

ED.04 - K-12 Benefit Program Consolidation

with the goals of federal grant programs and interest areas among foundations with a focus on public education.

- Identify qualified grant writers.
- Host a workshop with key grants management personnel to discuss best practices and approaches utilized in other states. Maryland and Minnesota have reorganized and centralized grants management in recent years using this type of workshop approach.

Recommendation #3 – Pursue Cost Savings Opportunities through Centralization and Shared Services Agreements

Centralizing IT functions can improve standardization, improve internal communication, facilitate best practice sharing, and reduce duplication of effort. Development and implementation of a support system for centralized IT personnel can help ensure that agencies are able to access timely technical support. Coordinating similar functions across state agencies can also reduce duplication of effort and improve the quality and efficiency of service provided to constituents. In addition, it can facilitate the creation of policies, programs and guidelines that integrate the perspectives of both agencies.

- Shift a portion of the IT positions currently housed within the KSDE to a centralized IT Division.
- Identify additional opportunities where costs for FTEs that focus on data collection can be shared across state agencies.

Background and Findings

- The IT Department represents nearly 25% of KSDE's personnel costs.
- Many of these positions are "split-funded" across state and federal sources. Redeployment of resources should be done to maximize utility of non-state funded sources.
- The KSDE IT staff created a series of customized applications to collect program data and comply with federal reporting requirements.
- KSDE IT staff supports internal KSDE employees and approximately 40,000 external school dis-

trict staff and partner users across more than 100 web-based applications.

- Descriptions of the roles and responsibilities for different departments within the KSDE include similar functions related to data collection and reporting.

Recommendation #3 - (dollars in 000's)				
FY17	FY18	FY19	FY20	FY21
\$500	\$500	\$500	\$500	\$500

Key Assumptions

- The custom-developed IT applications can be combined or integrated so that all required data collection activities take place.

Critical Steps to Implement

- Conduct in-depth analysis of the IT Department functions as well as the roles and responsibilities of each IT staff member and the applications they manage.
- Explore alternative staffing models drawing on practices used by other states.
- Explore alternative data collection applications to consolidate the current data collection processes.

Recommendation #4 – K-12 Benefit Program Consolidation

- Currently, K-12 school districts have the opportunity to participate in the State Employee Health Plan (SEHP), though few of the 286 districts are participating because of the current state contribution structure.
- Due to the current purchasing and administration structure, there is significant opportunity for cost savings and efficiency through the development of a consolidated health insurance plan for K-12 district employees and their dependents. This consolidated program will provide greater plan choice offerings and improved contribution structure for members, while reducing the administrative cost and burden of providing healthcare across the districts. The State Employ-

ee Health Plan currently covers approximately 44,000 members and their dependents. The K-12 employee base is significantly larger, with approximately 69,000 full-time employees.

- Statewide Health Program for K-12 School Districts – The State should consolidate the health plans offered by K-12 school districts to reduce costs, increase administrative efficiencies, and standardize offerings to attract and retain Kansas State teachers. This program will offer participants a choice between multiple health plans ranging in benefit levels. To achieve the greatest savings, the consolidated program would leverage the current State Employee Health Plan contracts and organizational structure. Assuming the districts' current contribution structure, the districts can save an estimated 20%-25% of total health care spend. Assuming the plan begins January 1, 2017, savings for the last six months of FY 2017 are estimated at \$40 million.

Background and Findings

- The K-12 school districts have the opportunity to participate in the State Employee Health Plan, though a relatively small number of districts currently participate.
- A strong deterrent from participating in the SEHP is that the employer contribution requirements do not align with the current contribution structure in many of the districts. Typically, the districts pay a significant portion for the employee only coverage, but little for any dependents.
- Although a few districts participate in health trust programs or associations, the school districts are generally sourcing and managing health care individually—a very expensive and inefficient approach.
- Many small districts are facing unsustainable, large increases in cost each year.
- Based on the sample of collected data, most districts provide a choice of one to three plans for employees.
- Based on the sample census files provided by the K-12 districts, the active population has an average age of 44 and is 77% female, while the SEHP has an average age of 46 and is 52% female. Therefore, it is recommended the two popula-

tions remain in separate risk pools, with health plans and benefit levels reflecting the covered group.

- Based on the premium information provided by the sample size of approximately 15,500 employees, total district healthcare spending is estimated to be \$300 million - \$350 million annually.

Recommendation #4 - (dollars in 000's)

<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>
\$40,000	\$80,000	\$80,000	\$80,000	\$80,000

Key Assumptions

- The sample census size appropriately reflects the current population of K-12 full-time employees.
- The information collected from the sample districts is representative of current plan costs, designs and contribution structures.
- Estimates are determined assuming each district continues with their current contribution structure. However, it is recommended the final program have a consistent contribution structure across all districts.
- All K-12 school districts are required to participate in the consolidated health program. Unless local control on health insurance choice is legislatively abated, the capture of the estimated savings will vary significantly if local school districts choose not to participate.
- Cost savings will be achieved by spreading the health risk across the entire K-12 population.
- The K-12 program can leverage all current SEHP relationships.
- The SEHP would require 10-15 additional staff members to administer the K-12 program, which would be a cost of approximately \$500,000 to \$750,000 per year.
- Fees for actuarial assistance with the program design and implementation are estimated at approximately \$500,000, annually.

