

# A crucial challenge for Wisconsin schools:



## Escaping the financial shackles of WEA Trust insurance

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# **A crucial challenge for Wisconsin schools: Escaping the financial shackles of WEA Trust insurance**

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## FOREWORD

This is by no means a scientific study. This is a report, based on a review of insurance data from school districts throughout Wisconsin, many interviews with school personnel and state officials, and research of local press clippings and other relevant material.

This is obviously not the first report focused on the high cost and unfair nature of school employee health insurance in Wisconsin. Many studies, far more scholarly and technical, have been produced on this topic. Our intention is to state plainly, for average readers, a simple truth that's been bubbling to the surface for several years - WEA Trust, a union-affiliated insurance company, has an unfair advantage in Wisconsin's public school insurance market, and uses that advantage to soak every penny possible from local school coffers.

That unfair advantage is protected by state law. In the past the need to correct this problem wasn't quite so urgent, because schools could afford to pay exorbitant insurance premiums and still balance their budgets. But now, in the midst of a severe K-12 financial crisis, every dollar is critical. Wisconsin taxpayers need to understand how much money is unnecessarily spent on overpriced health insurance, and how their state law prevents school administrators from addressing that problem.

We have no interest in advocating for any insurance companies in Wisconsin. Our focus is solely on WEA Trust. That's why it's the only insurer mentioned by name in this report.

## EXECUTIVE SUMMARY

Here are a few simple, startling facts for anyone concerned about the financial condition of Wisconsin public schools:

**WEA Trust**, an insurance company established and closely associated with the Wisconsin Education Association Council (WEAC), siphons millions of crucial dollars from K-12 schools and their students every year.

WEA Trust has grown very fat on public school dollars, with a net worth of **\$316 million** and a team of 12 administrators all receiving compensation packages worth six figures per year.

Sadly, this insurance swindle is endorsed by state law.

We at **Education Action Group** believe it's time for the citizens of Wisconsin to demand that their school boards be allowed to freely shop for less expensive employee health insurance.

That's particularly important in the current economic environment, when schools have been forced to lay off teachers, curtail student programs, privatize services and, in some districts, seek permission from voters to exceed their local revenue caps.

The problem is state law, which makes the identity of a school district's employee health insurance carrier a topic of collective bargaining. That means school boards and local school employee unions must agree on the insurance company that will provide health coverage.

So most unions have traditionally come to the negotiating table demanding expensive WEA Trust insurance coverage, and the strategy has been effective. About **64 percent** of Wisconsin's 426 districts carry WEA Trust insurance, despite its prohibitive costs.

Why do union employees demand WEA Trust coverage?

WEA Trust offers what is commonly known as the "Cadillac" of school employee health coverage. It earned that moniker for two very good reasons - the health coverage is very thorough, and the cost to local school districts is very high.

WEAC pressures its local union officials to stick with WEA Trust. One district administrator told us about a meeting where everyone present, including union employees, agreed that a non-WEA health plan would be better for the district. He said state WEAC representatives were present and argued in favor of WEA Trust, just because it's the union's insurance brand.

Over the years most school boards around the state have relented to union demands and purchased insurance from WEA Trust. In better financial times, it made less of a difference, because there was enough revenue to keep school employees happy with expensive health coverage through their union's affiliated company. Many school board members and administrators also enrolled under the coverage, and had little incentive to get rid of a plan that benefited them and their families.

Schools also had a degree of financial protection under the state's **Qualified Economic Offer** statute, which capped the combination of salary and benefit increases for school employees at 3.8 percent. If insurance got too pricey at contract time, employees were not in a position to demand very large salary increases.

But since the turn of the century, as state aid slowed, school district revenue caps were imposed, budgets grew tighter and the qualified economic offer law was scrapped, more school districts have been looking for ways to cut ties with WEA Trust and find employee insurance coverage they can afford.

Unfortunately, it's extremely difficult for a school board to break the shackles of the union insurance. With the law on their side, many local unions won't even consider alternative health coverage. They refuse to have the WEA Trust language taken out of their contract at bargaining time. If a school board wants to contest the coverage, the unions will frequently take the fight to arbitration.

Many school officials accuse WEA Trust officials of purposefully withholding insurance claim histories from districts that want to seek other insurance bids. That makes it nearly impossible for competing companies to prepare informed bids based on recent insurance activity in a

district. It would be like asking a contractor to bid on a demolition project, without disclosing the size or condition of the building.

Those districts that seek claim histories are often threatened with higher insurance rates by WEA Trust, according to several sources.

Some districts have managed to break the WEA Trust shackles. We've identified 59 districts that have found alternative health coverage over the past few years and saved a considerable amount of money. Officials from many of those districts report that their new insurance companies provide comparable, if not better, health benefits for employees.

But most of those districts had to bargain away some or all of the insurance savings to make the switch. Because union personnel have a voice in determining the insurance carrier, many leverage that power during contract negotiations to secure higher salaries with the insurance savings.

That means many of the districts that escaped WEA Trust coverage really saved no money at all, at a time when they're struggling to cover basic operational expenses.

Collective bargaining also adversely affects some districts that aren't covered by WEA Trust. The best recent example is the **Milwaukee** school district, where the deficit-plagued school board tried to save \$48 million and avoid hundreds of teacher layoffs last spring by switching from an expensive health plan to a lower-cost plan. The union said no, and the layoffs occurred.

Many observers agree that the best answer is to allow or force all public school employees into the state employee health insurance plan, which they say would be less expensive than WEA Trust, at least for most schools. Part of that strategy would be to take the identity of the insurance carrier off the collective bargaining table, so school boards would be free to join the state plan without union approval.

Other observers would simply set school boards free to seek whatever insurance coverage is best for their districts, whether it's part of the state plan or not.

In this election year, both major party nominees for governor have talked about the need to help schools save money on health insurance. Several lawmakers said there's widespread support in the state legislature, at least among Republicans, to address the issue. Some Democrats also say they favor reform, but express reservations about limiting the unions' collective bargaining strength.

