

Pooling health insurance could save Maryland millions | GUEST COMMENTARY



Gov. Wes Moore, shown here testifying before the House of Delegates in February, should appoint a task force to look at combining the health insurance purchasing process across state and local organizations. FILE (Kevin Richardson/Staff)

By [DAN MORHAIM](#)

March 15, 2024.

Gov. Wes Moore and the Maryland General Assembly face a perpetual funding challenge: balancing the budget and managing revenues while meeting numerous needs and providing services. There are only three possible ways to address this.

First, cut spending. However, each individual program and project has value, and its advocates would argue that it is worth keeping and/or should be expanded. Further, state money flows to the

counties, especially for education, and so state spending reductions hurt local entities as well.

Second, the state can raise revenue by increasing taxes, fees and surcharges. But these are typically unpopular for the obvious reason that no one wants to pay more.

Last, the state can find efficiencies: better ways of doing business operations that reduce expenses without sacrificing needed services.

What if the state, counties and school systems joined together to pool their health insurance purchases for their employees? This is a big-ticket item, costing billions overall. Over 22 states do this successfully now in some form. Even small savings here would translate to large dollar amounts.

Currently, the state of Maryland buys health insurance for about 99,000 employees. The 24 jurisdictions (23 counties and Baltimore City) separately buy health insurance for another 80,000, and the 24 school systems separately buy health insurance for about 130,000. In effect, there are 49 governmental entities each buying health insurance — one of the most complicated and expensive purchases governments or anyone can make — collectively, statewide for about 310,000 employees and their families.

The central concept of insurance is to spread risk, so common sense dictates that volume purchasing saves money. If health insurance purchases were pooled here, the savings in Maryland could be substantial, about \$1,000-2,000 per year per employee without reducing coverage plans — and possibly improving them. Further, administrative costs would go down, from about 4-7% to 2-3% because the burden of purchasing insurance gets spread across a larger base.

For example, Baltimore County has about 8,500 employees and the Baltimore County School System has about 8,000. By “piggybacking” on the state’s health insurance plan, savings could be \$13 million for the county and \$12 million for the school system. For Baltimore City,

with about 13,500 employees and 7,000 school employees, the savings could reach \$30 million annually. These savings would accrue year after year.

Thus, the question: Why isn't this being done now? The fact is that it could be. In 2018 [House Bill 1400](#) was enacted, with unanimous votes in the House and Senate. This legislation enables these various entities to buy health insurance together.

It's challenging to change the status quo and take a fresh look at old systems, but it wouldn't be hard to get this project going. Governor Moore should appoint a task force now so that this work can be completed promptly. The State Department of Budget and Management could start the process by working with counties and school systems, analyzing and comparing benefit packages and costs, and reviewing this with employee groups. Focusing on details can be tedious and boring, but that's what it takes, and the rewards would likely be substantial.

In the end, we are one state. Funds flow from citizens to the state and local governments, and back again. Sometimes taxes need to be raised (or lowered), and all programs should be reevaluated to see which should be reduced, eliminated or enhanced.

Simultaneously, the government has an obligation to operate as efficiently as possible. Pooling health insurance purchasing is a straightforward common-sense way to save money for taxpayers while providing better coverage for government employees at all levels throughout the state. Other states are doing this, so why can't we?

Dr. Dan Morhaim (danmorhaim@gmail.com) served in the Maryland House of Delegates from 1995 to 2019; he is the author of "Preparing for a Better End" (Johns Hopkins Press).