CASE STUDY:

Pittsburgh (Allegheny County) Schools

Investing in Kids while Ensuring Teachers Receive Better Care

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

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

Rewarding Wise Decisions

Jan Klein, ACSHIC's business manager, describes a model that is very consistent with the Health Rosetta blueprint. In a nutshell, they make smart decisions free or nearly free (e.g., primary care is free, and going to high-quality care providers involves very low or no copays or deductibles) and poor deci-

sions expensive (e.g., paying more to see higher-cost, lower-quality care providers). It's a much more subtle, yet more effective, strategy than blunt-instrument, high-deductible plans that often lead to deferred care, bankruptcies, reduced teacher compensation, fewer arts programs ... the list goes on.

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

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

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

- Educating consortium trustees on quality rankings of hospitals, including sending them to a Pittsburgh Business Group on health forum
- Retrieving hospital quality data through third-party data and tools (e.g., Imagine Health, CareChex, and Innovu)
- Validating vendor information by confirming it was not influenced by bias
- Selecting the most effective resources by identifying credible partners/vendors

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

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

Results

Health care purchasing before (October 2013 - September 2014)

# 1 Hospital in the region (highest quality rating)	#23 Hospital in the region (low quality rating)
33,352 Services*	31,047 Services
293 Admits	362 Admits
$4,941,146 in total costs	$15,089,972 in total costs

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

Intervention to improve value: tiered benefit offerings

- The enhanced tier has NO deductible and pays 100% of hospital charges.
- The standard tier has a deductible and pays 80% of hospital charges.
- Out-of-network care has a larger deductible and pays 50% of hospital charges.
- Lower cost and higher quality is determined by third-party, independent benchmarks.

Health care purchasing after (October 2015 - September 2016)

#1 Hospital in the region (highest quality rating)	#23 Hospital in the region (low quality rating)
40,046 Services (up 20%)	6,620 Services (down 79%)
328 Admits (up 12%)	113 Admits (down 69%)
$7,170,357 in total costs (up 45%)	$5,548,832 in total costs (down 63%)

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

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

Going Forward

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

- The enhanced tier has no deductibles.
- Primary care visits have no copay.
- Specialist visits have a $10 copay.
- There's an employee assistance program provider.
- There's a second opinion service.

Their determination to serve kids led education leaders in Pittsburgh to move past tired assumptions about labor and management being forever at odds over health benefits. With any luck, their steely resolve in the face of local challenges will inspire teachers' unions and school boards throughout the country to say "no" to health care stealing our kids' future. Imagine how much better schools would be if every school district replicated Pittsburgh's approach. If you are a parent or community member, share www.healthrosetta.org/schools with leaders in your local schools for this and other examples of success. You can find calculators on how avoiding wasted health care bureaucracy can allow for health and well-being for our future and kids.