



STATE OF OHIO

School Employees Health Care Board

REPORT TO
THE GOVERNOR AND GENERAL ASSEMBLY
ON
RECOMMENDATIONS FOR A PLAN TO OPERATE IN
COMPLIANCE WITH ORC § 9.901

JANUARY 31, 2007



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January 31, 2007

The Honorable Ted Strickland
Governor, State of Ohio
Statehouse
Columbus, Ohio 43215

Dear Governor Strickland,


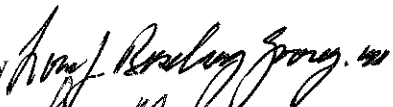



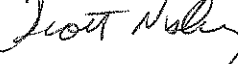


This is to convey the attached report from the School Employees Health Care Board, as required by §9.901(D)(4) of the Ohio Revised Code. As stipulated by that section, the report includes a plan to operate in compliance with §9.901, including information about governance of the Board, the Board's plan of operation with audit provisions, and recommendations on legislation needed to enforce the recommendations of the Board on implementing the provisions of §9.901. Also included is background information on the work of the Board and the Public Schools Health Care Advisory Committee, and a report from the consultant hired by the Board, Mercer Health & Benefits.

Authorization from the general assembly is required for the Board to continue the work outlined in this report. The members of the Board and Advisory Committee sincerely appreciate the opportunity to provide creative direction to a significant issue for the school districts in Ohio. Through collaborative effort, the attached report was developed, and through continued collaboration, we can improve the health care delivery system for all public school employees and their families. The savings resulting from a more efficient and better system can be utilized by districts to improve their educational services.

We continue to look forward to working with you to produce the best possible outcome for all school district employees.

Sincerely,

Members of the School Employees Health Care Board

Stephen Loeb, Chair		Louis Goorey	
Christopher Mohr, Vice-Chair		Larry Morgan	
Anthony D'Ambrosio		Scott Nisley	
Steve Clark		John Wahle	
Reed Fraley			

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1. Legislation

- a. §9.901 as amended by H.B. 530
- b. §203.12.02 H.B. 66
- c. §611.03 H.B. 66

2. Summary Biographies

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3. 119 Rules

II. Executive Summary

ORC 9.901 (I)(4) states, *The school employees health care board shall submit a written report to the governor and the general assembly not later than January 31, 2007 of a plan to operate in compliance with this section, and on the governance of the school employees health care board. A copy of the board's plan of operation, including audit provisions, shall accompany the report on the board's governance and the report shall include the board's recommendation on any legislation needed to enforce the recommendations of the board on implementing the provisions of this section.* The following is an executive summary of the required report.

The School Employees Health Care Board (hereafter referred to as the 'Board'), with nine members appointed by the Governor, Speaker of the House and President of the Senate, met for the first time on February 22, 2006 and has met a total of 17 times, including 10 joint meetings with the Public Schools Health Care Advisory Committee (hereafter referred to as the 'Advisory Committee'), all in open meetings. Minutes of all meetings and other documents are available for public access at the website <http://sehcb.ohio.gov/>.

The Advisory Committee is comprised of representatives of multiple constituency groups including the Ohio Education Association, the Ohio School Boards Association, the Ohio Association of School Business Officials, the Ohio Association of Health Underwriters, the Ohio Association of Health Plans, and consortia. Throughout the process of data collection and preparation of this report, the Advisory Committee has had an integral role in advising the Board on information to obtain and on recommendations. The Board affirms its intent to continue collaborating with the Advisory Committee. The Board also recommends that reappointments to the Advisory Committee be made in a timely manner to assure continuity, and asks that consideration be given to staggering the terms of the Advisory Committee.

The Board employed a consultant, in accordance with ORC § 9.901 (I) (2), following all appropriate competitive bidding procedures. The consultant selected was Mercer Health and Benefits. The consultant conducted a survey of all school districts, with a response rate of 87% to some or all of the information requested. Mercer submitted their report to the Board on December 20, 2006.

The consultant presented information on the depth of the problem in paying for health insurance premiums for school district employees. Health insurance premiums for school districts and educational service centers are estimated to increase, on average, about 10% in 2007 over 2006, which translates into an increase of about \$750 per school district employee in 2007. This is a continuation of unabated increases in recent years which outstrip increases in revenue. It increases pressures on school district budgets and on taxpayers. The status quo will produce uncontrollable increases in budgets of school districts and educational service centers. Unless changes are made, investments in new educational services, as well as maintaining current levels of services, teachers and staff, will be very difficult, if not impossible.

Through its analysis, the consultant has demonstrated the capacity for significant savings to be realized by health plan sponsors that purchase health insurance on behalf of public school employees such as school districts, educational service centers, consortia of school districts, and councils of government (hereafter referred to as ‘Health Plan Sponsors’). The savings can be produced, according to the consultant, by using a number of options including pooling systems, best practices, and transparency. It is important to note that a majority of school districts are already participating in various types of consortia or purchasing pools.

The Board has carefully considered the various strategic options for cost containment and health status improvement, as outlined by the consultant. The Board is not recommending one statewide purchasing pool for all health care benefits for Health Plan Sponsors, and it is not recommending mandatory, regional purchasing pools. The Board does not believe these options are necessary to achieve the desired outcomes. The Board does believe there is merit in qualified purchasing pools available for health plan sponsors who desire to join such pools, for Health Plan Sponsors that do not meet qualifying standards, and for selected health benefits which may be purchased by utilizing demonstrable economies of scale. That is, the Board favors market driven Health Plan Sponsors that meet best practice standards with transparency of outcomes, and favors support of policies and programs that motivate innovation.

The consultant has proposed a comprehensive group of initiatives for cost savings. In addition, the Board has received information from several other experts about programs that offer compelling opportunities for cost savings and for health status improvements, such as population health management programs. The Board agrees with many of the proposals, specifically:

- The Board plans to require Health Plan Sponsors to report all cost and design elements of their plans, making them more readily available to the public.
- The Board plans to develop and implement standards, or best practices, for all Health Plan Sponsors. These standards, examples of which are cited in the report by the consultant, should improve efficiencies, quality of health benefits management, and reduce the rate of increase in health insurance premiums paid by Health Plan Sponsors. Health Plan Sponsors will be required to meet or exceed these standards within a reasonable and given period of time, to be developed by the Board in collaboration with the Advisory Committee.
- The Board plans to pursue the feasibility of procurement through pooling systems of certain health care plans, that offer demonstrable economies of scale, such as but not limited to population health management programs and prescription drug programs. This is a practice that is broadly employed in the private sector and by many public purchasing programs.

- The Board plans to work with Health Plan Sponsors, through educational outlets and consultation, to assist and encourage adoption of the needed changes in a reasonable period of time.
- The Board plans to continue its commitment to transparency and public access of its meetings and activity.
- The Board plans to establish a budget for its operation and identify sources of revenue.
- Stakeholders must work together in new ways for solutions to be implemented which will, hopefully, solve the challenges in front of us.

While cost savings estimates are based on many assumptions and on implementation of cost savings strategies, the consultant has provided a conservative estimate that substantial savings may be possible in the range of \$60 million to \$120 million per year for total health expenditures by Health Plan Sponsors in Ohio. While this may be lower than the high side estimates by the consultant, savings are possible and, indeed, necessary. The Board is encouraged and optimistic about the potential for success. Caution is key, though. The savings will not be immediately realized in the months ahead since implementation of new programs to produce change will require time. It is likely that some of the changes will require incremental steps so that irreversible mistakes do not occur.

Throughout its work, the Board has recognized the need to balance the process for successful change and the potential for cost savings. With this in mind, the Board is cognizant of, and intent on, sustaining collective bargaining rights for school district employees. The Board believes that systems of pooling, implementation of standards for best practices, and increasing transparency of results are the right things to do and can be combined with the retention of collective bargaining rights and improvement in the health status of school district employees.

Through careful consideration of all stakeholders' recommendations, and sensitive to the need for balance as the process of change is initiated, the Board requests General Assembly authorization to continue planning for the development and implementation of new state wide standards for best practices in purchasing, administering, and evaluating health care benefits; for systems of pooling health care benefits; and for participation of all Health Care Plan Sponsors in achieving the goal of health care cost savings.

Under the category of governance, the Board recommends an expansion of the Board's membership with three new members to be selected from school district employees, with nominees solicited from stakeholder groups, one appointed by the Governor, one by the Speaker of the House, and one by the President of the Senate. These additions would improve the quality of Board deliberations and decisions. The current Board recommends a compensation policy for future Board appointees. This change would be appropriate and consistent with other state boards. The Board plans to employ a full time executive

director to manage the full implementation of its plans. Audit procedures and policies are included in the Report under Section IV.

The Board has included its request for legislative action needed to enforce its recommendations on implementing the provisions of ORC § 9.901. These can be found in Section VI. The requested legislative action is based, in part, on the consultant's legislative recommendations, which were delivered to the Board, Governor and General Assembly on December 20, 2006, in accordance with ORC § 9.901 (I) (2) (p).

