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Healthcare Recapture Summary

August 15th, 2017

Virtually all Vermont public school employees will be covered by new health care plans, beginning January 1, 2018. This is a result of stipulations in the federal Affordable Care Act. The Administration and General Assembly recognized that the change in health care plans could generate savings in local school budgets due to lower premium costs. Act 85 finds that all supervisory unions and public school districts should be able to achieve savings. It directs the Agency of Education (AOE) to calculate the projected amount of savings for each supervisory union or district in accordance with a formula and to deduct those amounts from the education payments made in the second half of FY2018 and in FY2019 as follows:

- 65% of the amount in FY2018
- 35% of the amount in FY2019

The law defines the estimated district/supervisory union share of health care costs for district or SU employees to be 80% of the premiums plus contributions to health reimbursement accounts (HRA) and health savings accounts (HSA). Public school employees are defined as employees who are permitted to collectively bargain, which excludes superintendents, assistant superintendents, and business managers.

Public school districts and supervisory unions provided AOE with their share of the actual FY2017 health care costs plus counts of employees on three tiers of health care plans as of April 1, 2017: individual, two-person or parent/child, and family plans. AOE allocated supervisory union health care costs back to the member school districts and career technical education centers, based on percentages received from the supervisory unions. The amount of potential savings to recapture is the difference between the FY2017 health care costs and an estimate of the FY2018 costs, with FY2018 costs being based on the employees as of April 1, 2017, the Vermont Education Health Initiative (VEHI) Gold Consumer Driven Health Plan (CDHP), and a contribution to an HSA or an HRA.

To calculate the FY2018 estimate, the cost for the first half of FY2018 was presumed to be one-half of the district share FY2017 costs. The VEHI premiums were fixed for 18 months, a period that included all of FY2017 and the first six months of FY2018. Additionally, this assumption was made as the legislation directed AOE to use the pool of employees as of April 1, 2017 (FY2017), and their current plans, as the basis for estimates.

The estimated costs for the second half of FY2018 were based on the districts paying an 80% share for six months of the premium for the employees in the pool as of April 1, 2017, plus half of the annual contributions to an HRA or an HSA. The calculation assumed that 25% of districts and supervisory unions use an HSA, with contributions funded at 100%, and 75% use an HRA

funded at 60%. The FY2018 second half estimate was then inflated by 5%, as directed by the legislation - sec. H.6 (a)(1)(B). As with the FY2017 calculation, the supervisory union health care costs were allocated back to the member school districts and career technical education centers.

The estimates for the first and second half of FY2018 were summed by district and then subtracted from each district's actual FY2017 health care costs. The difference was the amount to recapture in savings.