

Tioga Central School District

Health Insurance and Special Education Cost Savings

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OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Tioga Central School District

Audit Objective

Determine whether Tioga Central School District (District) officials could achieve cost savings by offering health insurance buyout incentives and providing select special education services in-house.

Key Findings

District officials could achieve cost savings by:

- Offering an acceptable health insurance buyout incentive in lieu of health insurance coverage.
 - Savings could range between approximately \$10,000 and \$251,000.
- Providing select special education programs in-house.
 - Savings could be approximately \$39,700.

Key Recommendations

- Consider offering a health insurance buyout incentive to help reduce costs.
- Consider providing select special education services in-house to help reduce costs.

District officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Background

The District serves the Towns of Tioga, Nichols, Barton and Candor in Tioga County. The seven-member elected Board of Education (Board) is responsible for the general management and control of financial and educational affairs. The Superintendent of Schools is the chief executive officer and, along with other administrative staff, is responsible for day-to-day management under the Board's direction.

The District is a component unit of the Broome-Tioga Board of Cooperative Educational Services (BT BOCES) and a member of its health insurance consortium.

Quick Facts

2018-19	
Special Education Costs	\$1.2 million
Health Insurance Costs	\$3.4 million
Enrollment	892
2019-20	
Appropriations	\$20.3 million

Audit Period

July 1, 2018 – December 31, 2019. We expanded our audit period through January 21, 2020 to review health insurance program options available to employees.

Health Insurance and Special Education Cost Savings

District officials have a responsibility to provide necessary services, including contractual employee benefits such as health insurance and educational services for its special education students. These services should be cost-effective to ensure tax dollars are spent in a prudent and economical manner.

In 2019-20, the District provided health insurance coverage to 141 employees and retirees, with 16 employees waiving District coverage. In addition, the District provided special education services to 168 students, with 30 students receiving services off-campus, during the audit period.

District officials contracted with BT BOCES as the primary provider for all special education programs the District could not provide in-house. In addition, the District contracted with third-party providers to provide special education programs and services. Officials recently began assessing the possibility of providing special education services in-house in lieu of contracting with an authorized provider, such as BT BOCES.

How Can Officials Control Health Insurance and Special Education Costs?

District officials should annually evaluate health insurance and special education program costs and determine whether the same or a better level of coverage can be obtained at a lower cost, while looking for ways to control these costs.

Collective bargaining agreements (CBAs) may determine the amounts that the district and its employees contribute to the cost of health insurance. As part of the negotiation process, a district may offer an annual payment in lieu of health insurance coverage (referred to as a buyout incentive) to its employees who have appropriate coverage available from another source and who choose to receive the payment in return for not being covered by the district's health insurance. Buyout incentives may provide cost savings and reduce a district's costs if the payments provided in lieu of coverage are less than the district would spend on health insurance for these employees.

District officials may choose to provide special educational services in-house or contract with an authorized provider, such as a BOCES and/or a third-party provider. Officials should seek to provide the most economical services for special education, with the goal of maximizing taxpayer value while still meeting the standards required by each student's individualized education program (IEP).¹

District officials should annually evaluate health insurance and special education program costs and determine whether the same or a better level of coverage can be obtained at a lower cost...

¹ An individualized education program is a written document that outlines the special education instruction, support and services a student with delayed skills or other disabilities might need to make progress and succeed in school.

Officials Could Achieve Savings by Offering an Acceptable Buyout Incentive

During the audit period, the District provided health insurance coverage to 261 employees and retirees, and another 16 employees waived family plan coverage. The CBAs require the District to pay 80 percent of the health insurance premium. For 2019-20, monthly premiums ranged from \$651 to \$1,617 per employee based on the plans offered. Health insurance expenditures averaged \$3.4 million over the last three years (2016-17 through 2018-19).

Officials could achieve health insurance cost savings by offering an acceptable buyout incentive to employees in lieu of health insurance coverage. Officials expressed interest in the cost-benefit of potentially offering a buyout incentive. Therefore, we surveyed 126 active employees enrolled in the District’s health insurance during the audit period to determine whether they would be interested in various buyout amounts, if offered.

We estimated that the potential annual savings to the District (for participants with family plans) would be between \$4,046 and \$220,534 depending on the buyout amount. We included the cost of the buyout payment for the 16 employees who waived health insurance coverage in our calculations.

