

# It's Nobody's Fault...But It's Time To Do The Right Thing

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## *Four Fixes in Athlete Financial Support Within the MSHSL's Control to do the Right Thing*

1. Add insurance coverage for freshman student athletes equivalent to Varsity and Junior Varsity teams in the approaching August 2025 renewal.
2. Increase the aggregate coverage to \$10mm from \$2mm to address the actual life-long costs of a catastrophic injury to student athletes.
3. \*Eliminate insurance policy language that limits/hinders access to necessary coverage.
4. Establish a fund from ongoing MSHSL operations to support athletes catastrophically injured prior to the updated insurance coverage levels with the goal of \$20 Million.

\* Accessible vans, power chairs, housing modifications, medications that are currently denied by Mutual of Omaha.

## *Add Insurance Coverage for Freshman Athletic Team Athletes Equivalent to Varsity and Junior Varsity Teams in the Approaching August 2025 Renewal*

- We believe a consensus has been achieved through productive dialogue amongst parents, school leaders, state legislators and the MSHSL that the addition of 9<sup>th</sup> grade freshman team athletes should be added to ongoing catastrophic coverage.
- We understand that a vote of the school leaders was required to allow MSHSL to enact a constitutional amendment to make this improvement to the insurance coverage. The vote was completed in October 2024 with an affirmative result, clearing the path for the MSHSL to implement this positive change.
- We remain unclear as to what further steps the MSHSL must take to fully execute this change.
- We presume the August 2024 one-year insurance contract recently renewed cannot be altered retroactively and, therefore, the first opportunity for achieving this added coverage is in the August 2025 insurance renewal covering the 2025/2026 athletic school year.
- We would like to confirm required actions and specific timelines to ensure there is a clear path to execution by August 2025.

## *Increase the Aggregate Coverage to \$10mm From \$2mm to Address the Actual Life-Long Costs of Catastrophic Injuries*

- We understand the MSHSL, through collaborative discussions with parents, MN legislators, and insurance brokers, has tentatively agreed to increase the coverage from its current \$2mm aggregate to at least \$3mm.
- While we appreciate any increase that attempts to recognize the true financial catastrophic impact of the types of athletic injuries suffered by Jack and Ethan, \$3mm is materially insufficient by any reasonable measure as we illustrate on Aggregate Chart on next page.
- We would like to reach consensus with the MSHSL, MN legislators, and insurance brokers that MSHSL will embark on a full marketing of its insurance coverage with a broad array of possible insurance providers as advised by their broker as well as an independent broker Brown and Brown, a true national brokerage firm with strong presence in the Minnesota market.
- We would like to ensure policy instructions include a full set of insurance aggregate coverage and sub-limit goals that move well beyond the \$3mm aggregate limit currently contemplated.
- We believe insurance brokers should be directed to ensure policy language does not restrict claimants based on earned income at the low levels currently embedded in the MOO policy. We believe the policy should encourage gainful employment not penalize it for these athletes that have a significant financial and work placement disadvantage due to their high school athletic injury. (See further discussion on Aggregate Chart on next page).

## *Is \$3mm Aggregate Coverage Enough for a Teenage High School Athlete Who Sustained a Life-Long Catastrophic Injury*

Illustrative Cost and Earnings Measures	Non-Injured Athlete		Catastrophically Injured Athlete	
	<i>Athlete A at 16</i>	<i>Athlete A at 71</i>	<i>Athlete B at 16</i>	<i>Athlete B at 71</i>
	<i>Annual Cost</i>	<i>Annual Cost</i>	<i>Annual Cost</i>	<i>Annual Cost</i>
Rent	\$ (18,000)	\$ (990,000)	\$ (18,000)	\$ (990,000)
Car	\$ (3,000)	\$ (165,000)	\$ (9,000)	\$ (495,000)
Wheelchair	\$ -	\$ -	\$ (10,000)	\$ (550,000)
Medication	\$ -	\$ -	\$ (25,000)	\$ (1,375,000)
Daily Morning and Night Care	\$ -	\$ -	\$ (120,000)	\$ (6,600,000)
Subtotal Costs	\$ (21,000)	\$ (1,155,000)	\$ (182,000)	\$ (10,010,000)
Wages on Average Life	\$ 75,000	\$ 4,125,000	\$ 75,000.00	\$ 4,125,000
Basic Living Operating Income (Loss)	\$ 54,000	\$ 2,970,000	\$ (107,000.00)	\$ (5,885,000)

