



M3 Benchmark Report for Public Sector Employers

For most employers, 2022 was a year in which they had to navigate a difficult labor market, manage costs during rising inflation, address ramifications of the COVID-19 pandemic, and still meet their strategic goals. However, public sector employers had to manage all those constraints under the watchful eye of the communities they serve and within the fiscal boundaries of their budgets.

This report, the M3 Benchmark Report for Public Sector Employers, focuses on health insurance plans offered by public sector employers in the Wisconsin market. We will dive into overall costs and trends, as well as the unique features of the health insurance plans offered by public sector employers in 2022.

OVERALL COSTS

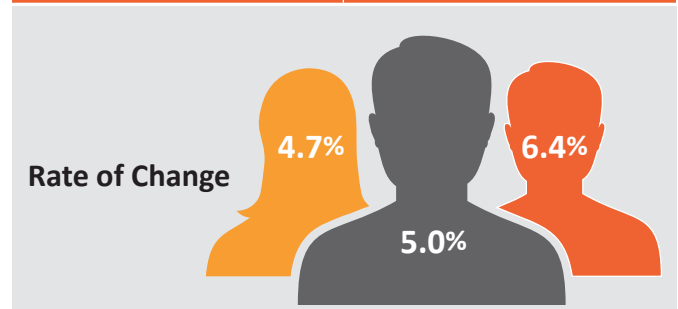
In 2022, public sector employers experienced a 5.0 percent increase in health plan premiums. This rate of change is in line with historical norms. It is an increase over trends noted in the 2022 M3 Trend Report (3.6 percent) for public sector employers, but less than the overall trend of 6.6 percent for all employers.

This report notes the trends and costs for both school districts and local governments in 2022. Over the past year, school districts experienced a 4.7 percent trend increase, whereas local government units saw a 6.4 percent rate of change. This represents an increase for both segments over 2021, when school districts saw a 3.0 percent rate of change and local governments experienced a 6.1 percent increase.

When looking at the average cost of health insurance per employee in 2022, the public sector reports \$20,047, with educational entities averaging \$20,167 per employee and local governments coming in at \$19,254.

While the overall costs and trends for both educational entities and local governments are similar, this report explores a few key differences, including geographic region, group size, types of risk factors, contribution strategies, and plan design.

Type	Overall Costs
Public Sector	\$20,047
Education	\$20,167
Local Governments	\$19,254



REGIONAL DIFFERENCES

Geographic regions are a key factor when discussing overall health plan costs. For purposes of this report, we break the state into five regions which have distinct market factors driving costs. The two major factors making each regional market unique are network availability and carrier/health plan competition.

Over the past year, the Southcentral Wisconsin market delivered the lowest overall cost per employee at \$18,872. HMO providers largely define this market by providing employers with tightly managed care models. The following chart demonstrates the overall costs by region:

Region	Overall Costs 2021	Overall Costs 2022
Northcentral WI	\$20,798	\$22,177
Northeast WI	\$19,017	\$19,241
Southcentral WI	\$17,504	\$18,872
Southeast WI	\$19,457	\$21,219
Western WI	\$19,374	\$19,975
Overall	\$18,911	\$20,047

In 2022, each region experienced not only higher costs than in 2021, but higher rates of change. While those overall trend numbers were greater than 2021, they were all lower than the overall market rate of change for all employers (6.6 percent) reported in the 2022 M3 Trend Report. The following chart exhibits the rate of change for each regional market:

Region	Rate of Change 2021	Rate of Change 2022
Northcentral WI	4.2%	5.0%
Northeast WI	2.9%	5.0%
Southcentral WI	4.2%	5.7%
Southeast WI	2.2%	3.2%
Western WI	3.1%	4.6%
Overall	3.5%	5.0%

PURCHASING GROUPS

One common issue for smaller employers in purchasing insurance is the size of their organization. When an entity is smaller, it can be difficult to manage their risk pool and maximize their leverage in insurance carrier negotiations. This is where a cooperative can be particularly helpful for a public sector employer.

A cooperative is a legal entity owned and operated by its members for the purpose of purchasing insurance products for its members. While this is not a “one-size-fits-all” solution, it can be an attractive option for schools or local governments who are looking for financial stability but have difficulty gaining the leverage they need to

negotiate their insurance costs. Considering individual sizes and risk factors, this can be a solution for like-minded units of government who want to manage their risk and costs within a collaborative model.