Figure 1: Potential Annual Savings – Family Plan

Buyout Amount	\$1,500	\$2,000	\$2,500	\$3,000	\$3,500
Interested Employees	2	3	5	11	23
Employees Who Waived Coverage	16	16	16	16	16
Total Employees to Receive Buyout	18	19	21	27	39
District’s Share of Health Insurance Costs Averted	\$31,046	\$46,570	\$77,616	\$170,755	\$357,034
Total Cost for Buyout ^a	\$27,000	\$38,000	\$52,500	\$81,000	\$136,500
Total Potential Savings	\$4,046	\$8,570	\$25,116	\$89,755	\$220,534

^a We assumed that all employees who had previously waived coverage would sign up for the buyout.

Similarly, for participants with individual plans, the potential annual savings to the District ranged from \$5,750 to \$29,998, depending on the buyout amount.

Figure 2: Potential Annual Savings – Individual Plan

Buyout Amount	\$250	\$500	\$750	\$1,000	\$1,250
Total Employees Interested and Entitled to Buyout	1	1	2	3	6
District's Share of Health Insurance Costs Averted	\$6,250	\$6,250	\$12,499	\$18,749	\$37,498
Total Cost for Buyout	\$250	\$500	\$1,500	\$3,000	\$7,500
Total Potential Savings	\$6,000	\$5,750	\$10,999	\$15,749	\$29,998

If the District offered a buyout, it could potentially save between approximately \$10,000 and \$251,000 per year, depending on the buyout incentive amount offered.

Officials Could Achieve Savings by Providing Special Education Services In-House

Officials could achieve cost savings by providing select special education programs in-house rather than contracting out these services to an authorized provider. The District currently has five students enrolled in two special education programs. These programs with student to staff ratios of either 8 students to one teacher to one teacher's aide (8:1:1) or 12 students to one teacher to one teacher's aide (12:1:1), were offered by the BT BOCES during 2019-20 and could be provided at the District.²

Officials have been assessing the possibility of providing these programs in-house and determined that they have the available space. If these programs were provided in-house, District officials would be required to hire an additional full-time teacher and an additional teacher's aide.

We determined that if the District provided these services in-house for the five students currently enrolled in the 8:1:1 and 12:1:1 programs at BT BOCES, they could potentially achieve cost savings totaling about \$39,700 during 2020-21. If District officials were able to maximize the capacity of these in-house classrooms and avert future students from attending these programs at BT BOCES, they could achieve additional savings ranging from approximately \$14,000 to \$22,400 per student.

² These programs included classroom instruction, which required a maximum of either 8 or 12 students instructed by one teacher and one teacher's aide. These environments provide a supportive learning community that balances the academic, pre-vocational (such as workforce development) and social development of each student.

The District also contracts with BT BOCES to provide other special education services to five additional special education students. If the District provides in-house programs in the future, officials may be able to provide special education services for these students, potentially increasing cost savings. Further, two neighboring school districts indicated interest in using the District as a third-party provider for select special education programs, which could provide a revenue enhancement for the District.

We commend District officials for their interest in achieving savings.

What Do We Recommend?

The Board and District officials should:

1. Consider offering a health insurance buyout incentive to reduce health insurance costs.
2. Consider providing select special education services in-house to reduce special education costs.

Appendix A: Response From District Officials

AUDIT RESPONSE & CORRECTIVE ACTION PLAN FOR HEALTH INSURANCE & SPECIAL EDUCATION COST SAVINGS

Audit Response and Corrective Action Plan

Unit Name: Tioga Central School District

Audit Report Title: Health Insurance and Special Education Cost Savings

Audit Report Number: 2020M-84

This document serves as both the Tioga Central School District's (the District's) audit response and Corrective Action Plan.

The District agrees with the general findings of Audit Report Number 2020M-84 to the extent that cost savings may be achieved through a health insurance buyout and in-house special education services. The District cannot verify and does not commit to achieving the specific cost saving amounts calculated in this Audit Report because they are projections only arrived at through a methodology that included surveys of interested, estimated savings, and averaged costs.

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed.

Audit Recommendation #1:

Consider offering a health insurance buyout incentive to reduce health insurance costs.

