

## MEMORANDUM

TO: Senate Finance Committee

FROM: Joel D. Cook, Executive Director, Vermont-NEA

DATE: March 26, 2014

SUBJECT: Collective bargaining and other employee issues in Act 48

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What follows is a series of questions developed by most of Vermont's labor organizations last fall. They relate to the transition to Vermont's reformed health care system and are questions to which we have been seeking answers since reform efforts began in earnest during the 2011-2012 Legislative Session.

### **Introduction**

Generally, about 100,000 Vermonters in union households have, for decades, forfeited wages in order to obtain and preserve good employer sponsored health care coverage within what has been a private insurance system. We look forward to a more sensible universal, publically financed system. In the transition, however, Vermont must guard against a windfall for those employers who cut or drop coverage at the expense of their employees' overall compensation.

We developed the recommendations on the next pages to help guide us in this transition period. They are consistent with these basic principles:

- **Working Vermonters should benefit.** In particular, if there are “system savings,” the savings should extend to household taxpayers as well as businesses.
- **Convenience and simplicity.** The system should function in a manner that is as convenient, and frankly simple, for consumers and patients as is practicable. This extends from enrollment and access to providers to taxpayer payment and reporting obligations.
- **Keeping what we have during the transition.** In the transition from our current system, shifting from access to coverage through employment to access to health care services as a basic right, working people should be insulated from economic loss. Beyond the transition period, responsibilities of employers and employees will be subject to change. The system’s transitional provisions should not lead to lower overall employee compensation from what it would be without system change.

## **Recommendations from labor organizations regarding the transition**

### **Voice during the transition:** *working Vermonters and their families*

1. **Citizen participation.** The Governor and Legislature should establish and rely on a citizens' advisory council to provide state government the perspective of Vermont's workers and their families. A great deal of attention has been given health care providers and the employer community. There is yet no formal group representing working Vermonters and their families. The Governor agreed last August to create a citizens' advisory council.

### **Insurance protection during the transition:** *comprehensive*

2. **Floor for insurance protection.** Minimum insurance protection levels in Green Mountain Care should be as comprehensive as those historically negotiated between unionized workers and their employers.
3. **Maintenance of insurance protection.** As the transition to a single payer system occurs, the level of insurance protection that had been provided through employment should be maintained.
4. **Supplemental insurance protection.** Employees, individually or collectively, should be free to negotiate with their employer for supplemental protection (services as well as tax costs and, if any, premium costs).

### **Costs during the transition:** *protect workers*

5. **Out of pocket costs.** During the transition, employees, in unions or not, should be able to maintain the same out-of-pocket obligations as immediately prior to the transition. Changes that occur after the transition will then be made without disadvantaging working people at the starting gate.
6. **Protect against economic loss.** During the transition, individual employees may face tax or fee increases and, without protection, they could also face compensation reductions. Most employees with employer-provided health coverage are paid less in wages or salaries than they would have been paid over the years without it. Vermont should avoid this obviously unfair potential double hit to working Vermonters. Working Vermonters should be insulated from economic loss in the transition.
7. **Need to know actuarial level.** To enable Vermonters to understand the total system costs to be publically financed, the actuarial value of the benefit plan should be no less than "platinum." The state has stated the amount to be funded by state revenue at more than \$1.5 billion, but it has not specified the level of expected employee out-of-pocket costs. Without knowing the actuarial level subject to public financing, no one can either estimate what actual out-of-pocket costs to employees and others will actually be or assess the acceptability of different funding and taxing mechanisms.

### Other matters during the transition

8. **Residency.** Many Vermonters work in neighboring states, and many residents of neighboring states work in Vermont. Vermont's health care system should address their varying interests:
- Vermonters working elsewhere may currently enjoy health benefits through their workplace. What are the taxpayer implications for these working Vermonters?
  - Vermont-based employees from other states may currently have health benefits through their workplace. What are the taxpayer implications for these citizens from other states? What are the health care tax obligations for their employers? What happens to their employment-based health benefits? If they disappear, what will be available for them? Will Vermont's system extend to all who pay Vermont taxes?
  - Generally, we believe out-of-state coverage should be considered primary, with Vermont's Green Mountain Care secondary. This likely is similar to how the state should address the thousands of Vermonters working for the federal government or employees with Vermont employers but based out of state.
9. **Retired Vermonters.** The proposed system, apart from suggesting that Medicare will continue to be "primary," does not yet address the many issues facing retired workers. For example, what level of involvement will there be by former employers that provided retiree health coverage? To what degree will retirees face increased costs, either through out-of-pocket health costs or taxes? To what extent is Green Mountain Care being designed to induce retirees to come to Vermont, leave Vermont, or remain neutral on matters affecting retiree life choices?