Critical Steps to Implement

The estimated savings provided is based on broad, conservative assumptions of the overall risk pool, cur-

rent plan options and costs at the districts, indicating that there is opportunity for savings through a consolidated program. In order to develop refined cost and savings figures, the State must take a number of critical steps, including:

- Establish a project management team and health-care committee (similar to SEHP) for detailed assessment of 286 districts in order to determine actual recommended program with actual premiums for consolidated program.
- Expand current actuarial services contract scope to conduct the assessment or issue a RFP for new actuarial service provider for the detailed assessment of all 286 district programs.
- Collect complete health plan information from each district including:
 - » Detailed census data for all K-12 employees and retirees
 - » Current plan detail and plan design
 - » Current and historical cost/contribution
 - » Historical claims
 - » Benefit eligibility and district administrative structure
- Provide analysis for potential program designs and cost impacts addressing plan options including, but not limited to:
 - » Number of plan options and specific plan designs
 - » Cost and contribution structure
 - » Administrative structure (i.e. district opt-in/opt-out)
- Gain key stakeholder consensus and support to encourage local district participation in this new approach. Key stakeholders include: Kansas Association of School Boards (KASB), Kansas National Education Association (KNEA), Kansas School Superintendents Association (KSSA), and the United School Administrators of Kansas. This could be achieved through participation in the proposed healthcare committee.
- Establish health plan with current SEHP third party administrator—Blue Cross Blue Shield of

Kansas.

- Increase SEHP staff by 10-15 employees to administer the K-12 program.

Assuming district participation, it is anticipated K-12 consolidation of health benefits can be completed for a January 1, 2017 effective date. The implementation will take significant time and manpower. In the event the program does not utilize the current SEHP actuary or third party administrator and an RFP is needed, the effective date of the program may be delayed. The recommendation would require a change in statute that would require all districts to purchase health insurance through the newly founded program.

Recommendation #5 – Collaboratively Source Select Categories on a State-wide Basis

- The school districts should join the Department of Administration (DOA) and strategically source specific spend categories to drive greater cost savings for the school districts.

Background and Findings

School districts execute their procurement activities in a decentralized manner and independent of the state's Procurement and Contracts group. At their discretion, each school district can utilize state contracts negotiated by the Procurement and Contracts group, utilize cooperative agreements or negotiate contracts individually. This level of autonomy makes it difficult for the school districts to truly leverage their collective volumes fully with each other and the state, since contracting phases are not synchronized, spend data is not consolidated or analyzed and requirements are not standardized.

Despite these challenges, there are some categories of spend that are still suitable for collective sourcing with the state. A&M analyzed FY15 expenditure data from seven school districts (Blue Valley, Kansas City Kansas, Lawrence, Olathe, Shawnee Mission, Topeka and Wichita). This expenditure data represents approximately \$443 million or 30% of the overall addressable school district spend. The evaluation identified seven categories that should be included in the first three waves of a statewide strategic sourcing event outlined in Procurement Recommendation #1. In these cases, either the school districts are utilizing the state's con-

ED.02 - New Grant and Foundation Opportunities

Recommendation #2 – Apply for Additional Funds from Public and Private Sources

KSDE should centralize ownership and management of applying for grant funds. Centralizing the grants management process will improve access to additional funds by increasing internal capacity to develop strong grant applications. It will also likely result in the creation of strong portfolios of grants that are organized with clear goals and outcomes for education in Kansas. Finally, centralizing grant management will make it easier to ensure effective, efficient and compliant grants management practices:

- Review the list of identified federal grant programs for which KSDE is eligible to apply, to determine the degree to which these opportunities advance KSDE's educational goals and desired outcomes and prepare applicable application(s) .
- Apply for new federal funds expected to be available this fiscal year and pursue discretionary grant opportunities that align with KSDE's policy goals. Particular attention should be given to the US Department of Education's priority focus areas including:
 - » A new Equity and Outcomes Pilot with Title I Funds
 - » \$11.7 billion for the IDEA Grants to States
 - » \$750 million for the Preschool Development Grants
 - » \$504 million for the IDEA Grants for Infants and Families program
 - » \$2.3 billion for Improving Teacher Quality State Grants
 - » \$1 billion in 2016 for Teaching for Tomorrow (TFT)
 - » \$350 million for Excellent Educators Grants
 - » \$200 million for improved Educational Technology State Grants
- Develop an outreach and communications strategy to create effective working relationships with a prioritized set of foundations within Kansas, who may be interested in providing fiscal support to advance KSDE's programmatic goals.

Recommendation #2 - (dollars in 000's)

FY17	FY18	FY19	FY20	FY21
\$299	\$299	\$299	\$299	\$299

Key Assumptions

- The estimated increase in federal funding levels is based on the identification of four example education related grants that peer states have received that Kansas did not receive.
- The estimated value for those grants was based on the average award received for the peer states that received funding, which totaled \$3.3 million in average awards.
- A probability of award of 10 percent was applied to the grants to create a net potential value.
- One of the four grants identified required the negotiation of matching funds in the award, which was assumed to require a 50 percent match to obtain funds.
- The value of the priority focus areas have not been estimated, and represent potential for increased federal funding above the current estimate provided
- Anticipated federal funding opportunities will materialize.
- KSDE will have the resources necessary to prepare and submit high quality grant applications that clearly express Kansas' goals and desired outcomes for public education.
- KSDE's goals and objectives can be articulated in such a way that policy goals can be easily aligned with foundations' interest areas.

Critical Steps to Implement

The critical steps necessary to complete the implementation of the recommendation include:

- Develop a consolidated statement of KSDE's education policy goals.
- Develop a strategy for using federal education programs to advance KSDE's strategic goals and objectives.
- Align KSDE's education policy and outcome goals

with the goals of federal grant programs and interest areas among foundations with a focus on public education.

- Identify qualified grant writers.
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