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To: House Education Committee
From: Nicole L. Mace, Executive Director
Re: Vermont Health Benefits Commission Recommendations
Date: March 28, 2018

The VSBA supported a transition to a state-negotiated health benefit during the previous legislative session due to the complexity of negotiating new plan designs, the opportunity to provide high quality coverage to employees and deliver taxpayer relief, and the desire to address inequities between districts and different classes of employees. In Vermont, there is variety in total compensation provided to educators, depending on the region of the state and the socioeconomic makeup of a community. A statewide benefit would ensure equity and sustainability in the health care benefits available to all school employees.

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Act 85 of 2017 created the Vermont Educational Health Benefits Commission to determine whether and how to establish a single statewide health benefit plan for all teachers, administrators, and other employees of supervisory unions and school districts. VSBA was a member of the Commission.

Act 85 also mandated that health care provisions of collective bargaining agreements must expire between June and September of 2019.

Recognizing that this conversation would likely be revisited this legislative session, the VSBA membership adopted the following resolution in October at the organization's annual meeting:

In order to ensure equity and sustainability in the health care benefits available to all school employees, the General Assembly should adopt a process for the negotiation of health care benefits at the state level by a council of school board members to apply to contracts that expire in 2019.

We believe that transitioning to a common health insurance benefit could mitigate some of the issues we have seen arise as part of the recent transition to new health plans:

- *Variability & Complexity* – The new plans require the parties to bargain over more than premium contributions. The introduction of high-deductible plans has meant the parties must negotiate how they will cover employees' increased out-of-pocket expenses (through an HAS or HRA), the contribution amounts from employers and employees, who pays first dollar, and in some cases what TPA to use to administer the accounts. The introduction of new variables to negotiate has led to incredible variety in the form and function of school employee health benefits across the state. The complexity and variability of the agreements reached by the parties was a contributing factor to the recent decision by Future Planning Associates to stop administering school district health benefits.
- *Rate Setting* - Each decision made at the bargaining table has actuarial implications that impact VEHI's rate setting process. Most local negotiators do not have access to (nor a real interest in) the actuarial impacts of the settlements they reach. But because we are a statewide pool, much like our funding formula, the decisions reached in each district across the state impact all of our rates moving forward. The settlements agreed to this year were not consistent with the actuarial assumptions that were built into the lower premium rates, resulting in the need to raise VEHI premiums substantially.
- *Timing* – In some districts, the parties settled well before the open enrollment period, giving employees plenty of time to understand their options and complete the enrollment process. In other districts, the parties did not settle contracts until just before the deadline (and in some instances it was a temporary side letter agreement on health benefits), which meant some employees did not have adequate time to understand the options available to them under the collective bargaining agreement.

If Vermont moves forward with establishing a process for negotiating certain employee benefits at the state level and others at the local level, it would not be alone in doing so. The Commission took testimony from Washington state, where they are implementing statewide health insurance negotiations, and I have had a number of conversations with my counterparts in Canada, where

some provinces negotiate compensation (salary and benefits) at the provincial level, while other terms and conditions of employment are negotiated locally.

We believe, however, that the following issues must be addressed in any legislation intended to move to statewide bargaining:

- *Representation* – who will represent school boards and employees at the bargaining table and how will representation of the parties be decided
- *Timing* – how will state negotiations commence and conclude in a manner that does not impede progress at the local level
- *Impasse Procedures* – if the parties to state negotiations cannot come to agreement, what impasse procedures will be employed
- *Incorporation* – how will state provisions be incorporated into local agreements
- *Ratification* – how will state provisions be ratified

We presented suggestions to the Commission about how to treat each of these issues. If the Committee determines that moving forward with statewide negotiations makes sense, I am happy to come back to share those suggestions at that time.