III. Background

1. Legislative History

House Bill 66 (State Operating Budget) created the Board and the Advisory Committee in ORC § 9.901. The Board is charged with designing health plans to be used by all persons employed by Ohio's public schools. A number of important dates were included in the timeline to assure that the Board and Advisory Committee continued to make progress toward the implementation of a plan. It is important to note that House Bill 66 contained temporary law language (Section 611.03) that the requirement of school districts to utilize these plans does not take effect unless and until the General Assembly enacts legislation at a future date to confirm these provisions and order their implementation. After the Board and Advisory Committee were appointed and meetings were held, the Board determined that some of the dates associated with this legislation needed to be changed. House Bill 530 (Budget Corrections) included a number of changes to dates for the submission of reports to the General Assembly and the Governor. A copy of ORC § 9.901 and related legislation can be found in APPENDIX 1.

2. School Employees Health Care Board and Public School Health Care Advisory Committee

ORC § 9.901(B) provides that the Board shall consist of nine members and *shall include individuals with experience with public school benefit programs, health care industry providers, and medical plan beneficiaries.* The Governor, President of the Senate and Speaker of the House shall appoint three members each. Current law continues that *A member of the school employees health care board shall not be employed by, represent, or in any way be affiliated with a private entity that is providing services to the board, an individual school district, employers, or employees in the state of Ohio.*

ORC § 9.901(I)(3) provides that the Advisory Committee shall consist of eighteen members. The Governor, the Speaker of the House of Representatives, and the President of the Senate shall each appoint *a representative from the Ohio education association, the Ohio school boards association, the Ohio association of school business officials, the Ohio association of health underwriters, an existing health care consortium serving public schools, and a health insuring corporation licensed to do business in Ohio and recommended by the Ohio association of health plans.*

a. Members and appointment details

School Employees Health Care Board

Member	Organization	Appt.	Term End
Steve Clark	Kettering City School District	House	9/29/09
Anthony D'Ambrosio	Trumbull County ESC	House	9/29/07
Louis Goorey	Retired Pediatrician	Gov	9/29/10
R. Reed Fraley	Ohio Hospital Association	Gov	9/29/09
Stephen Loebis	OSU School of Public Health	Gov	9/29/09
Christopher Mohr	Dublin City School District	House	9/29/09
Larry Morgan	Stark County ESC	Sen	9/29/09
M. Scott Nisley	Athens City Board of Education	Sen	9/29/09
John Wahle	Great Oaks Institute of Technology	Sen	9/29/07

Public Schools Health Care Advisory Committee

Member	Representing	Appt.	Term End
Ken Blood	Ohio School Boards Association	House	7/31/07
Sandra Caldwell	Health Care Consortium	House	7/31/07
Barbara Coriell	Health Care Consortium	Sen	7/31/07
Scott DiMauro	Ohio Education Association	House	7/31/07
Bill Epling	Ohio Assn. of Health Plans	House	7/31/07
Gregg Gascon	Ohio Education Association	Gov	7/31/07
Robert Hancock	Ohio Assn. of School Business Officials	Sen	7/31/07
Brenda Hurst	Ohio Assn. of School Business Officials	Gov	7/31/07
Van Keating	Ohio School Boards Association	Sen	7/31/07
David Kross	Ohio Assn. of Health Underwriters	House	7/31/07
Rick Lewis	Ohio School Boards Association	Gov	7/31/07
David Manning	Health Care Consortium	Gov	7/31/07
Kelly McGovern	Ohio Assn. of Health Plans	Gov	7/31/07
Barbara Shaner	Ohio Assn. of School Business Officials	House	7/31/07
Bill Shimp	Ohio Assn. of Health Underwriters	Gov	7/31/07
Tom Sullivan	Ohio Assn. of Health Plans	Sen	7/31/07
James Timlin	Ohio Education Association	Sen	7/31/07
Janice Walker	Ohio Assn of Health Underwriters	Sen	7/31/07

b. Biography Summaries

The members of both the Board and Advisory Committee were appointed pursuant to ORC § 9.901(B) and § 9.901(I)(3). There is a biographical summary for each of the nine Board members and for the eighteen members of the Advisory Committee. The purpose of including these statements is to provide background to the unique make-up of the Board and Advisory Committee. Biographical summaries can be found in APPENDIX 2.

c. List of Meetings

School Employees Health Care Board

February 22, 2006
 March 15, 2006
 April 24, 2006
 May 17, 2006
 July 12, 2006
 September 12, 2006
 September 27, 2006

Public Schools Health Care Advisory

Committee

April 3, 2006
 May 2, 2006
 June 5, 2006
 September 12, 2006
 September 27, 2006

Joint School Employees Health Care Board and Advisory Committee

October 10, 2006
 October 26, 2006
 November 15, 2006
 November 29, 2006
 December 13, 2006
 December 20, 2006
 January 10, 2007
 January 17, 2007
 January 24, 2007
 January 30, 2007

d. Meeting Minutes

ORC §9.901 (E) requires that the Board *shall conduct its business at open meetings; however, the records of the board are not public records for purposes of section 149.43 of the Revised Code*. In an effort to maintain transparency, all Board, Advisory Committee and Joint meeting minutes have been posted on the Board website: <http://sehcb.ohio.gov>. To date there have been seven (7) Board meetings, five (5) Advisory Committee meetings and ten (10) Joint Board and Advisory Committee meetings.

e. List of Presenters

Over the course of those meetings, the Board and Advisory Committee have heard numerous presentations from individuals and groups to gather pertinent, meaningful information.

	Meeting	Presenter	Organization	Topic
1	2/22/06 Board	Rick Frank	DAS	Summary of Legislation & Requirements Preliminary Study of Environment
2		Rick Adams, Nicole Bianco	Watson Wyatt	
3	4/24/06 Board and 6/5/06 Committee	Dirk Raderstorf and Marianne Steger	DAS AFSCME Ohio Council 8	State Employee Health Care Plans
4	5/17/06 Board	David Manning, Sandra Caldwell and Barb Coriell	Various Consortia, and Advisory Committee Members	Ohio's Health Care Consortia
5	7/12/06 Board	John Sinclair and Mike Sagle	Mercer	Overview of Consultant Work
6	9/12/2006 Board	John Sinclair and Mike Sagle	Mercer	Update of Work
7		Chris Mohr	Dublin City School District Treasurer and SEHCB Member	Dublin City School District's Health Care Plans
8	9/27/06 Board	Rep. Chris Widener	Ohio House of Representatives	Review of the Legislative Charge
9		Marianne Steger	AFSCME Ohio Council 8	Constituent Group Presentation
10		Dr. Anthony D'Ambrosio	Supt. Of Trumbull County ESC and SEHCB Member	Trumbull City Insurance Consortium
11	10/10/06 Joint	Tom Ash	Buckeye Assn. of School Administrators	Constituent Group Presentation
12		John Sinclair and Mike	Mercer	Update on States' Data

13		Sagle Gregg Gascon, Scott DiMauro and Jim Timlin	Ohio Education Association	Constituent Group Presentation
14	10/26/2006 Joint	Tom Mooney	Ohio Federation of Teachers	Constituent Group Presentation
15		Dan Schall, Mike Suttman, Kathy dunn, Joan Jambor	Vandalia-Butler City Schools	Vandalia-Butler City School Health Plan
16	11/15/06 Joint	John Sinclair, Mike Sagle, Jessica Thomson, Susan Prochazka and Todd Swim	Mercer	Preliminary report
17		Scott Streator	Ohio PERS	Overview of OPERS Plans
18	11/29/2006 Joint	John Sinclair	Mercer	Continuation of Mercer Preliminary Report
19	12/13/2006 Joint	Ann McAlearney	Ohio State University	Health Management Programs
20		John Sinclair	Mercer	Consultant Report
21	12/20/06 Joint	John Sinclair, Amy Bergner	Mercer	Final Recommendations and Report
22	1/10/07 Joint	John Sinclair and Todd Swim	Mercer	Respond to Questions about Report

3. Consultant

a. Legislative Requirement

ORC §9.901(I)(2) required the Board to *Contract with an independent consultant to analyze costs related to employee health care benefits provided by existing school district plans in this state.* This section also provided other details of data to be collected and recommendations to be made by the consultant. Members of the Board and Advisory Committee worked with the Department of Administrative Services (hereafter referred to as ‘DAS’) to prepare a Request for Proposal (RFP) to select a consultant.

b. Process of Selection

On May 10, 2006, the Board released the RFP for “Consulting Services School Employee Health Care Benefits” to twenty vendors, and also put it on the DAS website. Nine vendors attended a Bidder’s Conference on May 31. Six vendors submitted proposals by June 13, the submission due date. An evaluation subcommittee from the Board, Advisory Committee and DAS reviewed and scored all proposals, selecting two finalists at a meeting on June 21. The two finalists were asked to respond in writing to additional questions and then met with the evaluation subcommittee on July 7. At that meeting, Mercer Health and Benefits was selected as the consultant to recommend to the full Board. The Board approved Mercer as the recommended consultant on July 12 and the State Controlling Board approved the contract with Mercer on July 24. Mercer began their survey and data collection activities on July 25. Mercer gave presentations updating their progress to the Board and Advisory Committee in October and November.

c. Consultant Reports

Mercer submitted a letter with legislative recommendations to the Board, the Governor, the Speaker of the House, and the President of the Senate on December 20, 2006, in compliance with §9.901(I)(2)(p). Also on December 20, 2006, Mercer submitted its full

report to the Board and Advisory Committee. The letter with recommendations and these reports can be accessed on the SEHCB website at <http://sehcb.ohio.gov>.