Roughly 30 school boards around the state have endorsed a proclamation drafted by the **Wisconsin Association of School Boards**, calling for the repeal of the law that makes the insurance carrier a mandatory topic of negotiation.

If enough citizens learn about this problem, and encourage their legislators to take action, we believe it could be corrected in the near future, allowing Wisconsin schools to save more of their dwindling financial resources for overall district needs.

## THE DOLLAR FIGURES TELL THE STORY

Various estimates claim that Wisconsin public schools could save anywhere between \$68 million and \$143 million per year if school districts could freely move away from WEA Trust. (1)

But this problem is best illustrated at the local school district level, based on dollars spent for employee health coverage. Wisconsin school districts are independent local government entities that have to manage their own budgets and offer the best education possible with the dollars at their disposal.

The districts that contract with WEA Trust are forced to spend a lot more on health insurance than other districts, leaving less money available for other needs.

We recently studied 2009-10 school health insurance premium statistics from 364 of Wisconsin's 426 districts. The statistical information was provided by the districts to the **Wisconsin Association of School Boards**, which shared the data with our organization.

We ranked the school districts by the cost of single and family monthly health insurance premiums they paid.

Twenty of the 25 districts (and 43 of 50) with the most expensive single employee premiums are covered by WEA Trust. (See Table 1)

Eighteen of the 25 districts (and 42 of 50) with the most expensive family premiums are covered by WEA Trust. (See Table 2)

When it comes to the least expensive school insurance in the state, just the opposite is true.

All 25 districts (and 49 of 50) with the least expensive single employee premiums are non-WEA Trust. (See Table 3)

Twenty-four of the 25 districts (and 43 out of 50) with the least expensive family premiums are non-WEA Trust. (See Table 4)

<b>THE WEA TRUST DIFFERENCE: MUCH HIGHER RATES</b>	
<i>(Average monthly premium costs for WEA Trust and non-WEA Trust schools.)</i>	
<b>All Schools</b>	
<b>Single coverage</b>	<b>Family coverage</b>
WEA - \$734	WEA - \$1,665
Non-WEA - \$614	Non-WEA - \$1,466
<b>Schools that pay 100 percent of premiums</b>	
<b>Single coverage</b>	<b>Family coverage</b>
WEA - \$760	WEA - \$1,724
Non-WEA - \$590	Non-WEA - \$1,466
<b>Schools that pay between 90-100 percent of premiums</b>	
<b>Single coverage</b>	<b>Family coverage</b>
WEA - \$720	WEA - \$1,608
Non-WEA - \$619	Non-WEA \$1,458

Simple cost comparisons are also revealing. The average monthly premium for single employee coverage at schools with WEA Trust insurance was \$734, while the average for non-WEA schools was \$614. The average monthly premium for family coverage at schools with WEA Trust insurance was \$1,665, while the average for non-WEA schools was \$1,466.

Applying that average over a full year, a school would pay \$1,440 more to cover a single employee under WEA Trust coverage, and \$2,388 more for a family under WEA Trust coverage. If you applied those differences to a school with 300 covered employees (assuming 2/3 family coverage and 1/3 single coverage), a district would pay \$477,600 more for family coverage and \$144,000 more for single coverage.

School insurance premium rates are determined based on many different variables, including the percentage of monthly premiums that the district agrees to pay. So we averaged the cost of premiums for schools that pay 100 percent, and schools that pay between 90 and 100 percent, and the results remained consistent: Schools that carry WEA Trust insurance pay much more for employee coverage (see chart on previous page).

We identified 59 school districts that have switched away from WEA Trust insurance since the 2002-03 school year. Seven of those districts were among the 25 with the lowest single employee monthly premiums, while 21 were among the 50 with the lowest single premiums.

Twelve of the breakaway schools were among the 25 districts with the lowest monthly family premiums, while 22 were among the 50 with the lowest family premiums.

<b>MOST EXPENSIVE, LEAST EXPENSIVE</b>	
25 districts with <i>most expensive monthly premiums</i> (single)	- 20 of 25 WEA coverage
25 districts with <i>most expensive monthly premiums</i> (family)	- 18 of 25 WEA coverage
25 districts with <i>least expensive monthly premiums</i> (single)	- 25 of 25 non-WEA
25 districts with <i>least expensive monthly premiums</i> (family)	- 24 of 25 non-WEA

## **THE KETTLE MORaine NIGHTMARE - A 250 PERCENT INCREASE**

The **Kettle Moraine** school district in Waukesha County is a good example of the many districts that are currently laboring under the high cost of WEA Trust insurance.

