

# The Case for Replacing BOE Leadership on May 17

Scott Moody

May 2016

## Track record since 2011:

- At least \$7.8 million wasted on healthcare over-spend
- \$20 million of fund balance depleted to cover operating
- 28 staff cuts needed minimum in 2016 ... many others from prior years
- Credit rating agencies: one rating downgrade, outlook change to “Negative”
  - Rating action due to structural budget imbalance and management’s decision to repeatedly use reserves to fund budget shortfalls
  - As the district’s credit rating deteriorates, interest rates to borrow in the future will increase ... more of the budget will go to interest payments, less to education
- Compensation & Benefits growth rate (nearly 80% of total expense) outpaced revenue growth rate by almost 2:1

# The BCSD Health Care Tax – How it Works

Imagine there are two buying groups that offer discounts to access a network of sporting goods stores to buy equipment for your children. Same stores in both networks.

- Group A has negotiated member discounts of 44% on everything purchased
- Group B offers discounts of 51% on everything purchased

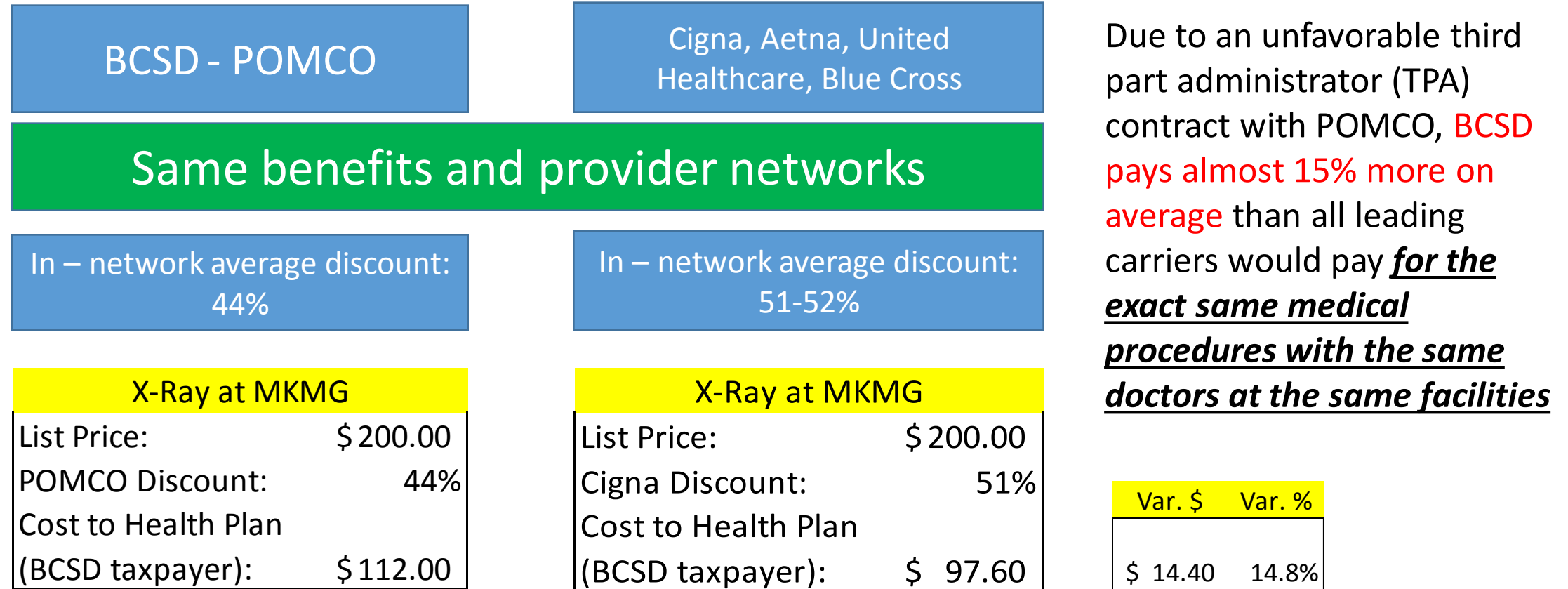
*(Remember, you can easily join either group and shop at the same stores for the same merchandise in either case)*

- You would naturally join group B and get the better discounts, right?

Well, not BCSD ...

# \$7.8 Million Wasted & The BCSD Health Care Tax

## How it Works:



Cumulative financial impact to BCSD

# The BCSD Health Care Tax – Impact on Budget

BCSD Health Care Expense									
	1990-2010E	2011	2012	2013	2014	2015	2016E	Total '11-'16E	Total 1990-2016E
Actual Spend	\$ 129.9	\$ 12.5	\$ 13.1	\$ 13.5	\$ 16.5	\$ 15.8	\$ 19.0	\$ 90.4	\$ 220.3
15% POMCO Medical Overspend	11.2	1.1	1.1	1.2	1.4	1.4	1.6	7.8	19.0
Pro Forma Spend with Cigna	\$ 118.7	\$ 11.4	\$ 12.0	\$ 12.3	\$ 15.1	\$ 14.4	\$ 17.4	\$ 82.6	\$ 201.3

Medical cost variance is 15%, when all administrative and Medicare B costs are included the variance is 8.6%

This analysis does not take into account additional savings that should have been realized through efficient plan design ... potentially another 10%+ annually

Source: 2011-2016: BCSD presentations, 1990-2010 estimated based on 7% annual health care cost trend.