



## OFFICE OF RACIAL EQUITY AND SOCIAL JUSTICE


Marc Elrich  
County Executive

Tiffany Ward  
Director and Chief Equity Officer

### MEMORANDUM

April 11, 2024

To: Jennifer Bryant, Director  
Office of Management and Budget

From: Tiffany Ward, Director  
Office of Racial Equity and Social Justice 

Re: Racial Equity Impact Assessment (REIA) Supplemental Appropriation (SA) #24-70  
Montgomery County Public Schools, Employee Benefits Plan (\$5,000,000)

- I. **FINDING:** The Office of Racial Equity and Social Justice finds that Supplemental Appropriation (SA) #24-70 *Montgomery County Public Schools Employee Benefits Plan* has the potential to advance racial equity and social justice in the County. While the nature of this supplemental is primarily administrative, the supplemental funding will allow Montgomery County Public Schools (MCPS) to reappropriate existing fund balance to cover Employees Group Insurance Trust Fund costs. This funding will safeguard health insurance coverage for MCPS employees, with Black, Indigenous and People of Color (BIPOC) employees encompassing nearly half of the workforce.
- II. **BACKGROUND:** The purpose of SA #24-70 is to reappropriate fund balance to cover an anticipated deficit in the Employee Group Insurance Trust Fund (EGITF) or Employee Benefits Plan (EBP). The EGITF covers health insurance benefit costs for employees, retirees, and their dependents and is experiencing greater expenditures for claims, medical inflation, and premiums. MCPS has been working with its actuarial consultant to analyze actual expenditures and refine projections for the EBP. Additionally, the school system has recently switched health care providers to realize additional savings in service. By utilizing a new provider, MCPS plans to achieve network discounts, lower administrative fees, and

shift from a fee-for-service model to capitation<sup>1</sup> per member per month arrangements for behavioral health service claims.

The school system operates a self-insured EBP rather than a traditional retail insurance plan, which assumes the risk and liability of paying the claims costs incurred by employees. The school system provides access to health care benefits to all employees working 20 hours or more in a permanent position, with cost-sharing generally at 12% employee and 88% employer for HMO coverage and 17% employee and 83% employer for other plans. Additionally, employees can earn up to a 2% reduction in cost-share through participation in wellness incentives. MCPS staff review revenue and expenditures monthly and project future quarterly with the help of a benefits consulting firm, which allows them to forecast the overall fund balances in the EGITF and develop the budget request for the EBP.<sup>2</sup>

In FY23, MCPS requested \$30 million to “allow the trust fund to end the fiscal year with a fund balance at a near break-even point.”<sup>3</sup> While the additional funding was not in the approved FY23 Operating Budget, the County Executive expressed his commitment to “propose additional appropriations should the MCPS health insurance fund experience unexpected demand during the fiscal year.”<sup>4</sup> On February 29, the County Council Education and Culture Committee received a financial report and update on the state of the Employee Benefit Fund from MCPS, detailing the factors impacting the health of the EBP fund.<sup>5</sup>

- III. **ANALYSIS**: The following chart illustrates MCPS’ workforce demographics for FY2020 through FY2023. In FY2023, 53.6% of the MCPS workforce was White, 18.9% was Black, 16.3% was Hispanic, 9.5% was Asian, followed by American Indian, Native Hawaiian, and Two or More Races representing 1.7%. While the MCPS workforce is diverse and comparatively representative of county demographics,<sup>6</sup> data is needed to better understand

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<sup>1</sup> The Centers for Medicare & Medicaid Services define Capitation as a way of paying health care providers or organizations in which they receive a predictable, upfront, set amount of money to cover the predicted cost of all or some of the health care services for a specific patient over a certain period of time. Available at: <https://www.cms.gov/priorities/innovation/key-concepts/capitation-and-pre-payment>.

