

CASE STUDY

PITTSBURGH (ALLEGHENY COUNTY) SCHOOLS



Bucking old habits that are devastating education funding elsewhere, forward-looking teacher union and school board leaders in Allegheny County, Pennsylvania are proving that it's not really so difficult to slay the health care cost beast and save their kids' future—even in an expensive and contentious health care market. Understandably, unions want their members to be fairly compensated and keep schools from being decimated. Recognizing that they share the same goals, the school board decided to take a new approach.

Assuming the current trend continues, kindergartners entering Pittsburgh area schools will collectively have \$2 billion more available to invest in education and services over the course of their school years than their counterparts across the state in Philadelphia. In Philadelphia, schools pay \$8,815 per member for teacher health benefits. The Allegheny County Schools Health Insurance Consortium (ACSHIC), with 48,000 covered lives, pays \$4,661 per member—\$199 million less per year. Class sizes in Pittsburgh are 30 percent smaller, teachers are paid better with better benefits, and there are four times as many librarians.

Rewarding Wise Decisions

Jan Klein, ACSHIC's business manager, describes a model that is very consistent with the Health Rosetta blueprint. In a nutshell, they make smart decisions free or nearly free (e.g., primary care is free and going to high-quality care providers involves very low or no copays or deductibles) and poor decisions expensive (e.g., pay more to see higher cost, lower quality care providers). It's a much more subtle, yet more effective, strategy than blunt-instrument, high-deductible plans that often lead to deferred care, bankruptcies, reduced teacher compensation, fewer arts programs... the list goes on.

The consortium is managed by 24 trustees, equal parts labor and management. When consultants attend consortium meetings, they often can't tell who is who. Many times, union leaders are more aggressive in pushing forward new initiatives. While other employers have blithely accepted 5 to 20 percent annual health care cost increases, the consortium spent \$233 million in annual claims in 2016—*down* from \$241 million in 2014. The consortium is able to manage their costs without any stop loss insurance because they have control over what they call their benefit grid, a program that was defined and embraced by both union leaders and teachers.

They've accomplished this despite the fact that care provider organization consolidation in Western Pennsylvania has reduced competition and raised health care costs with little to no improvement in quality of care—and despite an ongoing war between the largest hospital, the University of Pittsburgh Medical Center (UPMC), and the largest local insurance carrier, Highmark.

Understanding that the best way to spend less is to improve health care quality, ACSHIC found that the path began with the following steps.

- Educating consortium trustees on quality rankings of hospitals, including sending them to a Pittsburgh Business Group on Health forum

- Retrieving hospital quality data through third-party data and tools (e.g., Imagine Health, CareChex, and Innovu)
- Validating vendor information by confirming it was not influenced by bias
- Selecting the most effective resources by identifying credible partners/vendors

Once educated, the trustees provided the following direction to the team developing the new school district health plan.

- Use quality measures from respected third-party sources
- Create tiered products so people are free to go wherever they want for care—but they pay more if they choose sites that have lower quality and value
- Focus on ease of access to regional clinics and hospitals
- Focus on the relationship between cost and quality (the former turned out not to be indicative of the latter)
- Educate members, especially about why the local academic medical center was placed in a high-cost tier (it wasn't the highest-quality facility for many kinds of care)
- Address member concerns (e.g., will this really save money?) through continuous communication

Spending Before Changes

(October 2013 - September 2014)

# 1 Hospital in the region	# 32 Hospital in the region
<i>(highest-quality rating)</i>	<i>(low-quality rating)</i>
33,352 Services*	31,047 Services*
293 Admits	362 Admits
\$4,941,146 total	\$15,089,972 total

Total spend: \$20,031,118

**Services include imaging, lab test, outpatient procedures, etc.*

To improve value, ACSHIC implemented tiered benefit offerings tied to high-quality care providers.

- Enhanced tier has NO deductible and pays 100 percent of hospital charges
- Standard tier has a deductible and pays 80 percent of hospital charges
- Out-of-network care has a larger deductible and pays 50 percent of hospital charges
- Lower cost and higher quality is determined by independent third-party, benchmarks

Spending After Changes

(October 2015 - September 2016)

# 1 Hospital in the region <i>(highest-quality rating)</i>	# 32 Hospital in the region <i>(low-quality rating)</i>
40,046 Services* (+20%)	6,620 Services* (-79%)
328 Admits (+12%)	113 Admits (-69%)
\$7,120,357 total (+44%)	\$5,548,832 total (-63%)

Total spend: \$12,669,189 (-36.8%)

In sum, the consortium reduced hospital spending by \$7.36 million, a 36.8% reduction

**Services include imaging, lab test, outpatient procedures, etc.*

Going Forward

The consortium expects to continue enhancing benefits with only a very modest premium increase of 1.9 percent for members. Here are a few plan attributes going forward.

- The enhanced tier has no deductibles
- Primary care visits have no copay
- Specialist visits have a \$10 copay
- An employee assistance program provider
- A second opinion service

Their determination to serve kids led education leaders in Pittsburgh to move past tired assumptions about labor and management being forever at odds over health benefits. With any luck, their steely resolve in the face of local challenges will inspire teachers' unions and school boards throughout the country to say NO to health care stealing our kids' future.