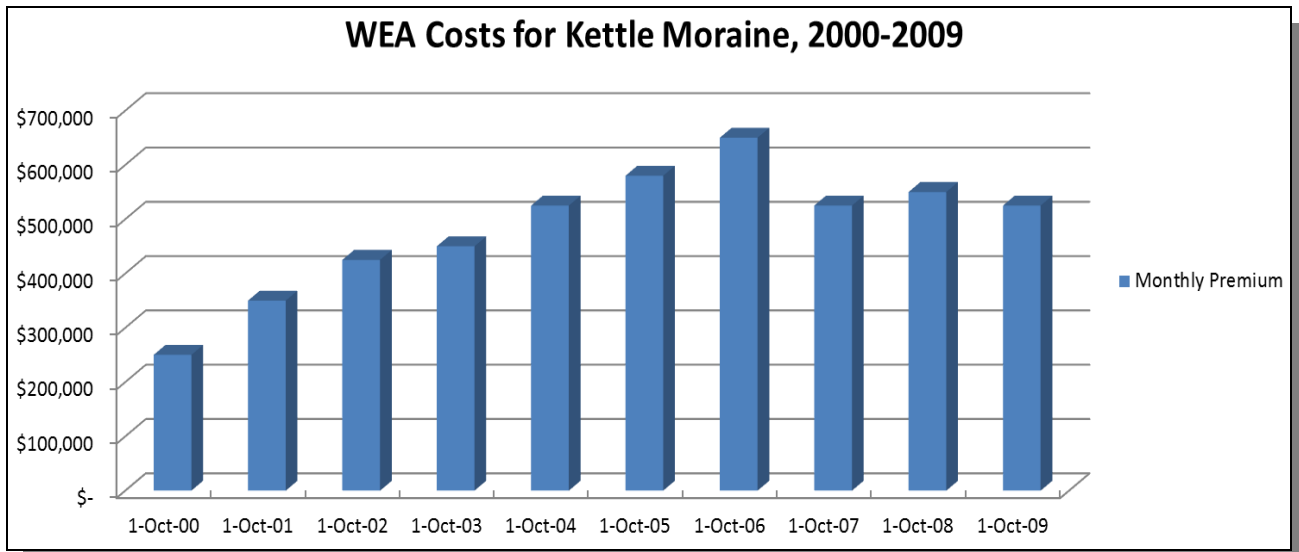
Prior to 2000 the district was self-insured, but sought bids from various companies when insurance costs began to rise significantly.

The low-bidder in that process was WEA Trust, and the school board, with the encouragement of the local teachers union, contracted with the union's insurance company. School officials soon learned it was an expensive mistake.

In 2000, Kettle Moraine was paying about \$250,000 per month for employee health insurance premiums, according to statistics provided by the district. Under WEA Trust, that

figure rose dramatically over the next six years, topping out at roughly \$625,000 per month in 2006, which was an overall increase of about 250 percent.

By 2009-10 the monthly cost to the district had dropped somewhat (only after the number of covered employees decreased), but still hovered around the \$500,000 mark. Under WEA Trust coverage, premiums for single employees jumped from roughly \$350 per month to \$743, while family premiums skyrocketed from roughly \$750 per month to about \$1,726. (2)



Those premiums are very high compared to three other neighboring districts that are not covered by WEA Trust. The cost of single and family coverage is considerably lower in **South Milwaukee** (\$689, \$1,659), **Hamilton** (\$531, \$1,406) and **Elmbrook** (\$614, \$1,476). (3)

If the law allowed it, Kettle Moraine school officials would logically be expected to shop for less expensive insurance. But according to school administrators, WEA Trust was written into the local teachers' contract as the insurance provider, and the school board has not been able to convince the union to remove that clause during subsequent contract negotiations.

Until the union gives in, or state law changes, the Kettle Moraine district could remain a financial prisoner of WEA Trust and its annual rate hikes.

"Any language in there, we would have to negotiate it out," **Kettle Moraine Superintendent Pat DeKlotz** told EAG this summer. "This is a very delicate situation. We worked very hard for four years to build a positive relationship with the union. We're working very hard to help them understand that changes will help them.

"We have a real need to competitively bid (on insurance). I definitely think we need some market pressure to be efficient."

Besides having to gently lobby the teachers union to change insurance carriers, DeKlotz said the school administration has to be very careful about deciding when to solicit bids from other

insurance companies. If the school seeks bids and can't sway the union to accept a lower offer and break with WEA Trust, there may not be another chance for several years, she said.

Insurance companies spend time and money preparing comprehensive bids, and aren't likely to participate in the process if they believe WEA Trust has a stranglehold on a particular district, DeKlotz said.

"You don't (solicit bids) unless you think there's a good chance for success," DeKlotz said. "You don't want to do it unless you're serious. Other companies are not going to bid a second time. They've been down this path before."

## DISTRICTS THAT MANAGED TO ESCAPE

We've identified 59 Wisconsin school districts that managed to escape WEA Trust insurance coverage since 2002. We were able to contact officials from 20 of those districts, to see how the switch worked out from a financial and practical perspective.

Fifteen said they experienced six-figure savings in the first year under their new insurance carriers, and most said premium increases have been very manageable since then. Two districts just broke away this year, but anticipate six-figure savings. Districts on the list that saved the most money in the first year were **New Richmond** (\$748,528), **Mount Horeb** (\$650,000) **Ellsworth** (\$385,000), **Somerset** (\$365,000) and **New Glarus** (\$328,000).

"We switched mainly because of the expense," said **Cheryl Richards**, business manager for the **Ithaca** school district. "WEA coverage was pretty high. One year we received a 21 percent rate increase."

The **Hamilton** school district was covered by WEA Trust prior to the 2004-05 school year. At that point monthly premiums had risen to \$571 for single coverage and \$1,512 for families, so the district broke away and became self-insured in the 2005-06 school year.

That first year of freedom from WEA Trust provided a huge financial relief. Monthly premiums decreased by more than 15 percent, bringing single coverage down to \$481 per month and family coverage down to \$1,274 per month. Since then the district has experienced very steady rates, with a single five percent increase and four straight years of one percent increases.

Hamilton's single and family premiums in 2009-10 remained lower than its premiums under WEA Trust in 2004-05, which is illustrated in the box below. (4)

The situation was similar in the **Prescott** district. Under WEA Trust, the monthly family premium rose from \$576 in 1999 to \$1,606 in 2007. That breathtaking increase was fueled by several large annual rate increases, including hikes of 12.5 percent, 19.8 percent, 35 percent, 10 percent, 11 percent and 17.3 percent.

In 2007 the Prescott district switched to another insurer. The monthly family rate immediately dropped to \$1,391 and has only gotten back to the \$1,600 level this year. The overall first-year savings for the district was approximately \$298,000. (5)

“WEA has great insurance, excellent insurance, but we paid for it dearly,” said **Deb Huppert**, the business manager for the Prescott district. “(The new carrier) wrote us a plan comparable to WEA. Put side to side overall, it’s actually a better plan.”

Officials from several districts said they had a very hard time convincing their local unions to agree to change insurance carriers.