4. Environmental Assessment for Report – Basis for Considering Changes

The consultant estimates that total health care expenditures for all Ohio school district employees were approximately \$1.8 billion in 2006, with a projected increase of \$100-\$200 million in 2007. At the midpoint of this estimated increase in gross expenditures, there will be about a 10% increase over the previous year on the basis of an estimated total school district employee population of 198,000; the projected increase in health care expenditures per school district employee in 2007 will be about \$750. That is, every school district will be confronted with an increase of \$750 per employee in health care expenditures over the amount spent in 2006. Not all of this increase in costs will be paid by the school district itself, due to various cost sharing strategies, but the bulk of the increase will come from school district budgets.

The projected increases for 2007 are not a first time happening. Indeed, these increases have been reported for most employers, public and private, over a number of years. The increases present an extraordinary problem for employers who are not able to match the increase in expenditures with equal amounts of new revenue on a regular basis. This is the situation for most, if not all, school districts.

In addition to the data trends for health care expenditures, the Board has learned the following:

- There is increasing evidence that these expenditures are not producing the best possible outcomes. That is, health status indicators and use of health services suggest that there is substantial room for improvement in the way we spend our money for health care, and in the decisions that individuals and families make which affect their need for health care.
- Several of the public retirement systems with substantial membership bases of former school district employees are interested in synergistic relationships to encourage current employees to achieve and maintain healthy life styles while they are employed.
- Health care and how to pay for it is a very important issue for school employees, as described in a public hearing the Board conducted as part of its effort to hear from as many people and groups as possible.
- There are numerous stakeholders vitally concerned with this issue, several of which are represented on the Advisory Committee. Listening to their concerns and aspirations is vital to success.
- Maintaining the tradition of local control is important to boards of education and employee associations

- Evaluation of results of innovation and changes will be important to measure degrees of success, and to aid districts in learning ways to improve.

In combination with these trends and findings, the consultant has observed that there are opportunities for all Health Plan Sponsors to improve their management practices of the health benefits provided for school district employees.

These assessments provide a compelling foundation for pursuing new initiatives in health care expenditures management for Health Plan Sponsors. The status quo will produce increased hemorrhaging of school district budgets with the major component of any revenue increases, such as from increases in property taxes, absorbed by increases in health care expenditures. Investments in new educational services, as well as maintaining current services and people will continue to be very difficult. In brief, the status quo is untenable and changes to improve management of health care expenditures are vital.

The Board and Advisory Committee, with evidence collected and transmitted by the consultant, believe that the current environment for existing and projected health care expenditures calls for carefully designed and implemented innovation. It calls for changes which produce improvements but which do not reverse benefits and fundamental achievements at the bargaining table. Stakeholders must work together in new ways for solutions to be implemented which will, hopefully, solve the challenges in front of us.

5. Principles and Objectives for Board and Advisory Committee Activity

The Board adopted a set of guiding principles for the conduct of the process of communicating with the public, with the consultant, and for considering the various approaches to the mandates of H.B.66. These are:

- The process must be transparent to the public – All meetings, discussions, and preliminary reports would be provided in public forums and information provided through a public website.
- Pooling approaches must improve affordability – Pooling strategies should produce meaningful results to benefit schools and their employees. Standards should be developed around plan administration, plan design, eligibility, financing, vendor management, and distribution.
- The process must be data driven – The consultant was instructed to gather data from the school districts, consortia, insurance carriers, and other states to create a robust, credible set of information from which decisions could be made.
- The approach must produce long-term cost management.

- Best practice standards and pooling strategies should consider the opportunity to improve the health of employees through enhanced access to information and improved health management efforts.
- Governance should be representative of affected constituencies and recognize collective bargaining rights – successful implementation requires buy-in and support from all groups.

These principles guided the Board and Advisory Committee in their joint meetings, as well as the separate meetings, as the consultant’s recommendations were considered. They also guided the consultant in its work. The principles and the commitment of those participating in the process produced an underlying belief that improved health plan efficiency and effectiveness would lead to better health status for school employees and improved outcomes in education.

IV. Governance

1. Composition and Appointment of Three New Members

The Board is currently composed of nine (9) members. In order to provide representation for beneficiaries of the public school health plan program, the Board recommends the addition of three (3) new members to represent employees of public schools in Ohio, as defined in ORC § 9.901, bringing the total size of the Board to twelve (12) members. Each of these new members at the time of and during the term of the appointment must be a non-administrative public school employee who is eligible to receive benefits covered by plans falling under the authority of the Board. Nominees should be solicited from stakeholder groups. The Governor, Speaker of the House and President of the Senate will appoint one new member each, to be appointed for a four-year term. Other terms and conditions of the appointment shall be the same as those for the other members.

2. Compensation of Board

The Board requests the Legislature to consider compensating appointed Board members. Currently, Board members serve without compensation but are reimbursed from the school employees health care fund for actual and necessary expenses incurred in the performance of their official duties as members of the Board (See ORC § 9.901(C)(2)). The Board would like to continue to be reimbursed for actual and necessary expenses, but is also requesting that Board members receive compensation in an amount fixed pursuant to ORC 124.15(J) to be paid on a per diem basis for each day of actual attendance at meetings of the Board. Compensation as well as expenses would be paid out of the school employees health care fund. This request for compensation in addition to reimbursement for expenses is consistent with how members of other boards, who meet at least four times a year, are compensated. (See ORC § 3737.90, Release Compensation Board; ORC 120.02, Ohio Public Defender Commission; ORC § 3301.03, Board of Education; ORC § 4731.03, Medical Board).

The Board is aware of the Ohio Constitution Article II, Section 20, Prohibition Against-In Term Change in Compensation.

3. 119 Rules

Rules were filed under §119 of the ORC to govern the meeting and administrative structure of the Board and Advisory Committee. A public hearing for the rules, adding §3306 to the Ohio Administrative Code is scheduled for February 6. The draft rules are attached in Appendix 3. These rules were written to reflect the language in Am. Sub. House Bills 66 and 530 relating to the creation and activities of the Board. If the recommendations contained in this report are passed in legislation, it will necessitate making corresponding changes to the 119 rules for the Board.

4. Full Time Management Staff and Funding

§203.12.02 of Am. Sub. H.B. 66 authorized the use of appropriation line item 100-403, Public School Employees Benefits, for use by the Director of DAS to hire an executive director and an assistant responsible for providing administrative support to the Board and the public school employee health insurance program. The Board anticipates that additional staff will be required to implement, administer, monitor and maintain the program and the fund. DAS has requested \$1.5 million in GRF funding for each of fiscal years 2008 and 2009 for the activities of the Board. Staff size will be determined by the final design of the program, including monitoring and auditing functions.

5. Audit Requirements

a. Board and Fund

The Auditor of State will be responsible for biennial financial and compliance audits of the Board, ALI 100-403 and Fund 815, pursuant to ORC § 117.10.

b. Districts, Consortia

The Auditor of State's Office currently audits school districts, educational service centers and insurance consortia. The Board requests that a legislative change to authorize the Auditor of State to provide such audits of districts or consortia administering health care plans to the Board, and to give the Board authority to suspend or cancel a Health Plan Sponsor's right to administer health plans if they do not comply with standards established by the Board.

c. Vendors – Claims, Performance and Eligibility

The Board requests authorization to contract for independent audits of vendors involved in providing health care benefits to public school employees. Vendors will be audited for such services as claims processing, eligibility of participants, and overall performance. The Board should have authority to suspend or cancel a vendor's contract if the vendor does not comply with standards established by the Board.

d. Hearings and Appeals

Hearing and appeals processes will need to be established to support this section.

6. Change in Terms and Definition

The Board requests the General Assembly to change the term and definition of "medical plan" as currently used in §9.901. The Board believes the term "health care plan" is a more accurate term to describe the types of health care plans the General Assembly envisioned the Board to provide. In addition, the term and amended definition of "health care plan" will include the types of coverage that the Board believes will be most beneficial to Health Plan Sponsors. "Health care plan" would be defined to include hospital and surgical plans as well as pharmacy benefits, stop loss insurance, population health management, and other types of health care coverage.

V. Plan for Operation

On the basis of extensive data collection and analysis of data from most school districts in Ohio, the consultant has observed that there are opportunities for cost savings in health care expenditures for Ohio school districts. These cost savings are substantial and should not be ignored. There is reasonable basis to conclude the savings can be realized at the local level. The Board is optimistic about the possibilities. Caution is important, as cost savings will not be immediately realized. Implementation of new programs to produce change will require time. And, it is likely that some of the changes will require incremental steps so that irreversible mistakes do not occur.

The consultant's report provides a description of health insurance savings assumptions for all Health Plan Sponsors. When the Board and Advisory Committee considered these potential savings, it became clear that substantial savings could be achieved through the development of mandatory state standards for all Health Plan Sponsors. These would include initiatives in health plan procurement and administration, and on-going evaluations of effectiveness. The Board concludes that the consultant's proposed state standards are compelling and congruent with the twin goals of cost management and health status improvement. The Board plans to pursue the development and implementation of a variety of state standards for all Health Plan Sponsors.