<sup>2</sup> Available at: <https://ww2.montgomeryschoolsmd.org/budget-101/index.html>

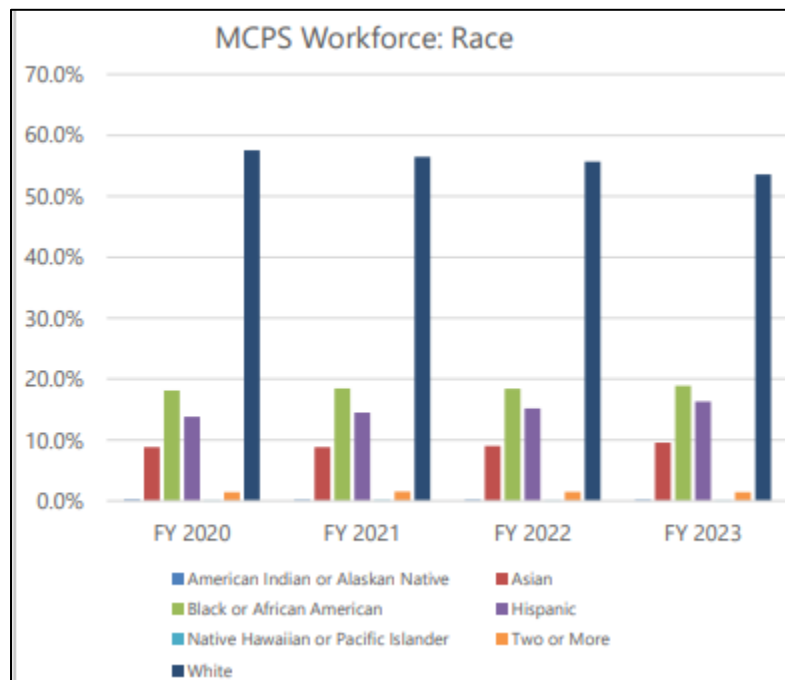
<sup>3</sup> Available at: [https://go.boarddocs.com/mabe/mcpsmd/Board.nsf/files/CF5L5N54E7B3/\\$file/Final%20Adoption%20FY2023%20Op%20Bdgt%20220607.pdf](https://go.boarddocs.com/mabe/mcpsmd/Board.nsf/files/CF5L5N54E7B3/$file/Final%20Adoption%20FY2023%20Op%20Bdgt%20220607.pdf) (page 5)

<sup>4</sup> Available at: [https://go.boarddocs.com/mabe/mcpsmd/Board.nsf/files/CF5L5N54E7B3/\\$file/Final%20Adoption%20FY2023%20Op%20Bdgt%20220607.pdf](https://go.boarddocs.com/mabe/mcpsmd/Board.nsf/files/CF5L5N54E7B3/$file/Final%20Adoption%20FY2023%20Op%20Bdgt%20220607.pdf)

<sup>5</sup> Montgomery County Council Education and Culture Committee Update – Montgomery County Public Schools Financial Report and Employee Benefit Fund. Available at: [https://montgomerycountymd.granicus.com/MetaViewer.php?view\\_id=169&event\\_id=16069&meta\\_id=172589](https://montgomerycountymd.granicus.com/MetaViewer.php?view_id=169&event_id=16069&meta_id=172589)

<sup>6</sup> Available at: <https://www.montgomerycountymd.gov/ORE/Resources/Files/JUPITERRACIALEQUITYPROFILE.pdf>.

the utilization of health insurance plans and the medical conditions experienced by the workforce.



**Source:** MCPS Staff Statistical Profile

<https://montgomerycountymd.gov/COUNCIL/Resources/Files/REPORTS/2023/MCPS-2023.pdf>

MCPS indicated several factors that are driving increased costs in the EBP. These include inflation, claims, premiums, and prescription claims trends resulting from higher utilization of Glucagon-like Peptide-1 drugs (i.e., Ozempic and Trulicity) used to treat diabetes and obesity and increases for general medical claims. Morgan Health commissioned NORC at the University of Chicago to analyze health disparities in employer-sponsored health plans. The analysis found “large health disparities among enrollees in employer-sponsored coverage related to chronic conditions, maternal health, behavioral health, substance use and access to care.”<sup>7</sup> Chronic conditions, including blood pressure, diabetes, and obesity, have varying levels of racial disparities and are among the most expensive chronic diseases in the nation.<sup>8</sup>

<sup>7</sup> Health Disparities in Employer-Sponsored Insurance. July 2022. Available at: <https://www.jpmorganchase.com/content/dam/jpmc/jpmorganchase-and-co/who-we-are/our-business/documents/jpmc-morgan-health-norc-report-ada.pdf>.

<sup>8</sup> IBID.

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Analyzing utilization data would help better understand how benefits are being used across different demographic groups, especially in relation to whether disparities in health outcomes are being addressed.

cc: Monique Felder, Ph.D., Interim Superintendent, Montgomery County Public Schools  
Ken Hartman, Director, Strategic Partnerships, Office of the County Executive