“There was no doubt we needed to do this, but it was a very hard sell with the teachers, even though the new plan was identical or better in terms of benefits for teachers,” said **Thomas Halter**, a school board member in the **North Cape** district.

“It was like telling (union employees) they had to get rid of their first born or something,” said **Nita Duerst**, the human resources director for the **New Glarus** district, which completed its switch from WEA Trust coverage in 2007. “We could not have given anyone a raise if we had stayed with WEA. We would have ended up going backwards on the pay scale.”

Other school officials reported having an easier time convincing the union to switch insurance carriers.

<b>SAVINGS FOR SCHOOL DISTRICTS</b>	
<i>(First year after leaving WEA Trust coverage)</i>	
New Richmond	\$748,528
Mount Horeb	\$650,000
Ellsworth	\$385,000
Somerset	\$365,000
New Glarus	\$328,000
Poynette	\$318,779
Northland Pines	\$301,000
Three Lakes	\$300,000
Prescott	\$298,000
North Crawford	\$280,000
River Valley	\$257,000
Marshall	\$215,600
Elkhart Lake Glenbulah	\$180,854
Randolph	\$169,000
Mineral Point	\$107,660
North Cape	\$93,000
Thorp	\$50,000
Hurley	\$30,000
Manawa	\$200,000*
Campbellsport	\$100,000*

*(Actual figures or estimates from school officials)*  
*\* Estimated future savings - first fiscal year on new insurance.*

“What we did was form a committee of teachers, support staff and administrators, and did a lot of investigating,” said **Chris Littig**, finance director for the **Elkhart Lake Glenbulah** school district. “Then we all came back to the table and nobody had anything bad to say. We thought we would give it a try because of the great savings.”

There was one catch for nearly all of the districts we contacted, however. Most said they had to agree to share all or a portion of the insurance savings with the union, in the form of salary increases for employees. That means that most of the breakaway districts saved little or nothing that they could apply to other operational expenses.

“Whatever was saved went right back to the teachers - that was part of the deal,” said **Dennis Riley**, business manager for the **Marshall** school district. “They were for it, because of the fact that they got a choice on the money.”

Hamilton School District				
Fiscal Year	Family	% Change	Single	% Change
2009-2010	\$1,406.50	1.53%	\$531.69	1.53%
2008-2009	\$1,385.39	1.37%	\$523.70	1.28%
2007-2008	\$1,367.93	1.54%	\$517.09	1.74%
2006-2007	\$1,347.22	5.71%	\$508.26	5.50%
2005-2006	\$1,274.46	-15.75%	\$481.76	-15.76%
*2004-2005	\$1,512.89		\$571.91	

*\*Hamilton was insured with WEA 2004-2005 and prior. It became self-insured in 2005-2006*

## TOUGH TO BREAK THE SHACKLES

Unfortunately, it's very difficult for school districts to escape WEA Trust coverage.

The most obvious reason is that local school employees unions must approve of any change, and many simply refuse, despite the huge amount of money that their districts could save.

One scenario occurred in 2006 in the **Kenosha** school district, according to the **Small Business Times**. The school board, facing a \$7.2 million deficit, gave preliminary layoff notices to 142 teachers. Much of the deficit was related to soaring health insurance costs, and WEA Trust had just handed the district notice of a 20 percent increase for the following year.

School administrators responded to this crisis by sending out a request for insurance bids. One company came back with a bid that would only increase district costs by 2.8 percent the following year while maintaining most of the employee benefits. The district's non-instructional employees accepted the plan, saving the district about \$3 million. But the teachers union refused to budge, dashing hopes for another \$3 million in savings.

As a result, 40 teachers were laid off.

One angry resident of the district was quoted as saying, "It blows my mind when someone is presented with a (insurance) program that duplicates what they have, protects someone else's job, provides a better education for kids and no one is the worse for it, but they say no because this is not the union insurance plan, which has become a monopoly in Wisconsin." (6)

In 2009, the **Iowa-Grant** school district, facing a \$450,000 budget deficit, proposed switching from WEA Trust to another insurance carrier known for decent coverage and far lower rates, according to an online arbitration document. District officials noted that the monthly family premium under various WEA Trust plans had risen from \$751 in 2000 to \$1,656 by 2009.

Iowa-Grant said the other company offered a family rate of \$1,365, which would represent a 20 percent reduction, and similar rates for single coverage.

District officials also noted that they had taken major steps to cut other costs, including closing five satellite schools, privatizing bus-driving jobs, reducing the number of bus routes, selling its entire fleet of buses, freezing salaries for administrators and seeking a partnership with three neighboring districts to secure less expensive insurance for non-union employees.

But the local union still insisted on having WEA coverage, and the negotiation stalemate went to arbitration. The arbitrator ruled in favor of the district's final offer, which included implementation of the less expensive health insurance plan. (7)

***"If we wanted to get bids from other companies, we couldn't, because they wouldn't share our data. That held us up for a number of years. The problem was that other companies didn't know what to bid."  
--Dan Olson, Campbellsport Administrator***

This year the **Milton** district sought to switch from WEA Trust to another carrier, at an estimated savings of \$1 million per year, according to **GazettExtra.com**. The savings were obviously needed, as evidenced by the \$700,000 worth of budget cuts the district recently made. (8)

But the union insisted on keeping WEA coverage, and the arbitrator has yet to make a ruling.

Local unions have also challenged recent efforts to dump WEA Trust insurance in the **Rhineland** and **Manawa** districts, according to press reports.

"It's a long process," **Milton District Administrator Bernard Nikolay** told EAG. "I had no idea it would be this hard to switch."

Quite often districts have trouble seeking bids from other insurance companies. That's because districts must provide bidders with anonymous employee insurance claim histories, so those companies can prepare a legitimate bid based on recent insurance activity within the district.