The Board has considered a number of systems of pooling for health care benefits. Systems of pooling were contemplated under three circumstances: (1) mandatory pooling of all health care benefits for all Health Plan Sponsors, (2) pooling of selected health care benefits, such as stop loss, pharmaceutical, dental, vision, population health management, for all Health Plan Sponsors, and (3) mandatory pooling as a result of a Health Plan Sponsor not meeting mandatory state standards. The Board and Advisory Committee found very limited support for the first option. The consultant does not favor mandatory statewide pooling. The second and third options appear to have potential and the Board plans to consider their feasibility in more depth. The costs of creating, maintaining, and evaluating the pooling systems were not calculated by the consultant. These must be included in any comprehensive analysis of costs and benefits. The Board plans to do this.

The plan includes new initiatives for education and use of life style management practices so that school district employees are encouraged and motivated to pursue

healthy lifestyle choices. The more effort we can make to keep people healthy, the less need there will be for expensive health care services.

The Board plans to organize and conduct conferences for all appropriate school district officials and leaders to assist in advancing their awareness of new programs and the implementation of new health plan standards. The Board plans to assist Health Plan Sponsors in preparations for and implementation of new programs.

The specific plans for operation include the following:

- The Board plans to require Health Plan Sponsors to report all cost and design elements of their plans, thereby making them more readily available to the public.
- The Board plans to develop and implement standards, or best practices, for all Health Plan Sponsors.
- The Board plans to pursue the feasibility of procurement of selected health care benefits through pooling systems that offer demonstrated economies of scale.
- The Board plans to work with Health Plan Sponsors, through educational outlets and consultation.
- The Board plans to continue its commitment to transparency and public access of its meetings and activity.
- The Board plans to establish a budget for its operation and identify sources of revenue.
- Stakeholders must work together in new ways for solutions to be implemented which will, hopefully, solve the challenges in front of us.

The Board firmly believes that cost savings for school districts are within reach. The Board further believes that the time has arrived to initiate new efforts to assist individuals in improving their health status. The cost savings which are expected to accrue from new programs must be retained at the local level to assist school districts' efforts to improve their educational services and enhance the recruitment and retention of teachers.

VI. Requested Legislative Action

A requirement of ORC § 9.901 (I) (4) was for the Board to develop recommendations for the General Assembly for implementation of the plans for governance and operations under ORC § 9.901.

The consultants (Mercer Health and Benefits) submitted legislative recommendations as required by law on December 20, 2006. The following recommendations are based on the consultant's recommendations and the insight gained by the Board and Advisory

Committee through numerous meetings and presentations. Some of the legislative recommendations previously submitted by the consultants may not be necessary as a result of conclusions reached by the Board, as reflected in this report.

1. Ohio Revised Code Section 9.901

ORC § 9.901 was created to establish a process for providing health care coverage to Ohio public school employees. This section also establishes the Board and the Advisory Committee. To accomplish the goals stated in this report, a number of amendments are required of ORC § 9.901.

a. Additional Members

The Board heard a great deal of testimony during the public comment period from school district employees who were concerned that health plan beneficiaries did not have a chance to participate in the development process. To address this important issue, the Board is recommending that ORC § 9.901 (B) be amended to add an additional three (3) members to the Board, with the proviso that each of these at the time of appointment and during the term of the appointment must be a non-administrative public school employee who is eligible to receive benefits covered by plans falling under the authority of the Board. The Governor, the Speaker of the House and the President of the Senate will each appoint one of the additional members, with nominees solicited from stakeholder groups.

b. Compensation for Board Members

The Board has met 17 times since the appointment of its members. Currently, Board members serve without compensation but are reimbursed from the school employee health care fund for actual and necessary expenses incurred in the performance of their official duties. The Board would like to continue to be reimbursed for actual and necessary expenses, but is also requesting that Board members receive compensation in an amount fixed pursuant to ORC § 124.15 (J) (Compensation for Board members). The Board is aware of the Ohio Constitution Article II, Section 20, Prohibition Against-In Term Change in Compensation.

c. Size Limitation for Opt-out Provision

A major concept of the legislative recommendations for this Board is the ability of school districts to opt out of the provisions of ORC § 9.901 dealing with mandatory participation if they can prove to the Board that they have met the standards identified by the Board. The Board feels strongly that if a Health Plan Sponsor can show that it meets these standards, it should be granted the ability to continue to function regardless of its size. To address this change, ORC § 9.901 (I)(5) needs to be amended to eliminate the size and date restriction on Health Plan Sponsors preferring to be certified by the Board as meeting the best practice standards to opt out of pooling systems.

d. Implementation Date

The Board agrees that timelines are important to assure that implementation of terms of the revised ORC § 9.901 are met. It is also important to note that this process is extremely complex and there are a number of issues that need to be addressed before school districts can participate in this program. For these reasons, the Board is requesting

that ORC § 9.901 set a date that initial best standards become available to all Health Plan Sponsors (implementation date). The date should be eighteen (18) months from the date of passage of this legislation. The Board desires the discretion to implement sooner if it is prepared to do so. Adoption by all Health Plan Sponsors shall be effective on the last expiration of any collective bargaining agreement in effect among participating school districts and education service centers as of the implementation date, unless there is voluntary agreement to change the date of adoption.

e. Mandatory Compliance with Standards

Currently, ORC § 9.901(A)(1) requires that all health care benefits provided to persons employed by the public schools of the state of Ohio shall be provided by medical plans designed pursuant to this section of code. The Board believes that it is important to allow all Health Plan Sponsors the opportunity to provide health care plans, but that there must be standards met to assure that all Health Plan Sponsors are getting the best product and can achieve identified cost savings. To comply with this, the Board suggests revising ORC Sec. 9.901 (A)(1) to clarify that all Health Plan Sponsors must comply with and participate in health plans and meet the expected standards as developed and set forth by the Board.

f. Enforcement of Standards

As stated above, the Board feels that all Health Plan Sponsors should have the opportunity to continue to function under their current structure if they can also meet the standards established by the Board. With that being said, it is important that the Board be provided the enforcement tools necessary to assure that all Health Plan Sponsors are providing information and meeting the standards established by the Board. If a Health Plan Sponsor does not meet the standards, the Board must have the ability to enforce the standards. ORC § 9.901 should be amended to allow for the Board to require a Health Plan Sponsor to meet the established standards set by the Board. ORC § 9.901 should be amended to provide enforcement authority for the Board if health care programs sponsored by Health Plan Sponsors are found not to meet the standards set by the Board, or if Health Plan Sponsors refuse to provide requested data and information.

g. Enforcement of Data Requirements

Currently, the ORC § 9.901 (A)(1) requires mandatory participation in medical plans designed by the Board. As stated above, the Board feels that all Health Plan Sponsors should have the opportunity to continue to function under their current structure or be created if they can also meet the standards established by the Board. While this will be important, it will also be important for the Board to be able to verify that the information that is being provided as justification for continuing to function under the current structure is accurate. For this reason, the Board feels that ORC § 9.901 needs to be clarified to assure that all Health Plan Sponsors are to comply with requests for data as set forth by the Board.

h. Change of Terms

Currently, ORC § 9.901 uses the term "medical plan" throughout the section. The Board believes the term "health care plan" is a more accurate term to describe the types of

health care plans the General Assembly envisioned the Board to provide as well as what the Board believes will be the most beneficial coverage to plan sponsors. The Board, therefore, requests that the term "health care plan" replace "medical plan" in every instance in ORC § 9.901. The Board further requests that ORC § 9.901 define the term "health care plan" as follows: "As used in this section, a "health care plan" includes group policies, contracts, and agreements that provide hospital, surgical, pharmacy benefits, stop loss insurance, population health management, and other health care coverage, including self-insured plans. A "health care plan" does not include an individual plan offered to the employees of a public school, or a plan that provides coverage only for specific disease or accidents, or a hospital indemnity, Medicare supplement, or other plan that provides only supplemental benefits, paid for by the employees of a public school."

i. Other Legislative Action

The Board requests that provisions of ORC § 9.901 and/or other existing sections of code that may be in conflict with this report should be addressed in consultation with the Board.

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Appendix 1

1. Legislation

a. §9.901 as amended by H.B.530

(A)(1) All health care benefits provided to persons employed by the public schools of this state shall be provided by medical plans designed pursuant to this section by the school employees' health care board. The board, in consultation with the superintendent of insurance, shall negotiate with and, in accordance with the competitive selection procedures of Chapter 125 of the Revised Code, contract with one or more insurance companies authorized to do business in this state for the issuance of the plans. Any or all of the medical plans designed by the board may be self-insured. All self-insured plans adopted shall be administered by the board in accordance with this section. As used in this section, a "public school" means a school in a city, local, exempted village, or joint vocational school district, and includes the educational service centers associated with those schools.

(2) Prior to soliciting proposals from insurance companies for the issuance of medical plans, the board shall determine what geographic regions exist in the state based on the availability of providers, networks, costs, and other factors relating to providing health care benefits. The board shall then determine what medical plans are offered by school districts and existing consortiums in the state. The board shall determine what medical plan offered by a school district or existing consortium in the region offers the lowest premium cost plan.

(3) The board shall develop a request for proposals and solicit bids for medical plans for the school districts in a region similar to the existing plans. The board shall also determine the benefits offered by existing medical plans, the employees' costs, and the cost-sharing arrangements used by public schools participating in a consortium. The board shall determine what strategies are used by the existing medical plans to manage health care costs and shall study the potential benefits of state or regional consortiums of public schools offering multiple health care plans.

