



June 12, 2016

Dear Faculty,

CCA negotiators met with district officials Friday in what was the first of several summer sessions to negotiate possible changes in health benefits. During the all-day meeting, we learned a great deal from SISC officials, who met with us most of the morning answering negotiators' questions.

As you may recall from our May 13th update on health benefits, the board of trustees rejected CCA's proposal that employees and the district each contribute on a monthly basis to offset health costs and to remain self-insured because trustees believed the proposal was too expensive for the district. Meanwhile, SISC reversed its position that all labor groups must agree to either stay self-insured under the current plan or to move to the larger SISC pool. SISC representatives said that CSEA and management could move to the pool, while faculty could stay in the self-insured plan.

We wanted to find out if such a split had worked for other districts, how much this split could cost faculty and retirees, and if SISC would recommend this arrangement for our district. We asked to meet with SISC representatives because negotiators wanted to explore this as one way to keep our health plan self-insured.

We learned that while employee groups could choose to split between a self-insured group and the larger pool, few groups have actually made this choice. The reason is strength in numbers: A large number of employees in a health insurance plan helps offset the impact of high medical claims on health care costs. A small number of employees in a plan doesn't have this same protection, and a few expensive claims could cause costs to increase. While such a split is possible, SISC officials did not recommend it because of the lack of stability for a smaller self-insured group.

SISC officials cited the experiences of two school districts, both members of the larger SISC pool, that had tried such an arrangement, and neither split worked out well. The Fresno County Office of Education tried this split in 2010, and within two years, faculty chose to come back to the pool. The Panama-Buena Vista Union School District tried the split in 2012, and faculty returned to the pool within two and a half years. Because of the faculty's high rate of health claims while self-insured, Panama-Buena Vista teachers paid a slightly higher rate for their pool insurance premiums the first year they returned.

We then looked at what could happen if KCCD faculty attempted this split, with active faculty members and retired faculty as a small self-funded group with our current benefits. Without an increase in district funding, the costs for a self-funded plan similar to what we have now would cost too much for the majority of our faculty members, and this expense becomes prohibitive for retirees. Retired faculty members 65 years or older already pay for Medicare, so for these retirees, the district health insurance becomes a supplemental policy. If these retirees paid a tiered or less expensive rate for the district's plan, the rates for working faculty members would increase even more.

These estimates don't include the additional cost of a health plan reserve, a fund SISC recommends for any self-funded group. SISC officials said Friday they would not recommend a split that created a smaller self-funded faculty group unless a reserve account was created. But a reserve account for a smaller group of employees could be exhausted if high claims occurred due to a higher risk of fluctuation of claims within the group. Based on hearing what happened to Fresno and Panama Buena-Vista, district officials said they could not recommend a split at all since it is too financially risky.

While we know this isn't news you may want to hear, we believe it is important information you need to know. Our faculty hoped to keep their health plan as is and stay self-insured at a reasonable cost. However, if the cost for faculty is much more expensive than anticipated, joining the larger SISC pool with a selection of plans and costs may be a much more reasonable alternative.

But just to make sure we examine all possibilities to stay self-insured, CCA has requested that SISC provide an estimate of costs of a self-insured plan for faculty and retirees based on our last three years of health claims. We will share this along with other possible options being discussed.

We want to reassure you that any changes in health insurance plans must be negotiated and approved by a vote of CCA members. That vote won't occur until we have proposals to present to you during the fall.

We will keep you posted.

Sincerely,

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