But WEA Trust is the keeper of the claim history, and often refuses to release that crucial information to districts seeking outside bids, according to numerous sources.

WEA Trust has also been known to punish districts seeking outside bids. The company threatens to take them out of regional health insurance pools, which tend to moderate rates, and base their premiums solely on their own insurance claims, which can drive up rates dramatically.

"We probably could have done better on our rating if we have been able to get historic claims information from WEA," **Carrie Hintz**, business manager for the **Randolph** school district, told EAG. "Instead we had to do an insurance census of employees and give (the new carrier) the best information we could."

"There was no claim history made available. If you request that information, WEA takes you out of the pool and puts you on your own. That can be very detrimental."

A legal brief published in 2003 by the law firm **Lathrup & Clark LLP** summed up the effect of WEA Trust's effort to intimidate districts that want to seek competitive bids.

"In seeking meaningful bids from such insurance carriers, a school district often must provide the district's medical claims experience. As such, it is necessary for the school district to obtain its claims experience from the district's current health provider.

"For those districts participating in WEA Trust's health insurance pools, WEA has a practice of ousting school districts from the health insurance pool when a district requests its individual medical claims experience. Elimination from the pool means that that district's premiums are determined based on the district's individual claims experience, which could cause insurance premiums to increase dramatically.

"Many school districts choose to avoid the risk of significantly increasing their insurance costs. As a result, such districts are forced to remain (with WEA Trust) without knowing whether less costly health insurance is available." (9)

The **Campbellsport** school district had claim history trouble with WEA Trust. The school board had been hoping to seek competitive insurance bids for several years, but could not secure claim information from WEA Trust.

"That's just the way WEA operates," said **Campbellsport Administrator Dan Olson** in an interview with EAG. "If we wanted to get bids from other companies, we couldn't, because they wouldn't share our data. That held us up for a number of years. The problem was that other companies didn't know what to bid."

Fortunately for Campbellsport, its school board long ago had the good sense to negotiate a contract clause allowing it to switch insurance carriers without union approval, as long as the coverage was equal or superior to WEA Trust coverage.

This year the district found an insurance company that agreed to match the benefits of WEA Trust, at a savings of about \$100,000 per year for the district, without first inspecting the district's claim history.

"They blindly pledged to cover whatever," Olson said of the district's new insurance company.

The school board approved the switch on July 1, but the union wasn't done fighting.

The **Campbellsport Education Association**, a local unit of WEAC, filed a grievance, claiming the new insurance coverage doesn't precisely duplicate WEA Trust coverage.

The grievance was denied by the school board, but the union has indicated it may take the case to arbitration, according to Olson. Even more trouble is expected in upcoming contract

negotiations, when the union is expected to demand that all or part of the insurance savings be converted to additional salary, Olson said. (10)

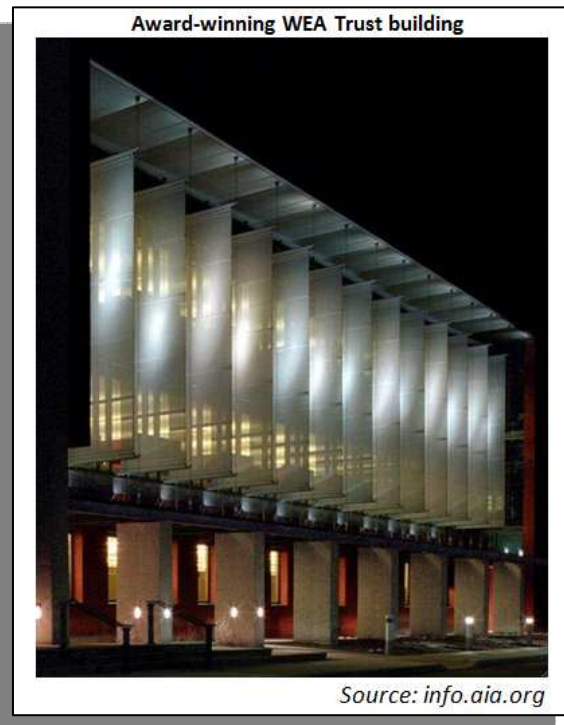
“That’s not going to happen,” Olson said. “The board doesn’t intend to do that.”

## A VERY PROFITABLE NON-PROFIT COMPANY

What does WEA Trust do with all the cash it rakes in?

A quick look through the company’s federal financial statements reveals a tax-exempt, non-profit company that makes a great deal of money.

At the end of 2008, WEA Trust reported total assets of \$674,131,940. It’s reported net assets (total assets minus liabilities) were \$316,837,155, a 15.1 percent increase from 2007. (11)



The company’s financial portfolio would make any Wall Street capitalist proud. According to federal records it owns stock in several large, well known corporations that are traditionally hated by the labor movement, including **Halliburton** (Dick Cheney’s former company), **News Corp.** (owner of Fox News Channel), **Wal-Mart Stores Inc.** (which unions despise due to supposedly unfair employee compensation) and **Goldman-Sachs.** (12)

WEA Trust’s top employees certainly make out well, by anyone’s measure.

The company’s CEO, **Fred Evert**, made \$333,375 in salary in 2007, with a total compensation package of \$469,522, according to tax records filed by the company. Eleven employees under Evert received total

compensation packages worth at least \$181,792. (13)

While technically they are separate entities, there’s little doubt that WEA Trust and WEAC, the labor union that founded it, maintain strong administrative and financial ties.

The organizations have the same home, at 33 Nob Hill Drive in Madison. Three members of the union’s “leadership team” - **President Mary Bell**, **Director Amy Johnson** and **Director Suzanne Kahl** - are also members of the WEA Trust board. (14)

All of that leads to an obvious question - how many WEA Trust insurance dollars find their way into the union's bank account? There's no way of knowing for sure with the information available. Unlike other unions, WEAC does not file a required annual LM-2 report with the federal Department of Labor, which details revenue and expenditures.