(4) As used in this section, a "medical plan" includes group policies, contracts, and agreements that provide hospital, surgical or medical expense coverage, including self-insured plans. A "medical plan" does not include an individual plan offered to the employees of a public school, or a plan that provides coverage only for specific disease or accidents, or a hospital indemnity, Medicare supplement, or other plan that provides only supplemental benefits, paid for by the employees of a public school.

(B) The school employees' health care board is hereby created. The school employees' health care board shall consist of the following nine members and shall include individuals with experience with public school benefit programs, health care industry providers, and medical plan beneficiaries:

(1) Three members appointed by the governor;

(2) Three members appointed by the president of the senate;

(3) Three members appointed by the speaker of the House of Representatives.

A member of the school employees health care board shall not be employed by, represent, or in any way be affiliated with a private entity that is providing services to the board, an individual school district, employers, or employees in the state of Ohio.

(C)(1) Members of the school employees health care board shall serve four-year terms; however, one of each of the initial members appointed under divisions (B)(1) to (3) of this section shall be appointed to a term of one year. The initial appointments under this section shall be made within forty-five days after ~~the effective date of this section~~ September 29, 2005.

Members' terms shall end on the ~~same day of the same month as the effective date of this section~~ twenty-ninth day of September, but a member shall continue to serve subsequent to the expiration of the member's term until a successor is appointed. Any vacancy occurring during a member's term shall be filled in the same manner as the original appointment, except that the person appointed to fill the vacancy shall be appointed to the remainder of the unexpired term.

(2) Members shall serve without compensation but shall be reimbursed from the school employees' health care fund for actual and necessary expenses incurred in the performance of their official duties as members of the board.

(3) Members may be removed by their appointing authority for misfeasance, malfeasance, incompetence, dereliction of duty, or other just cause.

(D)(1) The governor shall call the first meeting of the school employees' health care board. At that meeting, and annually thereafter, the board shall elect a chairperson and may elect members to other positions on the board as the board considers necessary or appropriate. The board shall meet at least four times each calendar year and shall also meet at the call of the chairperson or three or more board members. The chairperson shall provide reasonable advance notice of the time and place of board meetings to all members.

(2) A majority of the board constitutes a quorum for the transaction of business at a board meeting. A majority vote of the members present is necessary for official action.

(E) The school employees' health care board shall conduct its business at open meetings; however, the records of the board are not public records for purposes of section 149.43 of the Revised Code.

(F) The school employees' health care fund is hereby created in the state treasury. The public schools shall pay all school employees health care board plan premiums in the manner prescribed by the school employees' health care board to the board for deposit into the school employees' health care fund. All funds in the school employees' health care fund shall be used solely for the provision of health care benefits to public schools employees pursuant to this section and related administrative costs. Premiums received by the board or insurance companies contracted pursuant to division (A) of this section are not subject to any state insurance premium tax.

(G) The school employees' health care board shall do all of the following:

(1) Design multiple medical plans, including regional plans, to provide, in the board's judgment, the optimal combination of coverage, cost, choice, and stability of health cost benefits. The board may establish more than one tier of premium rates for any medical plan. The board shall establish regions as necessary for the implementation of the board's medical plans. Plans and premium rates may vary across the regions established by the board.

(2) Set an aggregate goal for employee and employer portions of premiums for the board's medical plans so as to manage plan participation and encourage the use of value-based plan participation by employees;

(3) Set employer and employee plan co-payments, deductibles, exclusions, limitations, formularies, premium shares, and other responsibilities;

(4) Include disease management and consumer education programs, to the extent that the board determines is appropriate, in all medical plans designed by the board, which programs shall include, but are not limited to, wellness programs and other measures designed to encourage the wise use of medical plan coverage. These programs are not services or treatments for purposes of section 3901.71 of the Revised Code.

(5) Create and distribute to the governor, the speaker of the house of representatives, and the president of the senate, an annual report covering the plan background; plan coverage options; plan administration, including procedures for monitoring and managing objectives, scope, and methodology; plan operations; employee and employer contribution rates and the relationship between the rates and the school employees health care fund balance; a means to develop and maintain identity and evaluate alternative employee and employer cost-sharing strategies; an evaluation of the effectiveness of cost-saving services and programs; an evaluation of efforts to control and manage member eligibility and to insure that proper employee and employer contributions are remitted to the trust fund; efforts to prevent and detect fraud; and efforts to manage and monitor board contracts;

(6) Utilize cost containment measures aligned with patient, plan, and provider management strategies in developing and managing medical plans.

(H) The sections in Chapter 3923. of the Revised Code regulating public employee benefit plans are not applicable to the medical plans designed pursuant to this section.

(I)(1) Public schools are not subject to this section prior to the release of medical plans designed pursuant to this section.

(2) Prior to the school employees health care board's release of the board's initial medical plans, the board shall contract with an independent consultant to analyze costs related to employee health care benefits provided by existing school district plans in this state. The consultant shall determine the benefits offered by existing medical plans, the employees' costs, and the cost-sharing arrangements used by public schools either participating in a consortium or by other means. The consultant shall determine what strategies are used by the existing medical plans to manage health care costs and shall study the potential benefits of state or regional consortiums of public schools offering multiple health care plans. Based on the findings of the analysis, the consultant shall submit written recommendations to the board for the development and implementation of a successful program for pooling school districts' purchasing power for the acquisition of employee medical plans. The consultant's recommendations shall address, at a minimum, all of the following issues:

- (a) The establishment of regions for the provision of medical plans, based on the availability of providers and plans in the state at the time that the school employees health care board is established;
- (b) The use of regional preferred provider and closed panel plans, health savings accounts, and alternative medical plans, to stabilize both costs and the premiums charged school districts and district employees;
- (c) The development of a system to obtain eligibility data and data compiled pursuant to the "Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)," 100 Stat. 227, 29 U.S.C. 1161, as amended;
- (d) The use of the competitive bidding process for regional medical plans;
- (e) The development of a timeline planning for the design and use of board medical plans by not later than December 31, 2007;
- (f) The use of information on claims and costs and of information reported by districts pursuant to COBRA in analyzing administrative and premium costs;

(g) The experience of states that have mandated statewide medical plans for public school employees, including the implementation strategies used by those states;

(h) Recommended strategies for the use of first-year roll-in premiums in the transition from district medical plans to school employees' health care board plans;

(i) The option of allowing school districts to join an existing regional consortium as an alternative to school employees' health care board plans;

(j) Mandatory and optional coverages to be offered by the board's medical plans;

(k) Potential risks to the state from the use of medical plans developed pursuant to this section;

(l) Any legislation needed to ensure the long-term financial solvency and stability of a health care purchasing system;

(m) The potential impacts of any changes to the existing purchasing structure on all of the following:

(i) Existing health care pooling and consortiums;

(ii) School district employees;

(iii) Individual school districts.

(n) Issues that could arise when school districts transition from the existing purchasing structure to a new purchasing structure;

(o) Strategies available to the board in the creation of fund reserves and the need for stop-loss insurance coverage for catastrophic losses;

(p) Any legislation needed to establish and maintain medical plans designed pursuant to this section. The consultant shall submit all legislative recommendations not later than December 31, ~~2005~~ 2006, in writing, to the school employees' health care board and to the governor, the speaker of the House of Representatives, and the president of the senate.

(3) The public schools health care advisory committee is hereby created under the school employees' health care board. The committee shall make recommendations to the school employees health care board related to the board's accomplishment of the duties assigned to the board under this section. The

committee shall consist of eighteen members. The governor, the speaker of the house of representatives, and the president of the senate shall each appoint a representative from the Ohio education association, the Ohio school boards association, the Ohio association of school business officials, the Ohio association of health underwriters, an existing health care consortium serving public schools, and a health insuring corporation licensed to do business in Ohio and recommended by the Ohio association of health plans. The initial appointees shall be appointed to a one-year term not later than July 31, ~~2005~~ 2007, the members' term to begin on that date. Subsequent one-year appointments, to commence on the thirty-first day of July of each year, shall be made in the same manner. A member shall continue to serve subsequent to the expiration of the member's term until the member's successor is appointed. Any vacancy occurring during a member's term shall be filled in the same manner as the original appointment, except that the person appointed to fill the vacancy shall be appointed to the remainder of the unexpired term. The governor shall call the first meeting of each newly appointed committee. At that meeting the board shall elect a chairperson who shall call the time and place of future committee meetings. Committee members are not subject to the conditions for eligibility set by division (B) of this section for members of the school employees' health care board.

(4) The school employees' health care board shall submit a written study to the governor and the general assembly not later than January ~~15, 2006~~ 31, 2007, of a plan to operate in compliance with this section, and on the governance of the school employees' health care board. A copy of the board's plan of operation, including audit provisions, shall accompany the report on the board's governance and the report shall include the board's recommendations on any legislation needed to enforce the recommendations of the board on implementing the provisions of this section.

