

Oral Testimony given November 14, 2013
before the Education and the Workforce Committee at a hearing entitled
"The Effects of the Patient Protection and Affordable Care Act on Schools, Colleges, and Universities"

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I would like to thank Chairman Kline, Ranking Member Miller and all the distinguished Congresswomen and Congressmen for the opportunity to testify about the challenges that school systems are facing with the Patient Protection and Affordable Care Act. My name is Mark Benigni and I am the Superintendent of Schools in Meriden, Connecticut. I am an AASA Governing Board Member, the Co-Chair of the Connecticut Association of Urban Superintendents, and the former Mayor of the City of Meriden. The Meriden Public Schools are home to over 1100 employees and over 9100 students. Our students come from diverse backgrounds. 65% of our students are minorities and 70% of our students receive free and reduced price meals.

We have received no local budget increase in five years, reduced federal funding and significant increases in our healthcare costs. This has forced us to operate our school system with less funding for students and programs.

So, why are we so concerned? And why am I here today?

At a time when student needs are increasing, budgets are shrinking and state and federal mandates escalating, we cannot effectively sustain these significant healthcare expenses. This will cause us to cut staff, reduce programs, minimize current healthcare plans, cut employee hours, and consider outsourcing current services. It will be our students who lose out.

Beginning in July 2011, the Affordable Care Act (ACA) required that we make changes to the benefits covered by our plan and the eligibility rules for who is covered by our plan. Amongst other items, this includes benefit items such as: no cost share for preventive care, women's health initiatives and in-network out-of-pocket cost limits. Additionally, we are now required to cover children until age 26, expanding our previous eligibility criteria by as much as six years. Our health plan administrators estimate the cost impact for these benefit and eligibility requirements to range between 1-3% of our total plan cost. For the City and Board of Education of Meriden, this could be as much as \$900,000 a year. The impact on the Board of Education alone is up to \$570,000. To put this into perspective, this equals an impact of five teaching positions.

Additionally, our personnel and financial staff will absorb many additional reporting and communication requirements. While not having a direct impact on the cost of our health plan,

it will impact our employee work load. These reporting, notification, and enrollment responsibilities include distribution of health exchange notices, Summary of Benefits and Coverage, new W-2 reporting, auto-enrollment of members into the plan, and on-going tracking of affordability and minimum coverage. This additional workload could potentially force us to hire new staff to address these mandates.

Beginning in 2014 and beyond, our community will be subject to additional taxes to support Affordable Care Act initiatives and exchange and marketplace costs. The taxes are projected to be \$150,000 annually, costing us two more teaching positions. These taxes include the Comparative Effectiveness Research Fee and the Affordable Care Act Reinsurance Fee. In 2018, the Excise Tax will have a significant fiscal impact on us, which I will go into more detail in a moment.

Beginning in 2015, The Accessibility and Affordability Requirements will require us to offer coverage to at least 95% of our “Full Time” employees, working 30 hours or more, and their dependents or be subject to penalties. This will impact us with our substitute teachers who are not currently considered employees. Additionally the benefits provided by our plan must fund at least 60% of projected costs covered by the plan and the employee’s cost for coverage cannot not exceed 9.5% of their wages. We project the cost for us to comply with these accessibility and affordability requirements to be \$1.2M, in 2013 dollars, worth another 16 teaching positions. In addition to the fiscal impact, these requirements will have staffing implications as well.

It will force us to make some tough decisions around people we have hired. We will need to intervene with some staff that have elected higher wages for non-benefit eligible positions. We will need to decide if we eliminate these positions altogether, reduce their hours, or decrease their wages in order to offer insurance. We will need to intervene with our bargaining groups over contracts that were negotiated in good faith. It will force us to make difficult political and community decisions on deciding whether we will offer coverage to non-benefit eligible positions or accept potential penalties. The public will want us to explain why we are potentially accepting penalties in lieu of offering our hard-working employees affordable coverage. These new requirements will compel us to make difficult decisions around plan design and level of coverage. Our current \$2,000 single and \$4,000 family high deductible plan exceeds the 60% coverage criteria coming in at 77%. When looking at expanding coverage, if we elected and chose to offer a low cost plan option, we would need to raise those deductibles to as much as \$6,350 Single and \$12,700 Family. Another obvious alternative for us to consider is to limit hours for some positions below the 30 hour threshold or hire multiple part-time people for what have traditionally been 30-plus hour positions.

The cost exposure if we were to accept the accessibility and affordability penalties are considerable. The access penalty of \$2,000 per employee less the first thirty would be \$2M for the Board of Education in Meriden. This is 27 more teaching positions. The affordability penalties as of today would range from \$50,000 to \$150,000 depending on our approach to the access penalty. Minimally, if we chose to offer affordable qualified coverage to the 60

employees who currently do not have coverage, it would come at a cost of \$1.2M equating to 16 more teaching positions. I want to add that the private sector has more options than we do as a school system to address these requirements. I cannot split off one of my schools into a separate entity to stay under the 50 employee threshold and I certainly do not have the option to make everyone part-time as some companies will do. Conversely, I do urge you to support HR 2575 that would define full-time as 40 hours per week as opposed to 30 hours per week. This would allow us to balance the needs of the school district while providing full-time employees with affordable health care.

If these are not enough concerns, the Excise Tax on High Cost Plans has us alarmed. This tax becomes effective in 2018 and will charge a 40% excise tax based on plans that exceed \$10,200 for single plans and \$27,500 for two-person and family plans. At this point we are in excise tax “Mitigation” mode versus excise tax “Avoidance” mode. Our plans are projected to hit the thresholds in 2014, next year. We are projected to hit the threshold next year despite making major plan design changes during last negotiations that resulted in a 25% decrease in the cost of the plans. In particular, we have more exposure to the excise tax than other employers due to a significant number of retirees on the plan, higher average age of active employees, and the northeast having the highest healthcare costs in the nation.

The excise tax is really a double-hit to us as the other requirements of the Affordable Care Act drive up the cost of the plan, which in turn drives the excise tax. Similar to the accessibility and affordability requirements, this excise tax will force us to make significant plan design changes or limit our full-time staff. This negatively impacts us, our employees, and ultimately our students.

The cost of the excise tax is substantial. Assuming a conservatively low 8% increase per year, in 2018, the excise tax for the Meriden Board of Education is projected to be \$2.6M worth another 35 teaching positions. When adding the tax to our rates, we estimate the tax alone will add as much as 15% to the cost of our plans.

Looking at these numbers in their entirety, the cost of the Affordable Care Act requirements to the Meriden Board of Education approaches \$4.6M potentially costing us 58 teaching positions.

While I love my job, I am very concerned. Even in the best of times, this would be a huge burden. With reduced federal funding levels in Meriden and poverty rates increasing almost 16% since 2004, this is a recipe for disaster. With all of this said, I truly am the lucky one. I work with a tremendous team, who truly care about kids. I go to work every day knowing that our educators and our schools give our students a chance for a better life. Our students should not be the ones who foot the bill for healthcare. Our limited resources must go to ensuring that all children have what they need to grow and succeed.

In closing, I thank you for your time, your attention, and your service to our great nation!