We found several clues. One entry on the WEA Insurance Corporation's federal IRS 990 form, filed in 2006, says it spent \$25 million for "contract services," but no details were offered.

The **Michigan Education Association**, an education employee union with a similar insurance company (MESSA), collects millions every year from MESSA in the form of "marketing fees." That means the insurance company pays the union big dollars to demand its insurance coverage at the bargaining table.

MESSA officials played a large role in helping to establish WEA Trust in the 1980s.

We received mixed signals from the **Wisconsin Office of the Commissioner of Insurance** on this topic. An insurance regulator who oversees WEA Trust told us he was under the impression, after talking to colleagues, that WEA Trust pays WEAC millions every year for "collective bargaining services." He later said that upon further investigation, he found no evidence of that type of transaction.

#### WEA Trust Compensation

Name, Title	Base compensation	Other compensation	Deferred compensation	Nontaxable benefits	Total of columns
<b>Fred Evert</b> , <i>President and CEO</i>	\$333,375	\$1,000	\$108,750	\$26,397	\$469,522
<b>Michael Stoll</b> , <i>Vice President</i>	\$169,319	\$1,000	\$51,481	\$23,426	\$245,226
<b>Peggy Smeiser</b> , <i>Chief Operating Officer</i>	\$201,014	\$1,000	\$73,231	\$24,132	\$299,377
<b>Alison Mares</b> , <i>Secretary</i>	\$101,347	\$1,000	\$32,284	\$22,093	\$156,724
<b>Paul Lefebvre</b> , <i>Treasurer</i>	\$171,235	\$1,000	\$52,250	\$19,834	\$244,319
<b>Mark Moody</b> , <i>VP of Field Operations</i>	\$178,938	\$50	\$50,721	\$23,679	\$253,388
<b>Denise Delong</b> , <i>VP of Benefits Administration</i>	\$141,780	\$1,000	\$42,726	\$22,965	\$208,471
<b>Ken Robbins</b> , <i>Medical Director</i>	\$174,021	\$300	\$49,750	\$22,573	\$246,644
<b>Rick Reas</b> , <i>VP Member Health and Provider Services</i>	\$142,496	\$800	\$40,236	\$22,851	\$206,383
<b>Paul Rosowski</b> , <i>Manager Clinical Pharmacy</i>	\$130,853	\$300	\$35,484	\$22,754	\$189,391
<b>Carol Peirick</b> , <i>Chief Accounting Officer</i>	\$130,337	\$1,000	\$38,598	\$11,857	\$181,792
<b>Alan Jacobs</b> , <i>Former President and CEO</i>	\$12,223	\$166,815	\$2,933	\$1,188	\$183,159

## THE LIBERATION EFFORT

A growing number of Wisconsin school officials are no longer willing to accept the financial bondage of WEA Trust without a fight.

Administrators and school board members in the **Kettle Moraine** district have been encouraging school boards across the state to endorse a resolution calling for the repeal of the law that makes the insurance carrier a topic of collective bargaining.

The draft resolution, written by the **Wisconsin Association of School Boards**, sums up the issue with the following language:

***“Whereas, the identity of the specific health insurance carrier often must be negotiated between the school board and its employees’ collective bargaining units;***

***“Whereas, school boards too often must pay more for their health insurance benefits than would be necessary if the school board could unilaterally select the health insurance carrier;***

***“Whereas, granting school boards the authority to select the health insurance provider while retaining the requirements to negotiate benefits would strike an appropriate balance between school district employees and taxpayers;***

***“Now, therefore, be it resolved that the (fill in the blank) school board calls on Sen. (fill in the blank) and Rep. (fill in the blank) to make the specification of health care provider a prohibited subject of collective bargaining and give school boards the full authority to make that selection.” (16)***

**Kristy Davis**, a Kettle Moraine school board member, is helping to spearhead the statewide effort to get school boards to endorse the resolution.

“We knew something had to be done because of the disparity between revenue and the cost for school districts,” Davis told EAG in a recent interview. “We discussed it for some time, trying to figure out something we could do to work with school boards around the state and would be likely to pass.

“We had some pretty lofty goals at first, but then we chose this piece - removing the health care provider decision from collective bargaining and putting it solely in the hands of the board.”

Every school board in the state has been contacted, roughly 185 have signaled some interest, and about 30 have endorsed the resolution, according to Davis.

“There are a large number of undecided boards. It’s interesting to hear some of the arguments of those who are undecided or say no,” Davis said. “Some of them have teachers and former teachers on the board and they argue not to do this. Some are afraid this change would cost them something, even though we tell them it wouldn’t. Some of them are in contract negotiations with teachers and believe this would damage the negotiations somehow.”

Davis said the key will be reaching local taxpayers, so they can pressure their school board members, who in turn will pressure state government for a change in the law.

“Just a few days ago I was contacted by a citizen of a district that’s undecided,” Davis said. “He said he was very much in favor of this, and he asked for information he could use to try to persuade his board to go along with this. It’s the first time I had a citizen contact me.

“In the end, it will be up to the school boards and citizens to convince their legislators that they really want this.”

## LAWMAKERS READY FOR CHANGE?

Political conditions in Wisconsin seem to be favorable for some type of school insurance reform.

Both major party candidates for governor, **Milwaukee County Executive Scott Walker** (Republican) and **Milwaukee Mayor Tom Barrett** (Democrat) recently made state headlines by acknowledging the need for schools to save money on health insurance.

Walker endorsed a plan to allow all schools, as well as local governments, to put their employees in the state employee health plan, even if their unions object, according to the **Milwaukee Journal Sentinel**. His campaign estimated the savings of such a move being “up to \$68 million.”

Such a plan could potentially give school boards the freedom to pick the insurance carrier of their choice, even if it’s not the state employees plan.

“The way the proposal would work is we would take the choice out of the collective bargaining process,” **Ryan Murray**, a policy advisor to Walker, told the Journal Sentinel.