(5) Not later than January 15, 2009, and not later than the same day of each subsequent year, the school employees health care board shall submit a written report to the governor and each member of the general assembly, which report evaluates the performance of school employees health care board medical plans during the previous year. Districts offering employee health care benefits through a plan offered by a consortium of two or more districts, or a consortium of one or more districts and one or more political subdivisions as defined in section 9.833 of the Revised Code, representing five thousand or more employees as of January 1, 2005, may request permission from the school employees health care board to continue offering consortium plans to the districts' employees at the discretion of the board. If the board grants permission, the permission is valid for only one year but may be renewed annually thereafter upon application to an approval of the board. The board shall grant initial or continued approval upon finding, based on an actuarial evaluation of the existing consortium plan offerings, that benefit design, premium costs, administrative cost, and other factors considered by the board are equivalent to or lower than comparable costs of the board's plan options offered to the local district. Age and gender adjustments, benefit comparison

adjustments, and the total cost of the consortium plan, including administration, benefit cost, stop-loss insurance, and all other expenses or information requested by the board shall be presented to the board prior to the board's decision to allow a local district to continue to offer health care benefits under a consortium plan. A district shall not participate in the consortium plan once the district has chosen to offer plans designed by the board to the district's employees and begins premium payments for deposit into the school employee's health care fund.

(6) Any districts providing medical plan coverage for the employees of public schools, or that have provided coverage within two years prior to ~~the effective date of this section~~ September 29, 2005, shall provide non-identifiable aggregate claims data for the coverage to the school employees health care board or the department of administrative services, without charge, within thirty days after receiving a written request from the board or the department. The claims data shall include data relating to employee group benefit sets, demographics, and claims experience.

(J) The school employees health care board may contract with other state agencies as the board deems necessary for the implementation and operation of this section, based on demonstrated experience and expertise in administration, management, data handling, actuarial studies, quality assurance, or other needed services. The school employees' health care board shall contract with the department of administrative services for central services until the board is able to obtain such services from other sources. The board shall reimburse the department of administrative services for the reasonable cost of those services.

(K) The board's administrative functions shall include, but are not limited to, the following:

(1) Maintaining reserves in the school employees' health care fund, reinsurance, and other measures that in the judgment of the board will result in the long-term stability and solvency of the medical plans designed by the board. The board shall bill school districts, in proportion to a district's premium payments to all premium payments paid into the school employees' health care fund during the previous year, in order to maintain necessary reserves, reinsurance, and administrative and operating funds. Each school district contributing to a board medical plan shall share any losses due to the expense of claims paid by the plan. In the event of a loss, the board may bill each district an amount, in proportion to the district's premium payments to all premium payments paid into the school employees' health care fund during the previous year, sufficient in total to cover the loss. The state is not liable for any obligations of the school employees' health care board or the school employees' health care fund, or for expenses of public schools or school districts related to the board's medical plans.

(2) Providing health care information, wellness programs, and other preventive health care measures to medical plan beneficiaries, to the extent that the board determines to be appropriate;

(3) Coordinating contracts for services related to the board's medical plans. Contracts shall be approved by the school employees' health care board.

(L) Not less than ninety days before coverage begins for public school employees under medical plans designed by the school employees' health care board, a school district's board of education shall provide detailed information about the medical plans to the employees.

(M) Nothing in this section shall be construed as prohibiting public schools or school districts from consulting with and compensating insurance agents and brokers for professional services.

(N) The department of administrative services shall report to the governor, the speaker of the House of Representatives, and the president of the senate ~~within eighteen months after the effective date of this section~~ not later than April 30, 2007, on the feasibility of achieving all of the following:

(1) Designing multiple medical plans to cover persons employed by public institutions of higher education that achieve an optimal combination of coverage, cost, choice, and stability, which plans include both state and regional preferred provider plans, set employee and employer premiums, and set employee plan co-payments, deductibles, exclusions, limitations, formularies, and other responsibilities. For this purpose, "public institutions of higher education" include, without limitation, state universities and colleges, state community college districts, community college districts, university branch districts, technical college districts, and municipal universities.

(2) Maintaining reserves, reinsurance, and other measures to insure the long-term stability and solvency of the medical plans;

(3) Providing appropriate health care information, wellness programs, and other preventive health care measures to medical plan beneficiaries;

(4) Coordinating contracts for services related to the medical plans.

b. §203.12.02 H.B. 66

PUBLIC SCHOOL EMPLOYEE HEALTH BENEFITS

The foregoing appropriation item 100-403, Public School Employee Benefits, shall be used by the Director of Administrative Services to hire an executive director and an assistant responsible for providing administrative support to the School Employee Health

Care Board and the public school employee health insurance program established under section 9.901 of the Revised Code.

At any time during the biennium, when the Director of Administrative Services certifies that there is a sufficient reserve available from premium payments made to the School Employees Health Care Fund (Fund 815), the Director of Budget and Management shall transfer \$1,000,000 from the School Employees Health Care Fund to the General Revenue Fund.

c. §611.03 H.B. 66

DELAYED IMPLEMENTATION OF CENTRALIZED PUBLIC SCHOOL EMPLOYEES' HEALTH CARE BENEFITS SYSTEM

Notwithstanding the amendments made to sections 9.833, 9.90, 3311.19, 3313.12, 3313.202, 3313.33, 4117.03, and 4117.08 of the Revised Code by this act and the enactment of section 9.901 of the Revised Code by this act, the following amendments to a section or enactment of provisions shall not take effect unless and until the General Assembly, by subsequent enactment of law, confirms those amendments and provisions, orders their implementation, and makes such other specifications pertaining to that implementation as is then necessary:

(A) All amendments to sections 9.833, 9.90, 3311.19, 3313.12, 3313.202, 3313.33, 4117.03, and 4117.08 of the Revised Code.

(B) The following provisions of section 9.901 of the Revised Code as enacted:

- (1) Division (A)(1);
- (2) The provision that authorizes the soliciting of bids in division (A)(3);
- (3) Division (F), except for the provision that creates the school employees health care fund in the state treasury;
- (4) Division (I)(1);
- (5) Division (I)(5);
- (6) Division (J), except for the provision that authorizes the School Employees Health Care Board to contract with the Department of Administrative Services for central services and reimburse the Department for such services;
- (7) Division (K);
- (8) Division (L); and
- (9) Division (M).

(C) The provision in Section 203.12.02 of this act that extends the duties of the executive director and assistant to the School Employees Health Care Board to the Public School Employee Health Insurance Program being proposed for establishment and the provision requiring the reimbursement of the General Revenue Fund of \$2,700,000 by the School Employees Health Care Fund pending a future determination of the sufficiency of premium payments.

Appendix 2

Summary Biographies

a. School Employees Health Care Board Members

Stephen Loebs, Ph.D., Professor Emeritus, Division of Health Services, Management and Policy, School of Public Health, The Ohio State University, 2004 - present. Dr. Loeb has been at OSU since 1972 in various faculty positions related to Health Services Management and Policy, and Public Policy and Management. He has participated in numerous conferences and presentations nationally and internationally and has served with many committees and organizations. His list of publications is extensive. He received a Ph.D. in Medical Care Organization, an M.A. in Political Science and a Master of Health Administration, all from the University of Michigan, and a B.A. from Bowdoin College

Steve Clark, Treasurer/CFO, Kettering City School District, January 2000 - present. Prior to this position, Mr. Clark was the Treasurer for Springfield City, Groveport Madison Local, Gahanna-Jefferson City and Jefferson Local school districts. He also was an Assistant State Auditor for the Auditor of State for four years. He has an M.S. in Educational Administration from Ashland University and a B.S. in Labor and Human Resource Management from the Ohio State University.

Anthony D'Ambrosio, Superintendent, Trumbull County Educational Service Center, 2001 - present. Dr. D'Ambrosio has been a superintendent in four school districts and worked at three other school districts in various teaching and administrative capacities. He has been involved with numerous boards and education associations. He has a Doctor of Education degree; an M.S. in Education, and a B.S. in Business Administration, all from Youngstown State University; and an Educational Specialist degree from Kent State University.

R. Reed Fraley, Senior Vice-President, Ohio Hospital Association, 2004 - present. Prior to joining OHA, Mr. Fraley retired as CEO of the Ohio State University Health System and Vice-President for Health Services. He also held the position of CEO of Presbyterian Hospital of Dallas and various other senior administrative positions throughout the country. He has served on numerous boards related to health care. He has a M.S. in Health Services Administration from The Ohio State University, and a B.S. in Engineering from the U.S. Military Academy at West Point.

Louis J. Goorey, M.D., retired pediatrician. Dr. Goorey was Medical Director at Anthem (1985-1997) then United Healthcare (1997-2003). He specialized in pediatric medicine for 38 years and served in medical positions for various health care and insurance organizations in the Columbus area. Dr. Goorey has been a member of the Worthington City Council for 33 years and was a member of an advisory committee for the Ohio Dept. of Health. He received a Doctor of Medicine degree and a B.S. degree in Biological Science from The Ohio State University.

Christopher S. Mohr, MBA, RSBA, CGFM, Treasurer and Executive Director of Business Affairs, Dublin City Schools, 1993 - present. Mr. Mohr previously served as a Treasurer for Hamilton City and Talawanda City school districts, and was a Field Office Supervisor for the Auditor of State's Office. He has been involved with and on the boards of numerous professional organizations and associations, and he is the recipient of various professional awards and recognitions. He received an M.B.A. in Administration and a B.S. in Accounting from Miami University (Ohio), and an Associate of Science in Business Administration from Edison State College.

