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Maine teachers union fighting efforts to break up its health insurance scam

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AUGUSTA, Maine - There's been a teachers union insurance scam plaguing **Maine** public schools for years, and it's been stealing potential savings from taxpayers and students.

Here's how it works:

The **Maine Education Association**, the state's largest teachers union, established its own insurance entity, the **Maine Education Association Benefits Trust**, in 1993.

The Benefits Trust "facilitates" the purchase of employee health insurance for Maine's public schools, essentially selling them coverage provided by the state's largest carrier, **Anthem Blue Cross/Blue Shield**.

Nearly every school district in the state has been lulled into joining this system over the years, according to officials in several districts.

Local chapters of the MEA promote and protect the Benefits Trust/Anthem monopoly at the school board level, according to several sources. If a school board considers seeking bids from other insurance carriers, its members can expect friction from local union officials.

That's because the system works well for Benefits Trust and the union. Benefits Trust has managed to build total assets in the range of \$80 million through various fees and rebates from Anthem, according to a recent report in the [Bangor Daily News](#). And the MEA receives its annual cut of Benefits Trust profits, including \$984,985 in 2010, according to section 14 of the union's federal [LM-2 report](#).

That kickback accounted for roughly 8 percent of the union's revenue in FY 2010, according to the LM-2 report.

"Clearly (the system) is to (the union's) advantage," said **John Russell**, human resources manager for the **SAD 22** school district, when informed by EAG of the union's insurance kickback. "Unbelievable."

But the arrangement doesn't work so well for public schools. With insurance rates from Benefits Trust/Anthem steadily rising, and school budgets increasingly tight, some administrators would like to take advantage of their legal right to seek competitive bids from other insurance companies.



They believe competitive bidding would drive insurance prices down, like is has in **Wisconsin**, and allow them to purchase quality coverage for employees at lower rates and reinvest the savings in academic programs.

Benefits Trust allegedly blocks efforts to attract competitive bids by refusing to provide records of recent insurance claims in individual school districts. Asking an insurance company to prepare a competitive bid without reviewing claims history would be like asking a contractor to bid on a demolition project without disclosing the size of the condemned building.

The lack of information essentially blocks out the competition, which may be precisely what the union wants to accomplish.

FOCUS FACTS

- ***The union-affiliated insurance entity has a corner on the school insurance market.***
- ***The teachers union makes a lot of money from the insurance scam.***
- ***Schools allegedly being prevented from seeking bids for less expensive coverage.***

State lawmakers recently responded to this situation by enacting a new law requiring Benefits Trust to provide claims records on demand. But the union has filed a lawsuit to block implementation of the law.

Clearly MEA leaders don't want to surrender their insurance monopoly and the steady flow of tax dollars it captures. They don't seem to care if their scam costs cash-strapped Maine schools and their students millions of dollars in savings that could be used for instructional purposes.

Union won't let school districts shop

Bangor school Superintendent **Betsy Webb** said her district wanted to seek bids for less expensive health coverage in 2009, but couldn't because Benefits Trust would not release claims information.

"When we went out to other companies to get quotes, two companies said they could not quote without claim data," Webb recently told the Bangor Daily News. "Another company used general trend data, and their quote came in much higher."

Two other Maine school districts – **Cape Elizabeth** and **Falmouth** – have done studies suggesting that they could save \$300,000 to \$400,000 per year if they were free to seek bids, according to media reports.

How many young teachers would that much money employ?

Mark Gray, a spokesman for Benefits Trust, said his organization is either incapable, or unwilling, to break down claims data for individual school districts.

"We only look at claims data on a statewide basis," Gray told the newspaper. "From time to time, districts may ask for claims data, but we don't have to give it to them."

Gray argued that Benefits Trust/Anthem offers the best health coverage at the best price, because it pools coverage for employees in various school districts, eliminating geographic price disparities.

"We understand that districts want to shop around," Gray was quoted as saying. "But we believe that Anthem provides most competitive insurance rates around, in large part because we have a big, statewide pool."

Unfortunately there's no way for local school boards to test Gray's theory regarding the value of Benefits Plus. That's because Benefits Plus apparently prevents them from shopping on the open market for insurance.

"We don't know if we could get it cheaper, because there's no competition," **Alan Kochis**, business manager for the Bangor school district, told **EAG**. "That's the whole issue."

Why shouldn't school boards be given this opportunity? If Benefits Plus/Anthem really provides the best coverage at the best price, most school districts will return to the fold voluntarily. If they find a better deal that benefits students and taxpayers, they should be free to purchase it.

There's no good reason why the union or its pet insurance entity should be allowed to hold local school boards as captive customers.

Similar scams in Michigan, Wisconsin

Maine is not the only state where teachers unions dominate the school health insurance industry.

The **Michigan Education Association** owns its own insurance company, called the **Michigan Education Special Services Association** (MESSA). For years local union negotiators have pressed school boards to purchase MESSA employee health insurance, despite its high cost.

As a result, roughly half of the districts in the state carry some form of MESSA insurance, and many are struggling with the continually rising cost of premiums. As in Maine, many **Michigan** school officials have accused MESSA of refusing to provide claims histories that are necessary to attract bids from competitors.

The MEA also receives annual kickbacks from MESSA, in exchange for effective representation at the school board bargaining table. In 2009, MESSA reported net assets of \$259 million. In 2010, MESSA shared \$5 million with the MEA.

The **Wisconsin Education Association Council** also created an insurance entity, called **WEA Trust**, several decades ago. For years local union negotiators pressed school boards to purchase employee health insurance from WEA Trust, often at a very high price.

At one point about three quarters of the state's school districts purchased insurance from WEA Trust, helping the union-affiliated insurance company build assets worth \$674 million in 2008, according to government records.

EAG published a 2010 study on [WEA Trust](#), which revealed that most of the school districts in the state with the highest insurance costs are clients of WEA Trust. Many school administrators said it was very difficult to convince their local unions to allow them to seek bids for less expensive health coverage.

"It was a long process," **Milton** school **Superintendent Bernard Nikolay** told EAG. "I had no idea it would be this hard to switch."

There have been allegations that WEAC shares WEA Trust profits, but no hard evidence has been uncovered to prove that.

Wisconsin **Gov. Scott Walker** addressed the problem a few months ago by enacting a law that took the identity of the insurance carrier off the collective bargaining table. That has allowed school districts to freely seek competitive insurance bids without union interference.

The new competitive atmosphere has driven down the cost of school employee health insurance significantly. Some districts have broken away from WEA Trust and saved six figures on health coverage. Others have remained with WEA Trust, but at much lower rates.

Schools in Michigan and Maine would surely benefit from that type of freedom.

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