Barrett “wants to include school districts in the state pool in the future but feels that doing so right away would be politically difficult,” according to the Journal Sentinel.

WEAC clearly opposes any change that would take the identity of the insurance carrier off the bargaining table.

“Our members oppose taking away their rights to collective bargaining, so they would definitely raise their voices against (Walker’s plan),” **Christina Brey**, a WEAC spokeswoman, told the Journal Sentinel. (17)

Several key Republican legislators said school insurance reform would be high on their list of legislative goals.



“There is plenty of outrage - I know my leadership (in the Assembly) is outraged by it,” said **State Rep. Brett Davis**, a member of the **House Education Committee**, during a June interview with EAG. “The question is, how do you change it?”

Davis said he would favor any number of proposed reforms, including eliminating collective bargaining for the identity of the insurance carrier, putting school employees into the state pool, or bringing back the Qualified Economic Offer law at a much lower percentage, perhaps a combined 2.6 percent for salary and benefit increases in each union contract.

“I would support all of the above,” Davis said. “The idea is to take the handcuffs off school boards and give them more power at the bargaining table.”

There may also be willingness among Democratic legislators to consider school insurance reform, including the possibility of moving school employees to the state plan, according to **Tom McCarthy**, chief of staff for **State Rep. Sindy Pope-Roberts**, chairwoman of the House Education Committee.

Democrats would be far more receptive if local unions retain the right to negotiate the use of the financial savings, particularly for salary increases, McCarthy said in an interview with EAG.

“It would be difficult to ask them to give up part of their benefit package, and then take away any say they have in how the savings are to be used,” McCarthy said. “It might be different if the unions could still negotiate to move those savings into salary step increases, or perhaps some new type of pay schedule, and maybe turn some over to the district.

“That sort of idea would attract a more captive audience (among Democrats). I think a lot more of them could come to the table.”

# STATISTICAL TABLES

**Table 1**

<b>Single Coverage Top 25 Most Expensive</b> <i>(Monthly premium costs)</i>		
1. Paris J1	\$946	WEA Trust
2. Beecher-Dunbar-Pembine	\$918	WEA Trust
3. Colby	\$914	
Wheatland J1	\$914	WEA Trust
5. Crandon	\$907	
6. Hartland Lakeside J2	\$906	WEA Trust
7. Milwaukee Public Schools	\$898	
8. Bristol No. 1	\$897	WEA Trust
9. Niagara	\$892	
Lac du Flambeau No. 1	\$892	WEA Trust
11. Tri-County Area	\$888	WEA Trust
12. Tigerton	\$882	WEA Trust
13. Royall	\$879	WEA Trust
14. Washington-Caldwell	\$873	WEA Trust
15. New Lisbon	\$871	WEA Trust
16. Trevor Wilmot Consolidated	\$870	WEA Trust
17. Salem	\$869	WEA Trust
18. Bowler	\$864	WEA Trust
19. Prairie du Chien Area	\$863	WEA Trust
Richmond	\$863	WEA Trust
21. Richfield J1	\$854	WEA Trust
22. Durand	\$852	
Lake Country	\$852	WEA Trust
24. Herman No. 22	\$851	WEA Trust
25. Clinton Community	\$847	WEA Trust

**Table 2**

<b>Family Coverage Top 25 Most Expensive</b> <i>(Monthly premium costs)</i>		
1. Paris J1	\$2,147	WEA Trust
2. Three Lakes	\$2,135	
3. Beecher-Dunbar-Pembine	\$2,084	WEA Trust
4. Crandon	\$2,058	
5. Hartland Lakeside J2	\$2,052	WEA Trust
6. Bristol No. 1	\$2,037	WEA Trust
7. Lac du Flambeau No. 1	\$2,028	WEA Trust
8. Niagara	\$2,013	
9. Royall	\$1,995	WEA Trust
10. Washington-Caldwell	\$1,987	WEA Trust
11. Milwaukee Public Schools	\$1,985	
12. New Lisbon	\$1,979	WEA Trust
13. Trevor Wilmot Consolidated	\$1,974	WEA Trust
14. Salem	\$1,972	WEA Trust
15. Southwestern Wisconsin	\$1,961	
16. Prairie du Chien Area	\$1,960	WEA Trust
17. Richmond	\$1,956	WEA Trust
18. Durand	\$1,940	
19. Richfield J1	\$1,933	WEA Trust
20. Lake Country	\$1,931	WEA Trust
21. Waterford UHS	\$1,929	WEA Trust
22. Herman No. 22	\$1,928	WEA Trust
23. Clinton Community	\$1,921	WEA Trust
24. Colby	\$1,911	
25. Wilmot UHS	\$1,906	WEA Trust

**Table 3**

<b>Single Coverage Top 25 Least Expensive</b> <i>(Monthly premium costs)</i>		
1. Maple	\$369	Non-WEA
2. Hortonville	\$377	Non-WEA
3. McFarland	\$411	Non-WEA
4. Chilton	\$412	Non-WEA
5. Madison Metropolitan	\$419	Non-WEA
6. Wausaukee	\$422	Non-WEA
7. Middleton	\$427	Non-WEA
8. Mishicot	\$429	Non-WEA
9. Deerfield Community	\$436	Non-WEA
10. Fennimore Community	\$448	Non-WEA
11. Fort Atkinson	\$449	Non-WEA
Sun Prairie Area	\$449	Non-WEA
13. Pulaski Community	\$458	Non-WEA
14. Elmwood	\$459	Non-WEA
15. Stanley-Boyd Area	\$461	Non-WEA
16. Marshall	\$463	Non-WEA
17. Seymour Community	\$468	Non-WEA
18. Hayward Community	\$472	Non-WEA
19. Superior	\$474	Non-WEA
20. Sheboygan Falls	\$476	Non-WEA
21. Brillion	\$482	Non-WEA
22. Norris	\$488	Non-WEA
23. Riverdale	\$492	Non-WEA
24. Poynette	\$493	Non-WEA
25. Sauk Prairie	\$495	Non-WEA

