, schools must balance their benefit offerings with the continuing pressures of escalating costs, including high claims and rising renewal rates set by carriers. And even though employers hope that the ACA will soon pass its freshness date, compliance with the law is in a school’s near- and long-term interest.

Achieving and maintaining ACA compliance while addressing ongoing cost and recruitment pressures means you’re doing your due diligence to protect your school and your status as a top district. In today’s reality, the traditional three R’s of education (reading, writing and arithmetic) have expanded to include three more: recruitment, regulatory compliance and reduction of costs.

For more information, please call 1.877.426.7779

1 Employee Benefit News, "Senate Sweep Won’t Make ACA Changes Easy, Experts Predict" (Quote by John Turner, CEO and President of Corporate Synergies)