Larry Morgan, Superintendent, Stark County Educational Service Center, 1995 – present; Superintendent of the R.G. Drage Career Education Center. Previously, Mr. Morgan had 10 years experience as a school treasurer, ten years experience as an assistant superintendent, and ten years experience as a local superintendent. Mr. Morgan has a B.S. degree in Business Education with a dual major in Accounting and Management from State University – Shippensburg, PA; and a M.S. in Secondary School Administration from the University of Akron.

M. Scott Nisley, President Hocking Valley Bank. Mr. Nisley has been on the board of the Hocking Valley Bank since 1990 and has been in banking since 1972. He is a member of the Athens City School District Board of Education and serves on numerous other boards and committees in the southeastern Ohio area. He has a B.B.A. from Ohio University and an Associate degree in Financial Management Technology from Hocking College.

John R. Wahle, CFO Great Oaks Institute of Technology and Career Development, 1988 – present. Mr. Wahle has served in various teaching and administrative capacities at Great Oaks since 1973. He has also been the Interim treasurer at Lockland City Schools and Mt. Healthy City Schools, and taught computer and accounting classes. Mr. Wahle has been president of the Ohio Association of School Business Officials and president of the Ohio Government Finance Officers Association. He has an M.S. degree in Education and a B.S. degree in Business Administration from the University of Cincinnati.

b. Advisory Committee Members

Ken Blood, Member, East Muskingum Local Schools Board of Education, January 1995 to present. During his three terms on the school board, Mr. Blood has served as Board President, Vice President and Legislative Liaison. Mr. Blood is currently the Head Athletic Trainer and an Instructor in Health and Physical Education at Muskingum College (1982-88, 99- present). He has served as an Athletic Trainer at Orthopaedic Associates of Zanesville (88-99) has served as a graduate level adjunct professor for Ohio University and was a junior high Science Teacher and Athletic Trainer with Marietta City Schools (1981-82). Mr. Blood is also an ordained minister and is the Pastor of Friendship Baptist Church of New Concord. Mr. Blood has a BS (Interdisciplinary: Biology/ Athletic Training) from Marietta College and an MS (Physical Education) from

Ohio University. He is a frequent speaker in the areas of health, sports medicine and school board issues and has been published.

Sandra Caldwell: Ms. Caldwell has served for 15 years as Administrative Director of Butler County Health Plan, a self-funded consortium of 14 schools districts in SW Ohio serving more than 7000 employees and their families. Ms. Caldwell's professional career also includes 15 years in hospital administration in the Greater Cincinnati community. She has served 3 terms as a school board member and served on numerous other boards in Butler County. She has a BS degree in Business Administration from Tenn. Tech University in Cookeville, TN.

Barbara Coriell, CEBS, Benefit Plan Administrator, Southwestern Ohio Educational Purchasing Council (EPC) 1986-present. Ms Coriell is in charge of the EPC's employee benefit plans which provide medical, dental and vision coverage for 10,000 employees in an 8 county area around Dayton. She also handles the EPC's Workers Comp Group Rating pool. Prior to the EPC, Ms Coriell was the Regional Technical Consultant with Metropolitan Life in the large group sales office. She has a B.A. from Oberlin College and a CEBS from the International Foundation of Employee Benefit Plans.

Scott DiMauro, President, Central OEA/NEA, 2004-present and President, Worthington Education Association, 2001-present. A high school social studies teacher in the Worthington City School District, Mr. DiMauro has served as chairperson of the Association's bargaining team and a member of the district's health insurance committee since 2000. He served as a member of the Ohio Education Association Health Care Task Force and is a former member of the OEA Legislative Commission, as well as numerous other committees at the state, regional, and local level. He received a M.A. in Curriculum, Instruction and Professional Development from the Ohio State University and a B.A. and B.S.Ed. from Miami University.

Bill Epling, CPA, Chief Operating Officer for Wellcare of Ohio. Prior to joining Wellcare, Mr. Epling was the Regional Vice-President and Chief Financial Officer of Healthplan of the Upper Ohio Valley/Hometown for 20 years. Mr. Epling has a B.S. in Accounting and a B.S. with a dual major in Math and Computer Sciences. Both degrees are from Defiance College.

Gregg Gascon, Education Research Development Consultant in the Research Division of the Ohio Education Association. Mr. Gascon is responsible for conducting employee benefit research and evaluation in support of state collective bargaining goals. Since 1997, this research has taken the form of policy and practice reports, studies, bargaining language, training and consultation. Mr. Gascon is member of the State Planning Committee on Health Education in Ohio, the Public Schools Healthcare Advisory Committee, the Teacher Quality Partnership and Co-Chair of the Ohio Public Sector Labor-Management Health Care Benefits Committee. He holds a B.A. in Psychology, an M.P.A. and has just completed all requirements for a Ph.D. in Quantitative Research, Evaluation and Measurement in Education at The Ohio State University.

Robert A. Hancock, CPA, currently in his 14th year as Treasurer for the Hamilton City School District. Mr. Hancock has been in the government finance profession for 22 years. Mr. Hancock worked for the Auditor of State for 4 years, Miami Trace Local District for 2 years as treasurer, and Shawnee Local School District for 4 years as Treasurer. Mr. Hancock also services on the Board of Trustees for the Butler County Health Plan where he currently serves as Chairman.

Brenda Hurst, Treasurer, Dover City School District, June 2000 to present. Prior to this position, Mrs. Hurst was the Treasurer for Buckeye Joint Vocational School District and Assistant Treasurer for Buckeye Career Center and Tuscarawas Valley Local School District. She has an Associate Degree in Accounting from Kent State University.

David R. Kross, RHU, Co-founder & Vice President of United Benefits Agency Inc. which is an employee benefits management firm specializing in group life/AD&D, health, drug card, dental, disability, health reimbursement arrangements (section 105 plans), flexible spending accounts (section 125 plans), and pension plans, 1988 - Present. Prior experience was as the owner of D.R. Kross & Associates which specialized in employee benefits management for small to medium sized employers. He began his career as a Representative for Jefferson Standard Life Insurance Company. He received his B.B.A. from the University of Cincinnati in Finance. He also earned his Registered Health Underwriter (RHU) designation from the American College.

Richard Lewis, Executive Director, Ohio School Boards Association, September 2006 to present. Mr. Lewis has been with OSBA since 1984 and has held numerous leadership positions within the association, including deputy executive director from 2002 to 2006. He serves on numerous state and national committees. Mr. Lewis earned both bachelor's and master's degrees from Ohio University. He also holds the designation of Certified Association Executive (CAE) from the American Society of Association Executives and is certificated in convention management by the American Society of Association Executives.

Van Keating, Director of Management Services, the Ohio School Boards Association. Van is a member of the Ohio State Bar Association, NPEIRA/OPERLRA, NAEN, IRRA, PERRAC, BASA, Delta Theta Phi, CSU, Association of Citadel Men, and U.S. District Court for the Southern District of Ohio. Van started at OSBA in March, 1989 as a Staff Attorney. He then transferred to the Division of Management Services in 1993 as a Labor Relations Specialist. He became Deputy Director of Labor Relations in 1994 and Director of the Division in 1995. Mr. Keating received his B.A from the Citadel and his J.D. from Capital University Law School.

David Manning, Senior Benefits Consultant, Burns Consulting, 2002 to present. Prior to joining Burns Consulting, Mr. Manning was employed for nearly 30 years by Tecumseh Products Company, a leading, global manufacturer of compressors, small gasoline engines, pumps and motors. At Tecumseh, Mr. Manning served for over twenty years as Corporate Director of Employee Benefits, where he was responsible for managing the company's North American employee benefit programs, which covered over 15,000

employees and retirees. Mr. Manning has served on the Boards of Directors of several regional PPO's, as well as the Midwest Business Group on Health (MBGH). He received from the University of Toledo a B.A. in Economics, an M.B.A. in Finance, and a J.D.

Kelly McGivern, President and Chief Executive Officer, Ohio Association of Health Plans, 2000-Present. Prior to this position, Ms. McGivern worked as a government affairs executive for the Ohio Chamber of Commerce from 1993 - 2000. She has worked with health insurance companies for over thirteen years and has an in-depth knowledge of health insurance and public policy issues. Ms. McGivern has a B.S. in Education from the Ohio State University and worked as an elementary school teacher for two years. She is actively involved in various community volunteer organizations including Children's Hunger Alliance, Habitat for Humanity Women's Guild and Ridgewood Elementary PTO. Ms. McGivern is the recipient of various awards and recognitions including Business First's 40 Under 40 Award.

Barbara Shaner, Associate Executive Director, Ohio Association of School Business Officials (OASBO) October 1999 to present. Barbara recently served as OASBO's Interim Executive Director from July of 2005 through February of 2006. Ms. Shaner conducts OASBO's legislative program including: representing OASBO members to the Governor's Office and the Ohio General Assembly, presenting position testimony on bills, writing informational articles for association publications, and educating the community and OASBO's membership through various presentations on legislative issues. She was appointed by Governor Bob Taft to the Governor's Blue Ribbon Task Force on Financing Student Success and served from 2003 to 2005. Ms. Shaner is the Vice Chairperson of the ABC Political Action Committee (ABC PAC). Prior to joining OASBO, Barbara worked as a consultant and lobbyist for several agriculture related organizations and the Ohio Department of Agriculture in their Office of Farmland Preservation.