**Table 4**

<b>Family Coverage Top 25 Least Expensive</b> <i>(Monthly premium costs)</i>		
1. Elmwood	\$926	Non-WEA
2. Stanley Boyd	\$1,006	Non-WEA
3. Norris	\$1,050	Non-WEA
4. Middleton	\$1,068	Non-WEA
5. Hortonville	\$1,089	Non-WEA
6. Wausaukee	\$1,098	Non-WEA
7. McFarland	\$1,106	Non-WEA
8. Maple	\$1,108	Non-WEA
9. Fennimore	\$1,115	Non-WEA
Riverdale	\$1,115	Non-WEA
11. Madison Metropolitan	\$1,119	Non-WEA
12. North Crawford	\$1,131	Non-WEA
13. Chilton	\$1,132	Non-WEA
14. Stockbridge	\$1,141	<b>WEA Trust</b>
15. New Glarus	\$1,144	Non-WEA
16. Pulaski	\$1,152	Non-WEA
17. Stoughton	\$1,155	Non-WEA
18. Waunakee	\$1,156	Non-WEA
19. Somerset	\$1,157	Non-WEA
20. Sun Prairie	\$1,168	Non-WEA
21. Mount Horeb	\$1,169	Non-WEA
22. Deerfield	\$1,192	Non-WEA
23. Marshall	\$1,204	Non-WEA
24. Portage	\$1,216	Non-WEA
25. DeForest Area	\$1,233	Non-WEA

Table 5

***School Districts that dumped WEA Trust***

Albany, Ashland, Beaver Dam, Beloit Turner, Crandon, De Pere, DeForest Area, Durand, Edgar, Elkhart Lake-Glenbeulah, Ellsworth Community, Elmwood, Florence, Gilman, Greenwood, Hamilton, Ithaca, Juda, Lake Holcombe, Lake Mills Area, Lakeland UHS, Laona, Marshall, Melrose-Mindoro, Mineral Point, Mount Horeb Area, Neillsville, New Glarus, New Richmond, Niagara, North Cape, North Crawford, Northland Pines, Oregon, Owen-Withee, Parkview, Portage Community, Poynette, Prescott, Randolph, Rhinelander, Rib Lake, River Valley, Riverdale, Seymour Community, Somerset, South Milwaukee, Stanley-Boyd Area, Stevens Point Area, Sun-Prairie, Thorp, Three Lakes, Verona Area, Wabeno, Waunakee, Weston, Weyauwega-Fremont, Winter, Wisconsin Rapids.

## SOURCES

- (1) Milwaukee Journal Sentinel, "Barrett, Walker plans would add workers to health pools," Aug. 29, 2010; Memo from Professor Allan Oden, University of Wisconsin-Madison, to Wisconsin School Finance Adequacy Initiative, Jan, 27, 2007.
- (2) Information provided by the Kettle Moraine school administration.
- (3) Ibid.
- (4) Ibid.
- (5) School district insurance statistics provided by Prescott school personnel.
- (6) Small Business Times, June 9, 2006.
- (7) WERC arbitration online case history, Iowa-Grant school district, 2009, [werc.wi.gov](http://werc.wi.gov).
- (8) GazzettExtra.com, "Milton Teacher Contract headed to arbitration," June, 4, 2010; Information provided by Milton school administration.
- (9) "Recent Case on the Practices of Health Insurance Providers," Lathrop & Clark LLP, May 2003.
- (10) "Grievance Filed over Campbellsport teachers' insurance," Fond Du Lac Reporter, Aug. 5, 2010; information provided by Campbellsport school administration.
- (11) WEA Insurance Trust and Subsidiary, Consolidated Financial Report, Dec. 31, 2009.
- (12) WEA Insurance Corp. Quarterly Statement, March 31, 2010.
- (13) WEA Insurance Corp., IRS Form 990, 2008.
- (14) WEAC Leadership Team, [www.weac.org](http://www.weac.org).
- (15) WEA Insurance Corp. IRS Form 990, 2006.
- (16) Interviews with Richard Hinkle, Wisconsin Office of the Commissioner of Insurance, Sept. 24, 2010 and Sept. 27, 2010.
- (17) Wisconsin Association of School Boards draft resolution, provided by Kettle Moraine school administration.
- (18) Milwaukee Journal Sentinel, "Barrett, Walker plans would add workers to health pools," Aug. 29, 2010.

## ABOUT THE ORGANIZATIONS



Education Action Group Foundation, Inc. is a Michigan-based 501(c)(3) public charity. It has been researching and promoting school spending reform for more than three years.

Originally focused solely on Michigan schools, EAGF has since begun analyzing school spending across the nation. The organization also maintains several websites, including NEAexposed.com and AFTexposed.com, three weekly newsletters, the EAG Insider (Michigan), the Hoosier Report Card (Indiana) and the Ed Reform Radar (national). The websites and newsletters focus on the agenda and tactics of the national teachers' unions.

EAGF is currently producing a feature-length documentary film on American public education, focusing on Michigan, Indiana and Illinois.



The John K. Maclver Institute for Public Policy is a Wisconsin-based think tank that promotes free markets, individual freedom, personal responsibility and limited government.

Since its inception, The Maclver Institute has focused on education policy in Wisconsin and ways to improve our schools. It has produced original research that compares the academic achievement of children in Florida and Wisconsin, calculates the number of parents in Milwaukee and throughout the state who exercise educational choice, and details Wisconsin's failure in the national Race to the Top competition and what it means for our children's future.

Maclver News Service was the first organization to report that the average compensation package for Milwaukee Public School employees had crossed the \$100,000 mark and continues to examine the questionable monthly expenditures of the state's largest school district.

For more information, please visit its website: [www.maclverinstitute.com](http://www.maclverinstitute.com).