



## Health Care Law's "Employer Mandate" Puts Squeeze on Public School Budgets and Staff

By Jonathan Moy

### Summary

The Affordable Care Act requires large and medium-sized employers to provide health insurance to employees who work more than 30 hours per week. As a result, school districts, especially small, rural ones, face incentives to privatize noninstructional services and cut back on staff.

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As various provisions of the federal Affordable Care Act take effect, one of the law's key mandates is forcing many public schools to cut employee hours or privatize noncore services. At issue is the ACA's requirement that employers with 50 or more full-time workers provide health insurance to any employees who work 30 or more hours per week. School districts, particularly small and rural ones, are struggling to meet these new federal demands.

Baraga Area Schools, in the western Upper Peninsula, is one of many districts in Michigan that is adjusting to the requirements. Superintendent Jennifer Lynn says her district had employed more full-time support staff before the ACA became law, but has been forced to cut hours due to the prohibitive cost of providing the mandated insurance coverage.

Other rural school districts, where low population densities and fewer insurance providers limit options for complying with the law's extensive mandates, are facing difficult decisions. Faced with crippling increased costs, rural schools are considering ways to avoid the health insurance mandate while maintaining the level of services they provide students. Their options include privatizing services, reducing staff size and hours, or paying a penalty.

But all school districts are struggling with the increased costs caused by the ACA's mandates. A 2014 survey commissioned by the Association of School Business Officials International found that nearly 50 percent of school districts nationwide were concerned about the impact of the employer mandate.

The magnitude of the costs involved can be seen in the Parsippany school district in New Jersey, which estimated that providing health insurance for 185 paraprofessionals would cost \$4.5 million per year. Likewise, the school district in Vigo County, Indiana would have had to pay \$6 million annually to provide coverage for support staff.

These rising costs can have rippling effects. At Michigan's rural Elkton-Pigeon-Bay Port Laker school district, officials report the health insurance mandate increased their cost to nearly six figures, which forced them to lay off certain staff members. Consequently, classroom sizes rose.

School districts can avoid the mandate's costs by shifting more employees

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to part-time status. Indiana's Vigo district avoided layoffs by reducing the hours of more than 500 support staff workers to less than 30 hours per week. Michigan's Cass City school district hired part-time paraprofessionals and bus drivers. Some school officials say that it's hard for students to adjust to having multiple part-time educators throughout the day.

Yet another option for school districts to sidestep the increased costs associated with the health care law is to privatize noninstructional support services. Michigan schools have increased the use of this cost-cutting tool even before the ACA, but now this strategy is even more attractive since it lets school officials shift the costs of compliance to private contractors.

Unfortunately for rural districts, however, their remoteness and lower student counts make it much more difficult to take advantage of this alternative. There may not be as many private providers for these services available in rural communities. In contrast, urban districts have the advantage of qualifying for group insurance rates from staffing companies.

In response to the mandate, some districts have chosen to self-insure. Baraga chose this alternative because of a lack of health insurance providers in the area. This option can be more cost-effective than paying premiums to an insurance company, but the costs are less predictable and the district bears a larger portion of the risks that come with unforeseen medical expenses.

Due to a combination of low enrollment and remote locations, rural school districts are hit the hardest by the ACA's employer mandate. These districts have limited options for coping, and in many cases, compliance means they must stop providing other benefits for both students and staff. There is no one-size-fits-all solution for school districts trying to cope with the ACA, which like many government programs has caused consequences not foreseen by its authors. For school districts, this is no exception.

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**Jonathan Moy served as a research intern at the Mackinac Center for Public Policy**, a research and educational institute headquartered in Midland, Michigan. Permission to reprint in whole or in part is hereby granted, provided that the author and the Mackinac Center are properly cited.

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