William C. Shimp, CLU, Partner at Gardiner Allen DeRoberts Insurance, LLC of Columbus, Ohio since April 2006. Prior since 1995, Mr. Shimp was the Executive Vice President/Partner of the Dick DeRoberts and Company, Inc. serving as the managing partner of the Employee Benefit division. Prior to his appointment as EVP/Partner he was the Employee Benefit division manager at Dick DeRoberts and Company, Inc. since 1988. He has a Bachelor of Administrative Sciences Degree from Ohio State University and received his Chartered Life Underwriter designation from the American College in Bryn Mawr, PA in 1986. Mr. Shimp currently instructs insurance agents/brokers on Consumer Driven Health Care Plans and is a past instructor for the American College on Group Insurance and Cafeteria Plans. He is a past President of the Columbus Chapter of the American Society of Financial Service Professionals; and past President of the Ohio Association of Health Underwriters.

Thomas A. Sullivan is the Chief Operating Officer for United Healthcare of Ohio. Mr. Sullivan works directly with three executive directors across the state to grow the Ohio market. His focus is on creating a consistent, affordable experience for United Healthcare's customers, providers and broker partners while promoting the importance of

trust in the people served and supported by United Healthcare throughout Ohio. Mr. Sullivan previously served as CEO of United Healthcare of Northern Ohio. He also served as President of QualChoice Health Plan and University CompCare. Mr. Sullivan also served as Regional Vice President of Sales and Marketing for United Healthcare. He began his career with Blue Cross and Blue Shield of Ohio in 1979. He spent two years with FHP of Utah before returning to Ohio in 1997 to become Senior Vice President of QualChoice. Mr. Sullivan is a board member of the Alzheimer's Association. He earned a B.S. in Business Administration from Baldwin Wallace College.

Jim Timlin, Secretary-Treasurer of the Ohio Education Association, September 1-Present. Prior to serving in this position, Mr. Timlin was an English teacher in the Howland Local School District for 30 years. He also served as the president and chief negotiator for the Howland Classroom Teachers' Association. He has a B.A. in English and a M.S. in Education from Youngstown State University.

Janice Walker, President, Benefit Designs, Inc, January 1999 to present. Prior to this position, Jan was Director of Sales for Anthem BCBS in the Cleveland and Akron/Canton markets. She has worked as a health care company manager as well as an independent benefits consultant for more than 28 years. She has been actively involved in strategic planning, market development and all sales and service functions including health care financing. She has a BA in Management from Malone College.

Appendix 3

119 Rules

3306:1-1-01 **Name.**

(A) The name of this board is the School Employees Health Care Board. For the purpose of brevity in the succeeding by-laws, this organization shall subsequently be referred to as the board.

3306:1-1-02 **Headquarters.**

(A) The headquarters for the board shall be Columbus, Ohio

3306:1-1-03 **Members.**

(A) In accordance with Section 9.901 of the Revised Code, there shall be nine members of the board. Vacancies shall be filled in the manner of the original appointment and pursuant to section 9.901(C) of the Revised Code.

3306:1-2-01 **Meetings Generally.**

(A) All regularly scheduled meetings and special meetings of the board shall be governed by and conducted in accordance with Ohio's open meetings act, section 121.22 of the Revised Code; however, the records of the board are not public records for purposes of Section 149.43 of the Revised Code. The rules and regulations set forth herein within this section shall be equally applicable to meetings of the executive committee or any other committee established by the board, except as expressly provided otherwise.

3306:1-2-02 **Scheduled Meetings.**

(A) The board shall meet at least four times each calendar year upon the call of the chairperson or at the written request of three or more board members. The chairperson shall establish the time and place for each meeting.

3306:1-2-03 **Meeting Sites.**

(A) Regularly scheduled and special meetings of the board may be convened anywhere within the state of Ohio.

3306:1-2-04 **Notice of Meetings.**

(A) To board members:

The executive director shall provide written notice of the date, time and place of each regularly scheduled meeting of the board to board members at least seven days in advance of either sending the same via e-mail or regular, first-class mail to each member's respective office or home address as last recorded in the board's records. In the case of special meetings, the notice shall also specify the nature of the business proposed to be transacted by the board.

(B) To the general public:

Any person may ascertain the date, time and place of regularly scheduled meetings, and the date, time, place and purpose of all special meetings of the board by:

- (1) Writing to the following address: "School Employee's Health Care Board", 30 East Broad St., 28th floor, Columbus, Ohio 43215; or,
- (2) Calling the following number during business hours: (614) 644-6479; or
- (3) Sending an e-mail request to: health.benefits@sehcb,ohio.gov

Furthermore, the executive director shall maintain a list of persons who have requested, in writing, notice of all meetings of the board at which specific subject matters designated by such persons are scheduled to be discussed. The executive director shall, no later than seven days prior to each meeting, send by e-mail or regular first-class mail an agenda of the meeting to such persons.

(C) To media representatives:

(1) Special meetings

Any representative of the news media may obtain notice of all special meetings by requesting, in writing, that such notice be provided. Such notice will be given, however, to only one representative of any particular publication or radio or television station. Requests for such notification should be sent to the board at the address or e-mail address set forth in paragraph (B)(1) of this rule. The request shall provide the name of the individual media representative to be contacted, a mailing address and a maximum of two telephone numbers where that person may be reached. The executive director shall maintain a list of all representatives of the news media who have requested to be notified of any special meetings.

In the event of a special meeting not of an emergency nature, the executive director shall notify all media representative on the aforementioned list by doing at least one of the following:

- (a) Sending written notice of such special meeting by regular, first-class mail, at least four days in advance of the date of the special meeting; or,
- (b) Notifying such representatives by telephone, e-mail or facsimile at least twenty-four hours in advance of the special meeting, such notice shall be

complete if a message has been left for the representative of if, after reasonable effort, the executive director has been unable to provide such notice; or,

(c) Informing such representative personally at least twenty-four hours in advance of the special meeting.

(2) Emergency meetings,

In the event of a special meeting of an emergency nature requiring immediate official action, the executive director shall notify the media representative on the aforementioned list of the date, time, place and purpose of the meeting by providing the notice described in paragraph (C)(1)(b) or (C)(1)(c) of this section. Media representatives shall be provided with notice of any such emergency meeting as soon as practical, which may be less than twenty-four hours notice.

In giving notices required by this rule, the executive director may rely on assistance provide by any member of the board or its staff, and any such notice shall be deemed properly given if provided in the manner sated in this rule.

3306:1-2-05 **Quorum/voting.**

A quorum shall consist of five members duly appointed to the board. The affirmative votes of a majority of members present shall be required in order for the board to take any action. No board member may participate in any vote regarding a contract the board awards if the member has a direct pecuniary or fiduciary interest in the contract. Voting rights may not be exercised by proxy, except as may be otherwise permitted by the Revised Code.

3306:1-3-01 **Officers.**

(A) The officers of the board shall be the chairperson and the vice-chairperson. The board may elect members to other positions on the board as the board considers necessary and appropriate.

The chairperson and vice-chairperson shall be elected annually by the board at its first meeting held in each fiscal year. Such offices shall hold office until the first board meeting in the following fiscal year and their successors are elected and qualified. In the event that the office of chairperson or vice-chairperson is vacated by reason of resignation, removal or death of the officer, the board shall convene within thirty days and fill the vacancy by holding a special election. The member elected to fill such office shall serve for the balance of the unexpired term.

(B) The chairperson and vice chairperson shall have the following duties:

The chairperson shall preside at all meetings. In the event that the chairperson cannot attend a meeting, the vice-chairperson shall preside in the chairperson's absence.

At any time when the chairperson and vice-chairperson are absent from a meeting where a quorum exists, the members present at the meeting shall elect a presiding officer to act during the absence of the chairperson and vice-chairperson.

3306:1-4-01 **Administration.**

- (A) In accordance with Section 9.901(I)(3) of the Revised Code, the public schools health care advisory committee is created under the board. Eighteen members shall serve one-year terms. Vacancies shall be filled in the manner of the original appointment. The committee shall elect a chairperson and vice-chairperson annually at the beginning of each fiscal year. The advisory committee shall follow the same rules for meetings as the board except that a quorum shall consist of ten members duly appointed to the committee. The affirmative votes of a majority of members present shall be required in order for the committee to take any action.
- (B) The public school employees health care board shall manage and maintain the school employees health care fund. The board shall coordinate and approve contracts for services related to the board's medical plans.
- (C) The board may utilize the services of an executive director or a designee to serve as executive director and support staff hired by the Department of Administrative Services to provide support to the board. The board in conjunction with DAS will determine the duties of the staff and executive director.
- (D) The board may establish from time-to-time such standing and ad hoc committees as the board members deem appropriate to facilitate the board's business.

3306:1-5-01 **Minutes.**

- (A) The board shall keep minutes of all regular, special and emergency meetings. The minutes of a regular, special or emergency meeting shall consist of a summary of the meeting which reflects the discussion at the meeting and the official action taken by the board and the vote thereon, except that the minutes need only reflect the general subject matter of discussions in executive sessions authorized under the Revised Code.
- (B) After each meeting, the board shall cause the minutes to be promptly prepared, filed and maintained. The minutes of each meeting shall be considered at the next regular meeting of the board. After approval of the minutes by the board the minutes shall constitute the official minutes of the board and shall be maintained by the board and open to public inspection during normal business hours.