## *Eliminate Insurance Policy Language that Limits/Hinders Access to Coverage*

- The current parent driven assessment of the MSHSL insurance coverage began soon after it became apparent that the costs would significantly exceed what insurance would support by the time Jack Jablonski turned 20 years old.
- The parent focus became more active when Jack turned 25-years-old, and MOO denied him access to certain otherwise covered injury-related expenses because the policy deemed him no longer fully disabled because he gained employment with the Los Angeles Kings NHL organization and earned a nominal starting salary.
- The full-on urgency for action erupted upon learning the policy did not cover Ethen Glynn at all because he was a 9<sup>th</sup>-grader playing for a high school freshman team.
- At worst this can be interpreted as a policy designed to limit coverage and reduce premium costs to the MSHSL.
- A more charitable view might allow that this was an oversight that only recently became clear after a real-life test of the coverage, and we have now all learned the restrictive language is not aligned with the mission the MSHSL and the State of Minnesota wishes to achieve.
- There are very few athletes that have the misfortune of living with a catastrophic injury suffered during a high school athletic event, making denial of coverage not only wrong, but economically insignificant to the MSHSL.
- Without getting into details, we would like to ensure an independent insurance lawyer be afforded an opportunity to review the specific policy language prior to the August 2025 renewal to ensure we avoid language that could be interpreted to cause unintended denials of coverage in the future.

## *Establish a Fund From Ongoing MSHSL Operations to Support Athletes Catastrophically Injured Prior to the Updated Insurance Coverage Levels*

- In the spirit of the theme of this summary, “It’s nobody’s fault, but let’s do the right thing,” if we accomplish the first three objectives the MSHSL has achieved quite a lot for all future athletes.
- We hope that we can also prioritize mitigating the financial inadequacy of the insurance coverage of students such as Jack and Ethan, and others, if any, who were injured before these changes can be enacted.
- In reviewing the audited financial statements of the MSHSL’s 2022-23 Annual Financial Report, we note a number of indications in the financial metrics that the organization is more than financially capable of investing in the priorities of its organization.
  - ***\$12.8mm in cash and readily marketable securities resulting in \$8mm of unrestricted largely highly liquid capital. MSHSL earned approximately \$300,000 interest on cash and T-Bills and potentially significantly more in securities fair value increases in RBC and Wells Fargo investment accounts.***
  - ***Positive cash flow in the millions of dollars before discretionary Membership Fee Credits and School Reimbursements***
  - ***Employee benefits that cost 45% of total salaries. Includes post retirement benefits for 22 active employees and a 13% immediate fully vesting contribution as a percentage of employee salary to the 403 (b) each year.***
- If the MSHSL deemed this an important aspect of correcting the situation for those injured catastrophically in the high school athletic league events they oversee, it appears that creative solutions could be created to support these athletes outside the current insurance coverage without diminishing the MSHSL future ability to operate in a safe, sound and innovative manner.

## *Catastrophic Finances*

### *Catastrophic Injury Costs According to the Christopher & Dana Reeve Foundation*

- . Low Tetraplegic (C4-C8) - \$113,000 per year:
  - . First Year: \$300,000 - \$1,000,000 for surgeries, ER care, intensive care unit, medical assessments, medications
  - . Second Year and Beyond: \$42,000 - \$200,000 for hospitalizations, rehabilitation centers, physical, occupational, and exercise therapies and equipment, home modifications, in-home aides and caregivers
- . Expenses Promised by Mutual of Omaha yet continue to be denied:
  - . Out of Pocket Costs:
    1. Accessible Van - \$75,000 +
    2. Power Wheelchair - \$60,000 +
    3. Physical Therapy - \$17,000 + annually
    4. Medical Supplies and Products - \$3,000 - \$5,000 annually
    5. Home Modifications - \$50,000 - \$250,000
- . Unplanned but necessary sacrifices:
  1. Because of 24/7 care requirements for quadriplegic student athletes, one parent will need to stop working to handle caregiving responsibilities.
  2. This will reduce family income by 50+ % for the balance of their lives, reflecting \$1-\$2,000,000 in potential loss of income.



## *MSHSL Finances: 2022-2023 Annual Financial Report*

. \$12,800,000 in cash and readily marketable securities resulting in \$8,000,000 of unrestricted and large highly capital. MSHSL earned approximately \$300,000 interest on cash and T-Bills and potentially significantly more in securities fair value increases in RBC and Wells Fargo investment accounts.

. Positive cash flow in the millions of dollars before discretionary HS membership fees, credits and school reimbursements.

. Employment benefits that cost 45% of total salaries. Includes post-retirement benefits for 22 active employees and a 13% immediate fully vesting contribution as a percentage of employee salary to the 403 (b) each year.

Instead of purchasing an adequate catastrophic insurance policy, the MSHSL has done the following:

1. MSHSL has reimbursed high schools over \$18.5 million since 2000-2001 instead of investing in an adequate catastrophic insurance policy
2. Because the MSHSL had an abundance of revenue In the past two years (2021-2023), the reimbursement to MN high schools was over \$5.9 million which could have been delegated to much more sufficient catastrophic insurance policy.