

Act 48 and Collective Bargaining
Testimony
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Thank you for the opportunity to provide my perspective on Act 48 in relationship to Vermont Schools. VSBIT is a member-owned non-profit cooperative providing Vermont schools an alternative to traditional insurance. We assist school districts in proactively managing risk to reduce claims and conserve resources so they can focus on their educational mission.

In my role as President of VSBIT I manage the daily operations of the school health program, VEHI. I do not speak here for VEHI- only the VEHI Board can assume or delegate that role. VEHI explicitly respects and does not attempt to influence the collective bargaining process. I do speak in my VSBIT role regarding our support for member school districts and I will refer to efforts VEHI has undertaken with VSBIT and VT-NEA to support member districts and their employees.

With the passage of the Affordable Care Act [ACA] of 2010, schools find themselves in a more complex collective bargaining environment. In my role I work with school business offices, and to a lesser extent school boards, to ensure they have the information they need to fully understand and comply with new health legislation- both at the federal and state level. No small task. VT-NEA and VSBIT, through VEHI, contracts with a national benefits specialist Gallagher Benefits Services to ensure both employers and their unions have accurate information on the ACA.

For the past two decades, school districts and their local unions have had only two issues of concern at the collective bargaining table in regards to health coverage: how much would the VEHI premium rate increase and what share of the premium would be borne by the employer versus the employee. Because VEHI provides high quality health plans, a reasonable network of doctors and extremely low out-of-pocket costs these issues have not been a part of collective bargaining in recent memory. VEHI has provided stability for member schools and their employees. A side effect of this desired stability is that VEHI plans have been virtually unchanged since they were introduced and no longer reflect the plan designs that are now typically available to other Vermont employers and citizens.

The ACA has at least four cost implications for Vermont Schools.

1. Employers with 50 or more FTE's have an obligation to offer affordable health coverage to all full time employees and their dependents or face a federal penalty.
2. Employers must define full time for health benefits at 30 hours per week regardless of their previous policies, potentially increasing the number of employees the district must provide health coverage to without working through the collective bargaining process.

3. Employees that currently are offered but do not take health coverage from Vermont schools may take this coverage in the future due to a variety of factors including the federal individual mandate and the potential for spousal carve out.
4. Beginning in 2018 a federal excise tax will be imposed on plans whose total premium cost is above a certain threshold. VEHI plans will eventually cross this threshold. See attached graph.

To be clear, all of these potential costs will impact school budgets and are the result of a federal law, not actions taken by employers or a result of collective bargaining. These additional costs need to be taken into account during the collective bargaining process moving forward as the cost of providing health care has potentially increased.

To assist schools in determining the financial impact of the ACA, VEHI has developed a financial modeling tool for large employers and will conduct an ACA impact analysis for small employers.

To date, we have had 44 large school districts representing 5400 employees avail themselves of the modeling tool and 42 small districts engage in the analysis. The modeling takes district-specific data and simulates 1000 different scenarios, resulting in the most statistically likely financial impact on the district. The current statistically estimated average is a 6.4% increase for school budgets, nearly 3.3 million additional employer health care dollars annually once the full impact is reached. Some of this stems from employees who must now be considered full-time, but the majority is from new enrollees due to changes in behavior. Small districts also have a significant number of employees who currently defer employer health coverage that are projected to enroll in the future due to behavior changes prompted by the ACA. Reports from school business offices confirm this migration is beginning to transpire. The VEHI modeling results and analysis are available to both the school district and their local union so both groups have the best information to inform the bargaining process.

In addition to the challenges of understanding and complying with the ACA, schools with under 50 employees [this will include employers with fewer than 100 employees in 2016] have a new option for health coverage through Vermont Health Connect [VHC]. I say option, because nearly all small school districts, with the exception of three and in these cases it was not intentional, have grandfathered VEHI health plans and may choose to remain in these plans. Grandfathered status is a federal designation and was not designed to be retained long-term. It is most limiting to employers who cannot shift the share of the health premium share to the employee by more than 5% of what the cost share was in March of 2010. Forever. So a 85-15 % employer-employee cost share in March of 2010 can never move beyond a 80-20% share to remain in VEHI.

For employees very happy with VEHI's plans with low out-of-pocket costs and a virtual cap on premium share this is not a concern. For the school business offices I work with it is.

VEHI created a guide to assist both member schools and their unions in accurately comparing VEHI plans with VHC. We wanted to be sure when interested in doing this comparison, school

districts and their local unions have accurate information. The guide examines the three questions people ask in relation to their health care-

1. **What benefits are covered?**
2. **Can I see the doctor I want?**
3. **How much will it cost me?**

This guide is available on the VEHI website www.VEHI.org

Complicating the already complex environment further is the lack of clear path to Green Mountain Care. To date I have already witnessed incredible amounts of time and energy in our schools diverted from education to health care. There is little motivation or appetite for school districts to go through more than one major transition from the known world of VEHI to either VHC, GMC or some yet to be determined future for health care in Vermont. And with the varied length of collective bargaining agreements, school districts have different timing issues to consider, often for different classes of employees in the same district.

I hope you have a better appreciation for the increased complexity of collective bargaining for schools around health care. The decisions that face schools are multi-faceted and have long-term implications for school budgets. How can you help? **In order to make informed decisions at the bargaining table it is critical for school districts to know what future health care options and expectations will be and what will remain on the bargaining table regarding health care.**

The state needs to be clear as soon as possible -

- What will the Vermont health care system be and when it will commence?
- What will the role of the employer will be in contributing to that cost?
- Will the benefits covered be similar to what is offered currently on VHC or will they be materially less comprehensive?
 - a. If they are less comprehensive will a supplemental market be allowed? If so this will likely become an issue to be bargained.
- Will Vermonters share in the cost of the health coverage directly?
 - a. Will there be cost sharing based upon usage of the system through deductibles, copays or coinsurance? If so, this will likely be a material change for public school employees and have implications for bargaining.
 - b. Will there be a payroll tax? If so this will impact salary discussions during collective bargaining.
- Does the state feel it is in the public interest to have health benefit coverage and cost continued to be decided by school boards and local unions at the bargaining table hundreds of times across the state given the state's goal of a more unified system of health care?