M3 currently works with 13 distinct cooperatives in Wisconsin with cumulative membership spanning 120 units of government. Many of these members are smaller in size yet they experienced a 4.8 percent rate of change in 2022, which is lower than the overall public sector trend of 5.0 percent. Their overall costs came in at \$20,675 per employee, which is slightly above the overall cost of \$20,047.

CONTRIBUTION STRATEGY

An employee and their employer will typically share health insurance plan premium costs. The data shows a similar approach with educational entities and local governments when it comes to employee contribution towards health insurance premium costs. The minor difference is slightly overall cost sharing requirements by local governments.

When digging into the numbers, public sector employers had lower requirements for employees in 2022 as a contribution percentage for single enrollees (12.0 percent versus 12.6 percent in 2021) and dollar amount (\$100 versus \$101 in 2021). This also was true for family enrollees by percent (12.2 percent versus 13.2 percent in 2021) and by dollar amount (\$245 versus \$257 in 2021).

	Public Sector	Education	Local Governments
Single Contribution	12.0%	12.1%	11.3%
Single Amount	\$100	\$101	\$90
Family Contribution	12.2%	12.3%	11.3%
Family Amount	\$245	\$247	\$238

This would seem to indicate employers were seeking to stabilize costs for their staff during the past year.

PLAN DESIGN - HIGH DEDUCTIBLES AND SAVINGS PLANS

Traditionally we think of public sector employers as offering rich health insurance plans. However, the data is clear that a high percentage of public sector employers (78 percent) are offering plans with deductibles that reach the current “high deductible plan” threshold (\$1,400) as set by the Internal Revenue Service.

This couples with data to show that public sector employers are following market trends and leveraging health savings accounts (50 percent) and health reimbursement arrangements (27 percent). The usage of these health savings mechanisms is an indicator of the creativity leveraged by public sector decision makers.

	Public Sector	Education	Local Governments
Offer HDHP	78%	84%	54%
Percent Contributing	82%	83%	70%
Offer HSA	50%	49%	60%
HSA Contribution	\$1,109	\$1,190	\$723
Offer HRA	27%	31%	4%
HRA Contribution	\$1,564	\$1,612	\$879

To help make these plans more desirable and cost effective for employees, employers can contribute dollars to health savings accounts (HSAs) and/or health reimbursement arrangements (HRAs) for their enrolled members. Of public sector employers offering a high deductible health plan, 82 percent are actively contributing to a tax-advantaged savings plan for their employees.

The average contribution to an HSA by the employer in the public sector was \$1,109 in 2022, with educational entities offering a larger dollar amount (\$1,190) than their local government (\$723) counterparts. When it comes to HRAs, the average employer who funded an account did so with an average of \$1,564. The same funding difference between educational bodies (\$1,612) and their local government peers (\$879) rang true for HRAs.

PLAN DESIGN – COST SHARING

	Public Sector	Education	Local Governments
Deductible	\$2,108	\$2,258	\$1,530
Max Out of Pocket	\$3,057	\$3,031	\$3,158
Office Visit	\$22	\$22	\$19
Urgent Care	\$44	\$45	\$36
Specialist	\$33	\$35	\$27
Emergency Room	\$183	\$183	\$182

Cost sharing comes in two forms: the amount that a plan member pays before the insurance contributes to medical expenses or pays in total; and co-payments which are amounts the plan members pay for accessing specific types of service.

When looking at deductibles and out-of-pocket maximums, we see the differences between educational entities and local governments come into focus. In both cases, the cost sharing for educational entities is higher than for local governments.

This phenomenon carries over to co-payments for accessing medical services. When visiting a primary care physician’s office, an urgent care facility, a specialist or an emergency room, the average co-payment for a member again is higher for educational entities than for local governments. For example, the average co-payment for visiting the urgent care in the public sector is \$44, with local governments averaging a \$36 co-payment and educational entities averaging \$45 per visit.

CONCLUSION

While educational and government entities are often lumped together from a data perspective, the data in this report demonstrates the nuanced differences between the two. Overall costs and approaches appear to be quite similar, but the cost and plan design structure of their respective health plans demonstrates that educational entities have slightly higher costs due to the nature of their risk pool.

To learn more about how your health benefit plans stack up compared to the market, contact your M3 account team.

METHODOLOGY

The 2022 M3 Benchmark Report for Public Sector Employers is based on data available as of December 1, 2022. The data represents 429 distinct health plans from 208 distinct public sector employers in Wisconsin, all of which are M3 clients.



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