Implementation Plan of Action(s):

The Tioga Central School District (the District) will develop a buyout incentive to employees in lieu of health insurance coverage with a guaranteed net savings to the District. Specific actions include:

- d. Determine a method for calculating the appropriate employee buyout amount relative to the District's savings.
- e. Calculate an annual implementation and administrative cost to implement a buyout.
- f. Develop a fiscal test to ensure the District has an acceptable minimum net savings in the year the buyout is to be offered and all subsequent years.
- g. Write contract language in the form of a contract amendment or MOA that incorporates the methods, costs, and tests described above to ensure a net insurance cost savings to the District at all times.
- h. Negotiate with District associations to adopt language and implement an insurance buyout incentive program.
- i. Monitor the results of the buyout incentive program to ensure actual net savings match projected net savings.
- j. Revise the buyout incentive program as needed to maximize returns for the District and employees.

AUDIT RESPONSE & CORRECTIVE ACTION PLAN FOR HEALTH INSURANCE & SPECIAL EDUCATION COST SAVINGS

Implementation Date:

The District is currently in negotiations with all three bargaining units and will incorporate the proposed buyout incentive program into those negotiations. If successful, the program would begin with the 2021-2022 School Year.

Persons Responsible for Implementation:

The Superintendent of Schools, David Hamilton, is responsible for negotiations. The District Treasurer, Kendra Seaver, oversees benefit programs for the District.

Audit Recommendation #2:

Consider providing select special education services in-house to reduce special education costs.

Implementation Plan of Action(s):

The District will seek cost savings whenever feasible by providing select special education programs in-house rather than contracting out these services to an authorized provider. For the 2020-21 School Year we have already:

- f. Reviewed the IEPs and educational settings of students in outside placements to determine which, if any, students might be served with an in-house program. This review indicated that an 8:1:1 program for students ages 12 through 15 who are alternatively assessed might be feasible as an on-campus program
- g. Conducted a cost-benefit analysis to determine the minimum number of students that would need to be in an 8:1:1 program as described above to achieve cost savings to the District.
- h. Approved and begun implementation of the program for the 2020-21 school year.
- i. Established an annual process to do a similar review of all off-campus and on-campus placements/programs each year during the District budget development process beginning in January and concluding in May.

Implementation Date:

The District will implement the 8:1:1 program for students ages 12 through 15 who are alternatively assessed beginning with the 2020-21 school year. Thereafter, the District will review of all off-campus and on-campus placements/programs each year during the District budget development process beginning in January, 2021 to determine possible cost savings.

Person Responsible for Implementation:

The Director of Pupil Services, Meredith Meister, is responsible for reviewing and recommending program and placement changes for students with disabilities. The Director of Pupil Services is responsible for monitoring program costs and recommending changes where possible to achieve cost savings for the District.

The Superintendent of Schools, David Hamilton, is responsible for coordinating and presenting the annual school budget to the board of education and public for approval

**AUDIT RESPONSE & CORRECTIVE ACTION PLAN
FOR HEALTH INSURANCE & SPECIAL EDUCATION COST SAVINGS**

including cost reduction strategies for special education programming based on program recommendations by the Director of Pupil Services.

The District Treasurer, Kendra Seaver, assists in the development of the annual school budget, oversees program costs for special education, and provides guidance on possible cost savings based on program recommendations by the Director of Pupil Services.

Signed:

David Hamilton
Superintendent of Schools

Date

9/2/2020

Cathi Root
Board of Education President

Date

9/2/2020

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective³ and obtain valid audit evidence, our audit procedures included the following:

- We examined financial records and reports, interviewed District officials and reviewed health insurance benefits, costs and coverages and collective bargaining agreements to obtain an understanding of the District's health insurance coverage and costs during the audit period.
- We surveyed 126 of 141 active employees currently enrolled in one of the District's health insurance plans to determine whether employees would be interested in a health insurance buyout incentive, if offered by the District. We excluded 15 employees who did not readily have access to their District email account at the time of our survey.
- We compared the savings that could potentially be achieved by comparing District health insurance costs before the buyout to the potential costs based on our survey responses.
- We recalculated the tuition rate for two special education programs based on whether these programs were provided in-house using the average cost for one teacher and one teacher's aide for 2020-21. We compared our calculation to the tuition rate charged by the BT BOCES for these programs to determine whether the District could achieve cost savings if these programs were provided in-house.
- We reviewed other special education services provided to the District's special education students by a third-party provider to determine whether students would be eligible to receive these services in-house.
- We interviewed special education directors of neighboring school districts within Tioga County to determine whether any of these districts would be interested in using the potential in-house special education programs at the District, if available.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

³ We also issued a separate audit report, Tioga Central School District – Cash Management (2020M-83).

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a(3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The CAP should be posted on the District's website for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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